SBERBANK

Annual Report | 2018

DenizBank
FINANCIAL SERVICES GROUP

DenizBank in Numbers

We are leaving behind 2018 - a year we reached successful financials, continuing to create value for both our stakeholders and Turkish economy.

Total Assets
TL 197 billion

Total Loans[1]
TL 139 billion

Shareholders' Equity
TL 15.5 billion

Deposits[2]
TL 137 billion

Net Profit
TL 2.2 billion

Number of Customers
12.7 million

Number of Branches[3]
754

[1] Includes factoring and leasing receivables.
[2] Excludes bank deposits.
[3] Includes DenizBank AG branches.

As an institute dedicated to the development of our economy and future of our country since the day one, we continue growing while creating value for our country with our support for niche sectors which we pioneer and our vision of providing benefit to people's lives.

With the awareness of creating a safe future for all stakeholders we contact, our motto is "less talk, more work" and we continue working and producing the best we can.

NEFES

SMEs IN DENİZBANK

~1.8

MILLION

In line with serving to the country's future, we have taken on the mission of supporting the development of SMEs which are the arteries of the economy. In line with this perspective, we are proud of supporting the Nefes Project for the second time in 2018 as the only private bank and thus giving a breath (NEFES) to over 20 thousand SMEs.

AGRICULTURE
SECTOR CUSTOMERS
+1.2
MILLION

We are doing our best for the development of the agriculture sector which we consider a national matter, with our 42% market share and awareness that we owe each day that we are fed to our farmers, we mobilize our resources for our producers, agriculture and thus our country. Today, we are proud of being the private bank which supports agriculture the most with our services that we provide wherever our farmers are, from land to greenhouse and with our Denizden Toprağa application, a real innovation for the sector, which serves as the smart consultant of the producer in the field.

ABUNDANCE

We are Preparing for the Future with “Data Science Program”

As an institution that has the technology and innovation embedded in the DNA of its activities, we believe in the importance of data-based service model which originates from the real needs of customers. In line with this approach, with Data Science Program a first in the sector, which went live in July, we are getting ready to carry the customer experience to higher levels and make breakthrough moves for the sector with data scientists who dominate the Banking sector.

DEVELOPMENT

Resource to +300 Projects Transforming Big Dreams into the Future

We consider supporting vital projects as our social responsibility duty towards the sustainable development of our country such as Yavuz Sultan Selim Bridge, Istanbul Airport, TAV Bodrum Airport and Ilısu Dam as well as PPP urban hospitals.

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Contact Information

DenizBank Financial Services Group (DFSG)

Banking Services

- DenizBank
- DenizBank AG (Austria)
- DenizBank Moscow (Russian Federation)
- Eurodeniz International Banking Unit Ltd. (TRNC)

Leasing, Factoring

- DenizLeasing
- DenizFaktoring

Private Banking and Investment Activities

- DenizBank Private Banking
- DenizInvest Securities
- Deniz Real Estate Investment Trust
- DenizAsset Management

Information Technology Services

- Intertech
- Ekspres IT and Trade

Cultural Services

- DenizKültür

Other Services

- Bantaş
- Açık Deniz Radio-TV
- Deniz Card Payment Systems

DenizBank's Mission, Vision

DenizBank's mission

is to become a bank that maximizes employee, customer and shareholder satisfaction with its position, image and corporate characteristics in the market by adopting a supermarket approach to financial services.

DenizBank envisions

becoming one of the five largest banks in Turkey and the foremost financial institution in the region defined as the Middle East, Balkans, Caucasus and Commonwealth of Independent States countries through sustained and profitable growth.

Dividend Distribution Policy

After deducting any sums that would be compulsory for the Bank to pay or set aside, such as general expenditures and miscellaneous depreciation costs as well as any amount of taxes that would be compulsory for the Bank to pay, from the calculated income at the end of the accounting year, the remaining sum shall constitute the net income; after deducting the previous year's losses, if any, the net income shall be distributed as follows:

First Scheme Legal Reserves:

a) 5% of this sum shall be allocated to the legal reserves.

First Dividends:

b) Out of the remaining amount, the rate and amount set by the Capital Markets Board of Turkey is allocated to the first dividend.

Second Dividends:

c) After deducting any sums specified in item (a) and (b) from the net income, the General Assembly shall be authorized to distribute such remaining amount, in part or in full, or to allocate as the extraordinary reserves.

General Legal Reserves:

d) Out of the sum calculated after deducting a dividend of 5% of the paid-in capital from the set amount to be distributed to the shareholders and other parties participating in the profit, 10% shall be added to the general legal reserves in accordance with Article 519, Paragraph 2, Item c of the Turkish Commercial Code.

Unless the discretionary legal reserves are duly set aside, and unless the dividends determined for the shareholders are distributed in cash and/or in the form of share certificates as per the Articles of Association, no decision may be adopted to allocate further legal reserves, to pass any profits to the following year, or to distribute any dividends to the members of the Board of Directors as well as any officials, workers and employees, to foundations established for various purposes, and to similar person and/or persons.

The date and manner of distribution to shareholders of the annual profit shall be determined by the General Assembly upon a proposal by the Board of Directors prepared under the relevant legislation issued by the Capital Markets Board. As of the accounting period of the dividend, irrespective of its issuing and acquiring dates, annual profit shall be distributed equally to all existing shares. The profits distributed pursuant to the provisions of these Articles of Association shall not be recalled.

Dividend Distribution Proposal

As its meeting on February 22, 2019;

taking into consideration the net profit of the Bank for the financial year 2018 balance sheet amounting to TL 2,182,522,200.07 the Board of Directors hereby made a decision to submit for the approval of the General Assembly:

- to set aside 5% of the net profit, amounting to TL 109,126,110.00, as legal reserve as per Article 519/1 of the Turkish Commercial Code,

- to set aside the remaining TL 2,073,396,090.07 as extraordinary reserve.

Amendments to the Articles of Association

There were no changes in the Articles of Association in 2018.

Changes in the Management, Shareholding Structure and Activities of DFSG Companies

Sale of DenizBank Shares

On May 22, 2018, Emirates NBD Bank PJSC (Emirates NBD) and Sberbank of Russia (Sberbank) announced that they have entered into a definitive agreement whereby Sberbank will sell its entire 99.85% stake in DenizBank to Emirates NBD. Upon closing of the transaction, Sberbank will cease to be a shareholder in DenizBank. In accordance with the signed agreement, the consideration for 99.85% equals TRY 14,609 million under a locked box mechanism, based on consolidated equity capital of DenizBank as of October 31, 2017. In addition, Emirates NBD will pay interest on the consideration for the period between October 31, 2017 and the transaction closing date. All profits from the locked box date until the closing date will be to Emirates NBD's account. As part of the transaction, and on closing, Emirates NBD will assume ownership of DenizBank's subordinated debt previously provided by Sberbank. The process of the regulatory approvals is ongoing with relevant filings having been made to authorities in Turkey, Austria and UAE.

Capital Increase of DenizBank AG

The Bank has participated 100% in the increase of the paid-in Capital Increase of DenizBank AG, headquartered in Austria, a 99.99% owned subsidiary of the Bank, from EUR 211,830,894.05 to EUR 231,831,230.38 by the issuance of 27,521 registered ordinary shares of DenizBank AG (from 319,006 shares to 291,485 shares) with an issuing price of EUR 1,816.83 per share which must be paid in cash. Following the transfer of EUR 20,000,336.33 to the "Paid-in Capital" account and EUR 30,000,642.10 to the "Share Premium" account, EUR 50,000,978.43 in total for all newly issued shares; the capital increase was completed on December 20, 2018.

Any Events Occurring After the End of Operating Period that Have a Special Importance

The process of the regulatory approvals related to DenizBank's share transfer is ongoing with relevant filings have being made to authorities in Turkey, Austria and UAE.

With the decision of the Board of Directors dated January 29, 2019, 100% shares of Deniz Kartlı Ödeme Sistemleri A.Ş., which a subsidiary of DenizBank Financial Services Group and owned by İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş., was purchased by DenizBank with a nominal value of 300,000 TL and the share transfer has been realized on January 29, 2019.

Shareholding Structure, Paid-in Capital and Changes, Shares Held by the Management

DenizBank's shareholding structure, and the shares held by ultimate controlling real person(s) as of December 31, 2018 are presented in the table below. DenizBank's shareholding structure does not contain any cross-shareholdings.

Shares Held by the Management

DenizBank's CEO Hakan Ateş owns 52,449 shares, corresponding to 0.000002% of the total capital.

DenizBank A.Ş. Shareholding Structure - 31.12.2018

Shareholders	Nominal Value (TL)	Share %
Sberbank of Russia	3,311,211,134	99.8526%
Central Bank of Russia		*49.9263%*
Foreign Institutional (inc. private investors)		*48.4085%*
Domestic Retail		*1.5178%*
Others	157	0.000005%
Publicly Listed	4,888,709	0.1474%
TOTAL	3,316,100,000	100.00%

DenizBank in Brief

With a service network reaches out to all segments of Turkish society, DFSG consolidated its operations, financial control and accounting functions at the head-office level and converted DenizBank branches into marketing centers. As a result of this strategy, DenizBank increased overall operational efficiency.

Acquired by Zorlu Holding from the Privatization Administration as a banking license in early 1997, DenizBank became one of the country's major banks in a short period of time.

In October 2006, Dexia, a leading European financial services institution, acquired DenizBank from Zorlu Group and remained its primary shareholder for six years. On September 28, 2012, DenizBank started operating under the umbrella of Sberbank Group, Russia's oldest and largest bank. (In May 2018, an agreement was reached between Dubai based Emirates NBD, the second largest bank in United Arab Emirates, and Sberbank, one of the largest banks in continental Europe, for the transfer of 99.85% of DenizBank shares; the approval process for the transfer continues before regulatory bodies in Turkey, Russia, United Arab Emirates and Austria as well as other countries where DenizBank has operations.)

A rapid and extensive transformation

Following privatization in 1997, DenizBank implemented a "Return to Life" program that encompassed employee recruitment and new branch openings as part of its new corporate identity. These initiatives were undertaken in line with a five-year strategic plan, with all the Bank's growth objectives ultimately achieved. This growth was bolstered by buying back certain branches that were transferred to the Savings Deposit Insurance Fund, and by the Group's acquisition of Tarişbank at year-end 2002. To further extend its banking products and services, DenizBank established factoring, leasing, investment and portfolio management companies and acquired banks in Austria and Russia during this period.

As a result of the Bank's solid capital base and balanced financial structure, as well as the rapid growth of Turkey's banking sector, DenizBank reinforced its strong market position in very short order. In 2003, DenizBank Financial Services Group (DFSG) was formed to create a "financial supermarket" that provides a wide variety of financial services under a single umbrella.

The "financial supermarket" era in banking

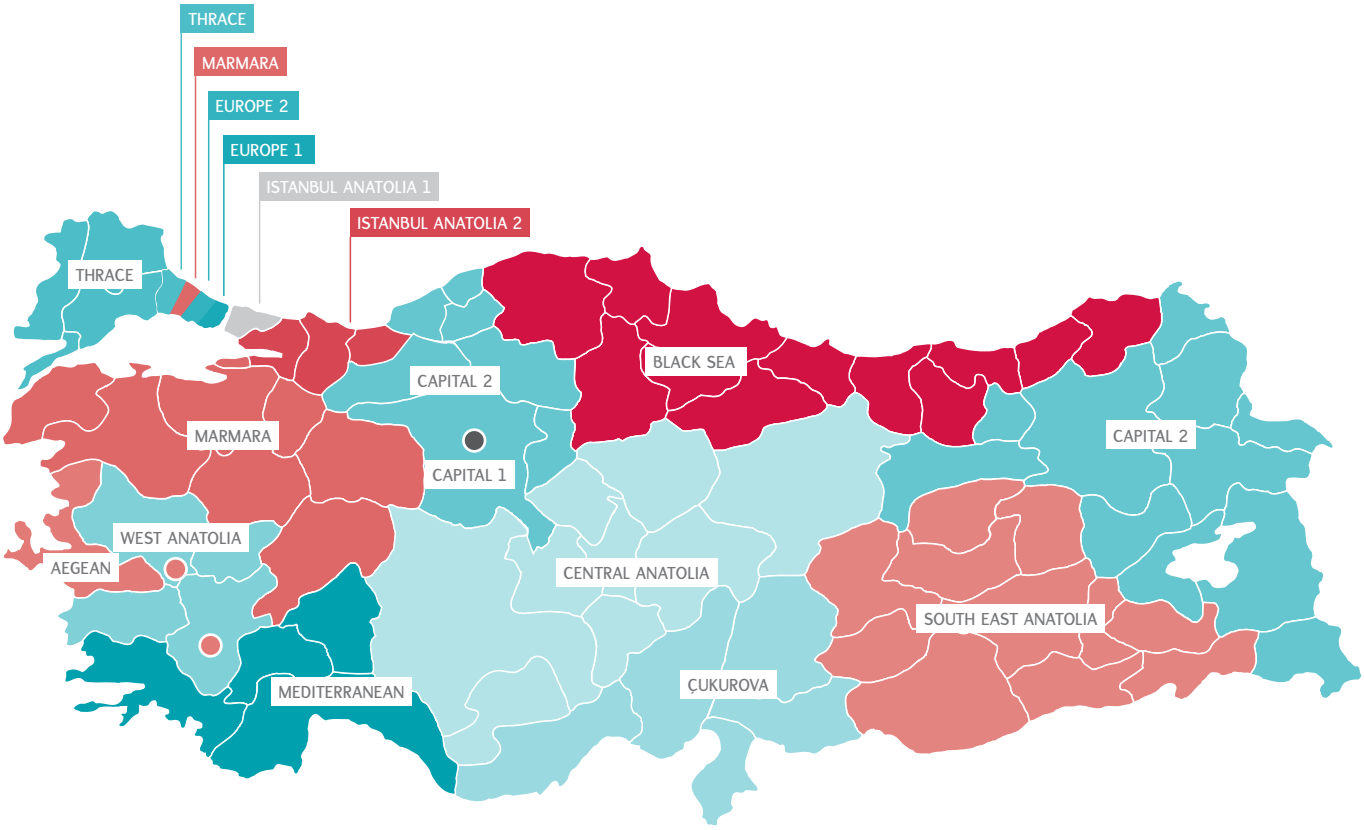
In addition to the flagship DenizBank, DenizBank Financial Services Group includes six domestic and three international financial subsidiaries, six domestic non-financial subsidiaries and a branch in Bahrain. The Group's domestic companies include Deniz Invest Securities, Deniz Real Estate Investment Trust, DenizAsset Management, DenizLeasing, DenizFactoring, Destek Asset Management*, Intertech, Ekspres IT and Trade, DenizKültür, Açık Deniz Radio-TV, Deniz Card Payment Systems and Bantaş. EuroDeniz, DenizBank AG and DenizBank Moscow are DFSG's international subsidiaries.

DenizBank Financial Services Group's primary customer segments include retail customers, small and medium-size enterprises, exporters, public and project finance customers, and commercial and corporate clients. The Group has identified the agriculture, energy, tourism, education, healthcare, sports, infrastructure and maritime industries as the top priority areas of its business activities. DFSG also operates in European Union countries via its Vienna-based subsidiary DenizBank AG. Additionally, DenizBank serves the Group's existing customers abroad that have commercial and trade ties with Russia, meeting their various financial needs.

DFSG consolidated its operations, financial control and accounting functions at the head-office level and converted DenizBank branches into marketing centers. As a result of this strategy, the Bank has maintained an optimal number of employees while increasing overall operational efficiency.

DFSG's service network reaches out to all segments of Turkish society. In addition to DenizBank's 711 branch locations in Turkey and Bahrain, DenizBank AG and DenizBank Moscow operate 43 branches in total. Additionally, DenizBank provides its retail and corporate clients the world over the opportunity to carry out financial transactions via the Internet, as part of its alternative distribution channel offering.

Deniz is Everywhere



Mediterranean
Muğla, Burdur, Isparta, Antalya

Europe 1
İstanbul

Europe 2
İstanbul

Capital 1
Ankara

Capital 2
Ankara, Zonguldak, Bolu, Bartın, Karabük, Çankırı, Kırıkkale, Bayburt, Erzincan, Erzurum, Ardahan, Kars, Iğdır, Ağrı, Muş, Bitlis, Van, Hakkari

West Anatolia
Manisa, Aydın, Uşak, Denizli

Çukurova
Mersin, Adana, K.Maraş, Hatay, Gaziantep

Aegean
İzmir

South East Anatolia
Malatya, Tunceli, Bingöl, Elazığ, Diyarbakır, Adıyaman, Şanlıurfa, Batman, Mardin, Siirt, Şırnak

Istanbul Anatolia 1
İstanbul

İstanbul Anatolia 2
Kocaeli, Sakarya, Düzce

Black Sea
Kastamonu, Sinop, Çorum, Samsun, Amasya, Tokat, Ordu, Giresun, Gümüşhane, Trabzon, Rize, Artvin

Marmara
Yalova, Çanakkale, Balıkesir, Bursa, Kütahya, Bilecik, Eskişehir, Afyon

Central Anatolia
Konya, Aksaray, Karaman, Kırşehir, Nevşehir, Yozgat, Sivas, Kayseri, Niğde

Thrace
Edirne, Kırklareli, Tekirdağ

Sberbank in Brief

Sberbank seeks to reach a new level of competitiveness and technology, while remaining the best bank for people and business, targeting sustainable growth and value accretion for shareholders, society, and the country.

WORLDWIDE
151
MILLION
CUSTOMERS

~296
THOUSAND
EMPLOYEES

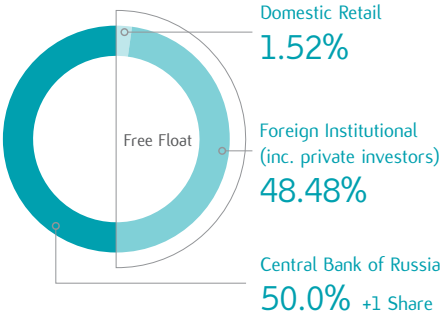
Established in 1841, Sberbank is a universal commercial bank with diversified businesses, providing financial services to retail and corporate customers in all regions of presence. Sberbank's geography covers 22 countries, including Russia, and 151 million clients worldwide. In Russia, Sberbank has 92 million active retail customers and 2.4 million active corporate customers. Sberbank plays a significant role in Russia's economy as the largest commercial bank in terms of assets, deposits and loans with market shares of 30.4%* in assets, 45.1%* in retail deposits and 41.4%* in retail loans.

Sberbank seeks to reach a new level of competitiveness and technology, while remaining the best bank for people and business, targeting sustainable growth and value accretion for shareholders, society, and the country.

Sberbank offers its services in Russia through the largest distribution network of 14.2 thousand branches as well as promotes banking via remote channels. The number of Sberbank Online active users is close to 42 million for apps and 23 million for web version, while Mobile Bank has 30 million active users. Sberbank's network of c. 77 thousand ATM and self-service terminals is the largest in Russia.

Sberbank's international footprint is spread through subsidiary banks in the CIS region (Kazakhstan, Ukraine and Belarus), Turkey via DenizBank, Switzerland, Austria and countries of Central and Eastern Europe via Sberbank Europe as well as through a branch in India and representative offices in Germany and China.

Sberbank Shareholder Structure



Sberbank's major shareholder is the Central Bank of Russia, which owns 50% of the Bank's share capital plus one voting share, while the remaining shareholder base is represented by a wide range of international and domestic investors. The Bank's ordinary and preferred shares have been publicly traded in Russia since 1996; Sberbank's American Depositary Shares were listed on the London Stock Exchange, admitted to trading on the Frankfurt Stock Exchange and, trade over the counter in the United States.

General banking license by the Bank of Russia No. 1481.
Sberbank's official website is www.sberbank.com.
**According to Sberbank's calculation as of 01.01.2019*

SBERBANK IN RUSSIA:

Retail Deposits Market Share
45.1%(*)

Active Retail Customers
92 Million

Retail Loans Market Share
41.4%(*)

ATM and Self-Service Terminals
~77 Thousand

Corporate Loans Market Share
32.7%(*)

Branches
~14.2 Thousand

(*)According to Sberbank's calculation as of 01.01.2019

Financial Highlights

In 2018, DenizBank has achieved successful financial and operational results and added value to its shareholders' saving.

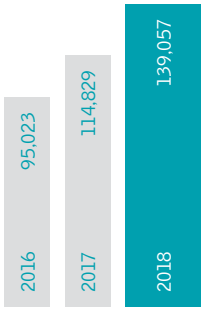
Consolidated

Total Assets (TL Million)

23% Increase

Loans[1] (TL Million)

21% Increase

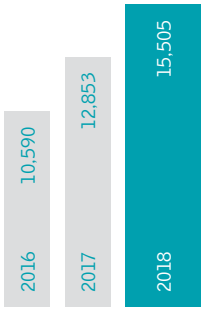


Deposits[2] (TL Million)

28% Increase

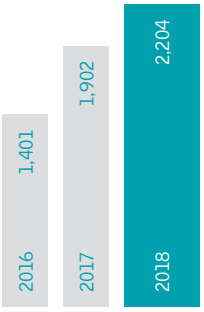
Shareholders' Equity (TL Million)

21% Increase

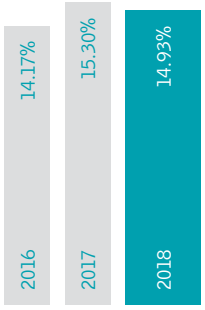


Net Profit (TL Million)

16% Increase



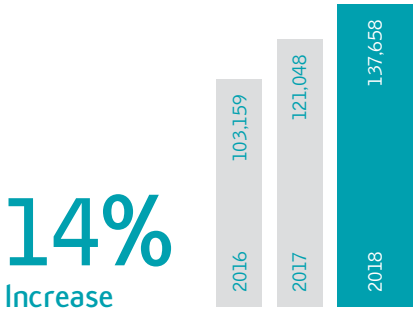
Capital Adequacy Ratio



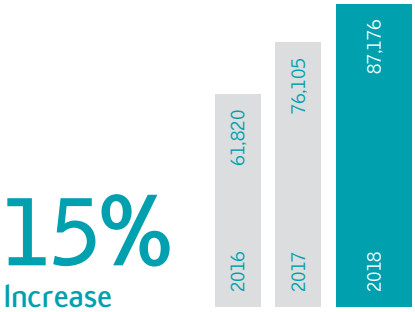
[1] *Includes factoring and leasing receivables.*
[2] *Excludes bank deposits.*

Unconsolidated

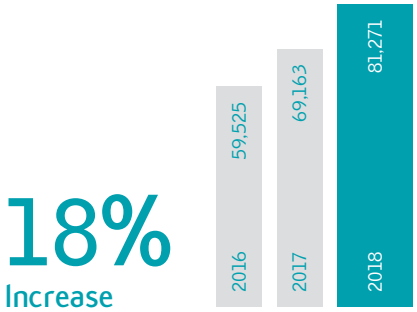
Total Assets (TL Million)



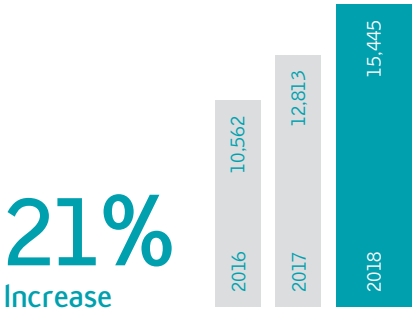
Loans (TL Million)



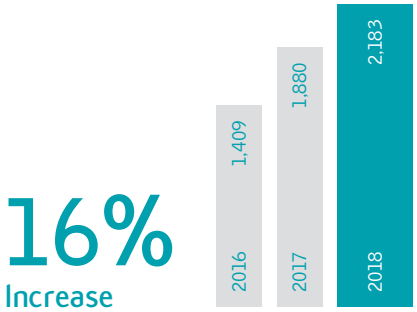
Deposits[1] (TL Million)



Shareholders' Equity (TL Million)



Net Profit (TL Million)



Capital Adequacy Ratio

[1] *Excludes bank deposits.*

2018 in Brief

DenizBank launched the "Data Science Program" – a first in Turkey in terms of its scope and participant size – and an important milestone for the Bank's customer-oriented vision of the future.

JANUARY-FEBRUARY-MARCH

- DenizBank commenced a strategic partnership for National Wallet – Shared Payment Platform of Turkey to extend banking services to a wider base in Turkey and improve financial inclusion.
- Trabzon Port was offered to the public with the leadership of Deniz Invest Securities.
- The first Agriculture Summit meetings, organized with the cooperation of DenizBank & Hürriyet and taking place across Turkey, was held in Aydın.
- The Ninth Agriculture and Human Photography Contest's Awards Ceremony was held in Ankara with the sponsorship of DenizBank.
- DenizBank won the Silver MIXX Award in the "Real-Time Interaction" category at the Eighth MIXX Awards Turkey Competition, with the "Beyler Ben Gidiyorum" post where it celebrates Beşiktaş's qualification out of the groups in the UEFA Champions League.
- DenizBank and Boğaziçi University aim to accelerate innovation in agriculture with a cooperation called the Innovative Agriculture and Food Business Platform.
- DenizBank CEO Hakan Ateş and the Bank's senior executives welcomed women employees at the headquarters entrance on March 8, International Women's Day and special activities took place throughout the day.
- DenizBank continued providing assistance to SMEs as the only private bank to support the second Nefes Loan Project.
- The premiere of the movie "Bizim Köyün Şarkısı," sponsored by DenizBank, was held with participation of famous names from the world of cinema.

APRIL-MAY-JUNE

- DenizBank signed an agreement with Turkish Exporters Assembly and seven banks to provide financing to 71 thousand exporter firms.
- The exhibition hall GaleriDeniz, located at DenizBank headquarters, hosted the artworks of students from Mimar Sinan Fine Arts University.
- At the end-of-year 2017 Aon Best Employers program of Aon Hewitt, one of the world's leading firms in the field of human capital and management consulting, Deniz Faktoring garnered the Aon Best Employer award.
- DenizBank was presented with the Red Award in the "Best Real-Time Digital Communication" category at the Red Awards competition, with the "Beyler Ben Gidiyorum" post where it celebrates Beşiktaş's qualification out of the groups in the UEFA Champions League.
- With the "Deniz'e Çek Gönder" campaign, DenizBank won the Bronze Effie Award at the Effie Turkey Advertisement Event Competition organized by the Association of Advertising Agencies and the Association of Advertisers.
- DenizBank celebrated Farmers' Day at Deniz Tower with a number of events where the Bank's agriculture journey was explained to press members in detail. In addition, the most distinguished works from the "Agriculture and Human" Photography Contest were exhibited in GaleriDeniz.
- Sberbank and Emirates NBD signed the final agreement for transfer of 99.85% shares of Denizbank A.Ş.
- Harbiye Open-Air Concerts started to meet music lovers with the name sponsorship of DenizBank.
- DenizBank launched an advertising campaign comprised of three videos prepared for the Bank's new application that enriches shopping experience of customers.

- DenizBank's CEO Hakan Ateş was presented with the Gentleman Banking Honor Award at the Gentleman Awards Ceremony, an event organized by Gentleman Turkey magazine every year.
- DenizBank supported the Laodicea Ancient City excavation project with the aim of protecting the cultural legacy of Turkey.
- Under its cooperation with TÜRSAB, DenizBank started to grant special support loans up to TL 100,000 to member agents.
- Providing services in information technologies with their team of Turkish engineers, all specialists well-trained in IT, Intertech has migrated the existing banking system of HSBC Turkey over to the Inter-Vision Integrated Banking Platform.

JULY-AUGUST-SEPTEMBER

- DenizBank was one of the sponsors for the 14th Bodrum Music Festival, held on August 4-8, 2018.
- DenizBank, in collaboration with FODER, conducted finance lectures to 10 thousand students to boost financial literacy in Turkey.
- DenizBank has extended its cooperation with the world's biggest bar association – Istanbul Bar Association – for an additional 3-year period.
- DenizBank's Credit X work which brings a new perspective to targeted advertising, won the Innovation in Marketing Award at the BAI Global Innovation Awards.
- DenizBank Harbiye Open-Air Concerts continued throughout September.
- With the fastPay application, new partnerships were started in various locations across Turkey providing a discount to customers in their electricity bills.
- DenizBank launched the "Data Science Program" – a first in Turkey in terms of its scope and participant size – and an important milestone for the Bank's customer-oriented vision of the future.

OCTOBER-NOVEMBER-DECEMBER

- DenizBank sponsored Istanbul State Symphony Orchestra (IDSO) concerts, its 15th year doing so.
- DenizBank was a sponsor of the Fourth International Ankara Puppet Festival.
- "Orkestra Akademik Baskent (Orchestra Academic Capital City)" Concerts started the new season with the sponsorship of DenizBank.
- The 21st Captains Meeting was held in Antalya with the participation of 1,400 Captains from across the Bank.
- DenizBank introduced the first World Elite product – "Deniz Private Limited Edition" – with Mastercard.
- With its "Beyler Ben Gidiyorum" post shared to celebrate Beşiktaş's qualification out of Champions League groups, DenizBank was awarded the Bronze prize in the "Social Media/Real-Time Action – Service" category at the Crystal Apple Elma Creativity Festival.
- DenizBank won second place in the "Corporate Social Responsibility – Social, Sustainable, Responsible Banking" category at the EFMA DMI Awards 2018, with its "Heralds of Digital Change" project. This innovative initiative focused on supporting integration of technology into the agriculture sector while encouraging youth to become involved in agricultural activities.

- Istanbul Toy Museum hosted a DenizBank-sponsored arena theatre named Helikon, where the toys come alive at the museum.
- The Fourth Istanbul Black Week Festival was held November 23-24 at Pera Palace Hotel with the main sponsorship of DenizBank and the participation of well-known faces from crime fiction.
- DenizBank's 2017 annual report titled "We have created unforgettable masterpieces over the past 20 years" was the Silver winner at the 2018 International ARC Awards in the "Banks: International" category.
- As a part of its mission to support tourism in Turkey, DenizBank became the main sponsor of Resort Tourism Congress that is organized by the Mediterranean Touristic Hoteliers Association (AKTOB) for the 7th time.
- Winners of the 3rd DenizBank First Scenario, First Film Contest, organized with the collaboration of DenizBank and TURSAK (Turkish Foundation of Cinema and Audiovisual Culture) have been rewarded with a ceremony.
- GaleriDeniz hosted the Exhibition "Ecrin" by the sculpture artist Özge Günaydın who aims to raise awareness about nature love and animal rights with the collaboration of Nil Education and Mutual Aid Society.
- Approaching agricultural support as a national concern, DenizBank realized the 6th Agriculture Summit in collaboration with Hürriyet newspaper in order to discuss in detail the issues faced by producers and recommendations for solutions.
- According to research of Turkey's Top 500 Companies by Capital magazine, DenizBank was awarded with the Vodafone Digitization Award.

2018 Awards

A Deluge of Awards for "Beyler Ben Gidiyorum"

DenizBank garnered the Silver MIXX Prize in the "Real-Time Interaction" category at the 8th MIXX Awards Turkey, with its "Beyler Ben Gidiyorum" post shared to celebrate Beşiktaş's qualification out of Champions League groups. The same project won the Red Award in the "Best Real-Time Digital Communication" category at the Red Awards and the Bronze Prize in the "Social Media/ Real-Time Action – Service" category at the Crystal Apple Innovation Festival 2018.

MAY

At the Effie Turkey Advertising Event Competition organized by the Association of Advertising Agencies and the Association of Advertisers, DenizBank won the Bronze Effie Award with its "Deniz'e Çek Gönder" campaign.

Deniz Faktoring was named "Aon Best Employer" by Aon Hewitt, one of the world's leading human capital and management consulting firms.

AUGUST

DenizBank's Credit X work, which brings a new perspective to targeted advertising, won the Innovation in Marketing Award at the BAI Global Innovation Awards.

At the Effie Turkey Advertising Event Competition organized by the Association of Advertising Agencies and the Association of Advertisers, DenizBank won the Bronze Effie Award with its "Deniz'e Çek Gönder" campaign.

OCTOBER

DenizBank placed second in the "Corporate Social Responsibility – Social, Sustainable, Responsible Banking" category at the EFMA DMI Awards 2018, with its "Heralds of Digital Change" project. This innovative initiative was designed to support integration of technology into the agriculture sector and encourage youth to become involved in agricultural activities.

DenizBank's 2017 annual report titled "We Have Created Unforgettable Masterpieces over the Past 20 years" was the Silver winner at the 2018 International ARC Awards in the "Banks: International" category.

DECEMBER

According to research of Turkey's Top 500 Companies by Capital magazine, DenizBank was awarded with the Vodafone Digitization Award.

Message from the Chairman of the Board of Directors

DenizBank has strong potential to achieve a sustainable performance in the coming years.

Dear Stakeholders, Customers and Business Partners,

2018 was marked by significant volatility in Turkish economy. Adverse developments in domestic and international markets triggered rapid devaluation in the Turkish lira of over 40% by August and caused inflation to run above 20% year-on-year in November.

Prescriptive measures taken by the Central Bank and the banking regulator helped stabilize the Turkish market and positively impact investor confidence by year's end.

The turmoil surrounding Turkey's economy resulted in higher costs of external funding for the banking sector. Despite these challenges, major Turkish lenders saw earnings growth for the year with NPLs remaining at a reasonable level of 3.6%.

DenizBank demonstrated a decent performance in 2018. Thanks to ongoing efforts to improve customer experience and deliver convenient banking solutions, DenizBank expanded its customer base during the year. The Bank's focus on lending to niche sectors of the economy – such as education, health, shipping, energy, infrastructure, tourism and loans to SMEs– mitigates the impact of systemic risks.

DenizBank remains well positioned in terms of its liquidity and funding profiles. The Bank's prudent risk management approach should continue to support the credit quality of its loan portfolio.

I am grateful to all the stakeholders who have actively supported DenizBank's developments for six years within the Sberbank family. DenizBank has strong potential to achieve a sustainable performance in the coming years.

Kind regards,

Herman GREF
Chairman of the Board of Directors

Message from the CEO

As DenizBank, we will focus on our objective to add value to our society, put our know-how in innovation and data science in the core of our activities and continue to work for our most valuable asset, our people, our niche sectors which we always support and our country on a larger scale.

Esteemed Friends of Deniz,

Despite conflicts of power among trade blocks, the global economy, which continued its strong growth in 2018, is expected to grow by 3.7% similar to its last year's performance according to IMF estimates. While the trade-related competition between the USA and China was marked the global economy in 2018, tariffs imposed by the USA on certain Chinese imports aggravated trade disputes and global headline inflation rate started to increase with the impact of rise in energy prices.

Strong growth performance observed in global economy despite commercial disputes

While the USA gained a conspicuous acceleration in economic activities with the influence of the fiscal expansion policies in 2018, inflation rate reached the level aimed by the Fed. Parallel to the improvement in the economy, Fed continued with the tapering policy that they exercised since 2015 and raised interest rates four times in 2018. Having reached the highest economic growth of the last decade in 2017, Eurozone continued its positive economic course in 2018 despite being partially affected by geopolitical risks. With the impact of positive climate, European Central Bank (ECB) decided to end their bond purchasing program and cease quantitative easing policy as of the end of 2018. It is expected that the ECB will raise their record-low interest rates incrementally starting from end of 2019. Emerging economies led by China and India had a rebound within the year with the impact of increasing commodity prices besides strong internal and external demand. Having entered into a milder growth path in recent years, China continued with controlled slowdown and their growth rate declined to 6.5%.

Monetary policies of Central Banks become prominent on a global scale

As the FED raised interest rates gradually, capital inflows to emerging economies lost some momentum compared to 2017. With the ECB and Bank of Japan (BoJ) not in hurry for monetary normalization, capital inflow to emerging economies continued while markets expect that it will remain below what it was after the global crisis.

Re-balancing steps in Turkish economy

Having had the highest growth performance among emerging economies in 2017 with the support of expansionary fiscal policy besides strong domestic demand, Turkey continued its growth performance in the first half of 2018 with limited loss of momentum. High volatility in financial markets and deterioration in pricing behavior in the second half of the year, especially starting from August, caused slowdown in consumption and investment expenditures by bringing along increase in inflation rate and interest rates in the market. Accordingly, growth rate was set as 3.8% for 2018 and 2.3% for 2019 within the framework of the New Economic Programmed. While such developments led to slowdown in consumption and investment expenditures, significant decline was observed in current account deficit with the support of strong external demand. As DenizBank, we believe that Turkish economy will have moderate growth in the upcoming period in the light of tight monetary and fiscal policies actualized starting from the second half of 2018 and re-balancing process based on low public and household indebtedness. Robustness of the Turkish banking sector and dynamism of the private sector will have a supportive role in this process.

Message from the CEO

Since day one, we embedded a service approach shaped to contribute to human life and our country's future into the core of our financial achievements.

Determined policies by CBRT to fight inflation

The volatility occurring in financial markets in 2018 was successfully managed thanks to the strong steps taken by the Central Bank of the Republic of Turkey (CBRT) and Banking Regulation and Supervision Agency (BRSA) in the right time, in coordination with the management of economy. CBRT raised interest rate by 500 bps in the first half of 2018 and by 625 bps in August after the severe fluctuation in the market, bringing the policy rate to 24%. We estimate that the Central Bank will prioritize fight against inflation in 2019 as they emphasize that the tight stance in monetary policy will be continued until significant improvement is ensured in inflation outlook.

We support New Economic Program targets as DenizBank

Peaking in the first half of 2018 parallel to the re-balancing process in the economy, budget deficit saw a fast decline in the second half of the year. The budget deficit / GDP ratio, which rapidly increased with the impact of pro-growth policies in 2017, had a moderate increase thanks to the re-balancing steps taken in 2018. With the additional revenue and saving measures within the framework of the New Economic Program covering 2019-2021, it is estimated that such ratio will evolve at reasonable levels in the upcoming period. Featuring budget discipline, which is the strongest anchor in Turkish economy, the New Economic Program aims for the budget deficit/ GDP ratio to remain below 2% and primary surplus / GDP ratio to go above 1% incrementally in the medium term. As DenizBank, we will continue to mobilize our resources to support the macroeconomic targets of the New Economic Program.

Strong financial results to carry DenizBank to the future

As DenizBank, we once more have reached successful financial results in 2018 in the guidance of our robust corporate culture of more than 20 years. As the fifth largest private bank in Turkey, we raised our assets on a consolidated basis to TL 197 billion on a y-o-y basis, growing by 23% and reinforced our strong position in the market. Our unconsolidated assets grew by 14% on a y-o-y basis, reaching TL 138 billion. Besides increasing our net profit to TL 2.2 billion with 16% growth on a y-o-y basis, we continued to outperform the sector in terms of ROE with great stability.

In addition to our branch network of 754 branches in 81 provinces of Turkey as well as 43 subsidiary branches abroad, we raised our customer deposits to TL 137 billion and TL 81 billion on a consolidated and unconsolidated basis, respectively thanks to our customer base which expanded increasing by 10% in the last one year.

As DenizBank, we continued to transfer the funds we secured in 2018 into the economy and reached a consolidated cash loan volume of TL 139 billion. While our unconsolidated cash loan volume realized as TL 87 billion, our consolidated cash and non-cash loan volume amounted to TL 173 billion.

Within this context, we assumed it as our duty to support education and health sectors due to our demographics, shipping and tourism due to our geography and energy and infrastructure sectors as we are a transition economy. Besides these, we continued to provide finance to municipalities and sports clubs. As a consequence of our vision to stand by every project that will carry Turkey and quality of human life further ahead, we provided 20 billion USD project finance to national projects such as the 3rd Airport, Ankara Train Station, Third Bosporus Bridge, Bilkent and Mersin PPPs which are critical for the future of our country.

As we continue our works in different business lines, we keep the concept of "data" as our focal point to carry customer experience to a whole new level and to draw future roadmaps.

We continued to provide full support to SMEs and farmers in 2018

As DenizBank, we continued to work ambitiously in a determined way in the agriculture sector which is key in the path of development in Turkish economy and which we consider as a national matter with small and medium sized enterprises. In 2018, we continued to be the only bank to participate in the Nefes (Breath) Facility, carried out in collaboration with the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and Credit Guarantee Fund (KGF), aiming for SMEs to access low-cost funding. We provided financial support to over 20 thousand SME customer under Nefes Facility since 2017. We also did our best for farmers to produce more efficiently under more comfortable conditions and access financial resources easily with over 1.2 million customers, with 42% market share in agricultural banking, where we are the sector leader. On the other hand, upon merging our know-how in innovation with our expertise in agriculture, we reached over 100 thousand farmers with the "From Deniz to Earth" application, which we designed as the smart advisor of producers in the field and actualized as a new model to enhance technology-based efficiency.

We shape the future with big data

As we continue our works in different business lines, we keep the concept of "data" as our focal point to carry customer experience to a whole new level and to draw future roadmaps. Within this framework, as a first in the sector, we initiated the Data Scientist Training Program to raise colleagues who know banking sector and professionals in data science. Our objective is to keep data science in the core of our activities in the future and to mark achievements that take the sector into a new era and detect the needs of our customers before them and add value to their lives.

Quality of our products and services received awards

Our innovative products and services, which are the outcome of our vision to build a bridge between human and technology, earned our bank many international and local awards in 2018 as in previous years. Our "Ambassadors of Digital Change" project which we initiated to support the integration of the agricultural sector with technology and encourage young population who do not wish to continue agricultural activities received second prize in EFMA DMI Awards 2018 in "Corporate Social Responsibility – Social, Sustainable, Responsible Banking" category. Our "Credit X", which is a new perspective in targeted advertising earned "Innovation in Marketing Award" at BAI Global Innovation Awards while "Send Cheques to Deniz", which is our mobile application carrying factoring transactions into mobile phones received a Bronze Effie.

We will set sail for bigger targets

I would like to take this opportunity to thank all stakeholders who contributed to our journey in 2018, primarily our shareholder Sberbank, which enhanced our strength in the six years we worked together. The biggest power behind us in our history of 21 years has been the confidence of our stakeholders in our bank and of course, the devoted work of our Sailors. In the future, we will continue to focus on our objective to add value to our society, have our know-how in innovation and data science in the core of our activities and create value for niche sectors and our country on a larger scale.

Sincerely,

Hakan ATEŞ
CEO

Banking Services

DenizBank continued to expand its branch network in line with the strategy of delivering closer and more active services to customers, particularly in the Retail Banking, SME Banking and Agricultural Banking segments.

DenizBank Customer Segmentation

DenizBank has classified customers into six main segments to reflect its customer-oriented service approach across its operations in the most effective manner.

Corporate Banking: This segment serves all companies with annual sales turnover of at least TL 200 million, as well as the groups to which these companies belong. (Financial services companies are included in this segment regardless of their turnover amount.)

Commercial Banking: This segment serves companies with annual sales turnover of at least TL 40 million that do not fall within the scope of the Corporate Banking segment.

Public Banking: This segment serves local public administrations, their subsidiaries and economic enterprises, as well as state economic enterprises, their establishments and subsidiaries, and all other enterprises in which the public or public companies hold at least a 50% stake.

SME Banking: This segment serves firms and sole proprietorships with annual turnover of less than TL 40 million, as well as the owners and partners of businesses (from TL 25 million to TL 40 million is the common area with Commercial Banking).

Agricultural Banking: This segment covers producers with farmer certification who earn a living from agricultural activities as well as agricultural organizations with legal entity status and agribusinesses.

Retail Banking: This segment serves individuals, self-employed professionals, owners and partners of corporate and commercial segment companies and owners and partners of companies that are clients of the Bank's SME segment with annual turnover of more than TL 5 million.

In addition to these six main segments, DenizBank delivers private banking services to upper retail segment clients and companies with a liquid net worth of at least TL 500 thousand.

Branch Network/Segmentation

Aiming to become one of the major financial services providers in the region, DenizBank continued to expand its branch network in line with the strategy of delivering closer and more active services to customers, particularly in the Retail Banking, SME Banking and Agricultural Banking segments.

The Retail Banking Group's high service quality encouraged customers to choose DenizBank, and the Group closed 2018 with a number of achievements. The Group bolstered customer loyalty with an innovative and dynamic array of services.

Retail Banking Group

The Retail Banking Group runs operations within Retail Banking Sales Management and Marketing, in coordination and creating synergy with other business lines of the Bank.

The Group's main activities include:

- Developing products and services designed for specific customer segments, monitoring the market, generating impact analyses of changes in the competitive environment, and using analytical tools to create appropriate offers based on customer data;
- Improving technology and operations processes related to retail banking;
- Monitoring, evaluating, and conducting strategic planning to develop the business line;
- Offering banking products and services via the branch network and digital channels (internet, mobile);
- Working in coordination with other business lines to acquire new customers via contractual agreements related to salary payments, school tuition and condo fees;
- Providing innovative solutions with different branch and ATM concepts for changing customer needs in line with the Bank strategies while creating a network that includes all customers through effective branch and ATM network management;
- Developing new loan, deposit and other banking products with an innovative, customer-focused approach and closely monitoring product performance to boost their market share.

The Retail Banking Group's high service quality encouraged customers to choose DenizBank, and the Group closed 2018 with a number of achievements. The Group bolstered customer loyalty with an innovative and dynamic array of services. To that end, Fortune Magazine named Mr. Oğuzhan Özark, Executive Vice President for the Retail Banking Group, as one of the 50 most effective CMOs in Turkey in 2018.

The Retail Banking Group was crowned the winner in Gartner's competition in 2018 thanks to its groundbreaking customer experience project based on neuromarketing techniques. As part of the project, neuromarketing techniques were used to simulate customers' journey to the branch. Subsequently, an action plan was drawn up based on the results.

Banking Services

DenizBank has always aimed to build a stronger, more effective segmentation model. This allows the Bank to better understand the financial needs of its customers via the use of big data and thereby to offer them the most appropriate products and services.

Affluent Banking

Launched in 2010, Affluent Banking sets an example for the industry with its innovative business model while featuring a number of exclusive products and services. These offerings include customized personal consultancy at branch locations, priority in banking transactions, and special rates on deposit/investment products and loans.

The Affluent Hotline Service Model was established in 2015 to provide Affluent Banking services via telephone to customers of branches without Personal Consultants. This service was extended to more branch locations in 2017 as the Affluent Banking customer base continued to expand. While this channel has enjoyed increased customer awareness, it has also become the top-of-mind channel for all banking needs of Affluent Banking customers.

Affluent Banking values the highly trained human resources of Turkey, and closely monitors day-to-day changes in the needs of target professions, including lawyers, doctors, dentists, financial consultants, public notaries and pilots. To that end, the existing agreement between Istanbul Bar Association, the world's largest bar association, and DenizBank Affluent Banking has been extended for a term of three years to offer continuous access to financial solutions especially tailored for attorneys. In addition to collaborating with 50 bar associations across Turkey, DenizBank partners with 75 professional associations – for financial consultants, dentists, physicians, and notary publics – as it aims to become the primary bank of these target professionals.

While providing customized financial solutions for its Affluent Banking customers, DenizBank also holds social and cultural events, partners with various brands and makes discounts and benefits available to them to facilitate their lives in all aspects.

Mass Banking

DenizBank Mass Banking maintained a customer-oriented approach and relied heavily on analytics to conduct effective marketing operations in 2018.

Advantageous campaigns tailored for customer needs were offered across various channels to ensure deeper relationships with existing customers. Joint work with CRM included the updating of models related to products and customer attrition. These efforts ensured that the right offers were submitted to customers and promotional campaigns were optimized.

In addition to deepening relations with existing customers, the Bank developed a customer acquisition strategy aimed at acquiring new and inactive customers. This effort helped Mass Banking to acquire more than 400 thousand customers in 2018. Deeper relationships with recently-acquired customers is a focus as well. Any such acquisition saw the simultaneous launch of various promotional campaign strategies.

By focusing on acquiring parents as customers with attractive financial solutions in the education sector, DenizBank maintained its position as the leading bank in school payments in 2018.

Customer satisfaction in terms of the Bank's relations with its client base is monitored regularly via the Net Recommendation Score. Customer feedback from this effort is used to identify areas to improve product and service quality, and develop action plans to address these issues.

Embracing the principle of "Respect for Pensioners," DenizBank develops solutions specially tailored to meet pensioners' financial needs and touch their social lives under the motto "Pensioners are Happy at Deniz!"

1.2
MILLION
PENSIONER
CUSTOMERS

Pensioner Banking

In line with its strategic focus on niche customer segments, DenizBank has closely monitored the needs of pensioners since 2010. Currently serving as the intermediary for pension payments to 1.2 million pensioners, DenizBank ranks third among all banks and first among private banks in this area.

Aiming to touch the lives of retirees under the motto "Pensioners are Happy at Deniz!", DenizBank offers pensioner clients privileges that make a difference in terms of both their financial needs and social lives.

DenizBank's pension customers enjoy discounted interest rates on general purpose, car and housing loans and special interest rates for their deposits, in addition to priority standing in branch transactions. They also benefit from special fees and commissions in many banking services.

Pensioner Bonus is the first Turkish credit card specially designed for pensioners. This innovative offering allows cardholders to conduct free-of-charge shopping by earning bonus points, enjoy discounts at contracted merchants, or receive billing discounts during seasonal promotional campaigns. In addition, Pensioner Bonus customers can benefit from external assistance services in the event of a utility outage, problems requiring a locksmith, or broken glass.

To better serve the pensioner segment, DenizBank branches with high numbers of pensioner customers feature a "Pensioners' Corner." This exclusive concept offers tea, coffee and daily newspapers pensioners can enjoy as they complete their transactions at the Bank.

DenizBank Pensioner Banking met our persioners at concerts, breakfast and cinema events throughout 2018. Additionally, regular bulletins on healthy living keep pensioners up-to-date with monthly information they can use in their everyday lives.

Established in cooperation with Deniz Academy, "DenizBank Pensioners' Academy" offers exclusive content for retirees on art, technology, healthcare, finance and sports.

DenizBank Pensioner Banking also serves the retiree segment on social media. It provides pensioners with access to a wide range of practical information. This includes live broadcasts with specialized medical doctors, recipes, prize contests and other content at its page on Facebook –the most popular web destination for pensioners.

DenizBank Pensioner Banking also acts as an intermediary for free advisory services for prospective pensioners who are in need of information on the retirement process, a major milestone in anyone's life. It offers convenient maturities and attractive interest rates as well as exclusive loan facilities to those who receive a pension by paying their premium debts.

Banking Services

DenizBank's Retail Banking segment continued to expand its total deposits in 2018, posting an increase of 32% at 2018 year-end.

Retail Banking Products

Deposits and Savings Products

DenizBank Deposits and Savings Products offer an extensive array of deposit and savings options to meet various retail customer needs such as accumulating savings or facilitating cash flow. These offerings are designed in consideration of customers' risk perception and expectations while channeling their savings towards investment. In line with this approach, DenizBank's Retail Banking segment continued to expand its total deposits in 2018, posting an increase of 32% at 2018 year-end.

Two major TV campaigns, the first one airing in October, were successfully launched in 2018. This effort greatly contributed to new customer acquisition for deposits.

2018 also saw the launch of other campaigns catering to target customers, primarily the Pensioner and Affluent Banking segments. For example, DenizBank successfully conducted the Expat Campaign – which offers advantages to Turkish citizens living abroad – between May and September, the period when this target group visits Turkey most frequently.

Branch locations kicked off a price optimization effort for deposits in order to manage deposit costs more efficiently and offer customers the most accurate pricing.

Consumer Loans

DenizBank is a key player in the industry thanks to its innovative, accessible and competitive loan product offerings.

General Purpose Loans

Thanks to the many innovations and campaigns introduced to the TL 205 billion market, DenizBank's general purpose loan portfolio continued to expand, capturing a 6.0% market share.

In 2018, DenizBank developed products and processes that were designed to meet evolving customer needs and expectations, which are increasingly shaped by the ever-changing retail environment. The Bank continued to offer private credit limits for current customers as part of pre-approved credit promotional campaigns. In addition, the Bank improved loan related processes in line with delivering an exemplary customer experience.

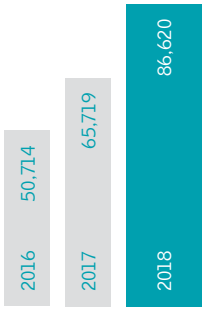
DenizBank allows customers with pre-approved loan limits to use their limits instantly through alternative channels – such as Telemarketing, Mobile Sales, Internet Banking, Mobildeniz, Teller Sales Officers and ATMs. This effort aims to ensure that customers enjoy ease of access at any point of contact with DenizBank. The contribution of such channels has enabled DenizBank's general purpose loan allocations and market share to continue to lead the industry.

The overdraft account product "Kurtaran Hesap," which meets customers' urgent demands for cash, is available to customers round-the-clock via all the Bank's alternative distribution channels. Customers who would like to access the overdraft account in the form of installments can opt for installment payments of up to 12 months with the Overdraft Account with Installments and Instant Money Account product.

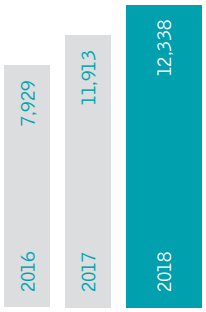
Housing Loans

DenizBank aims to become "Turkey's Leading Bank in Urban Transformation Projects'' with the support of successful efforts in extending home loans. Although it was the second bank to sign an agreement with the Ministry of Environment and Urbanization, DenizBank was the first Turkish banking institution to extend an Urban Transformation Loan and complete the urban transformation project. As of year-end 2018, DenizBank has extended TL 570 million in Urban Transformation Loans. The Bank maintained its current market share of over 40% in the urban transformation lending segment, thanks to the unique advantages it offers.

Retail Customer Deposits (TL million)



General Purpose Loans (TL million)



Branch and ATM Planning

As part of optimization efforts in 2018, DenizBank merged 14 of its branches. The Bank then opened new branch locations in 31 cities with high potential for Agricultural Banking.

In 2018, DenizBank operated a branch network with 711 locations while the Bank's branch market share stood at 6.9%. At year-end 2018, DenizBank's branch network totaled 754 locations, including 43 subsidiary branches abroad.

The total number of ATMs, which was 3,055 at the end of 2017, was 2,917 at the end of 2018.

In line with its overall strategy, the Bank developed innovative branch and ATM concepts for different customer segments, boosted with disabled-friendly banking practices to transform its branches and ATMs. Furthermore, the Bank launched efforts to complete the updating of ATM menu content and design in February 2019, based on the relevant decision made in 2018.

Bancassurance

Insurance and Individual Pension Products

Since the establishment of bancassurance in 2004, DenizBank has provided life insurance, non-life insurance and individual pension products to its customers.

DenizBank sold Deniz Pension and Life to MetLife in 2011 for 10x its book value, marking a huge success thanks to the strong position of Deniz Pension and Life in the market.

DenizBank's extensive product portfolio offers a full range of insurance and individual pension products and services. These include fire, agriculture, accident, engineering, liability, unemployment personal accident, and life insurance plans, as well as pension plans.

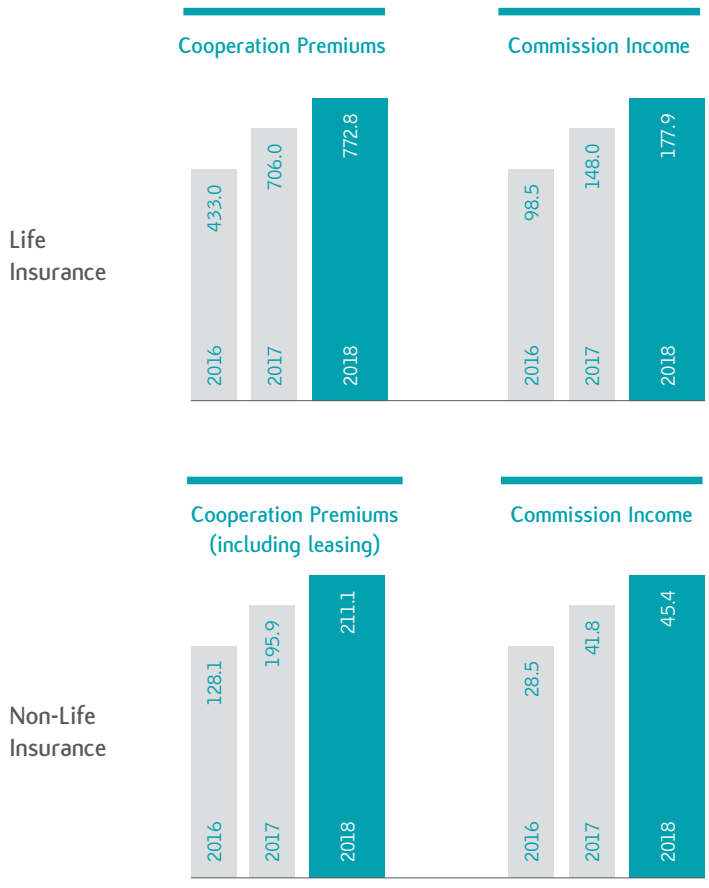
Individual pension products are on offer to the Bank's customers in the form of automatic participation system products, individual products, corporate products, and various plan options tailored for specific customer segments. In 2018, 34,262 individual pension contracts were sold and TL 4.8 million commission income was obtained.

DenizBank continues its cooperation with Axa Sigorta in non-life insurance and with MetLife in life insurance and individual pension products.

Banking Services

DenizBank's extensive product portfolio offers a full range of insurance and individual pension products and services which include fire, agriculture, accident, engineering, liability, unemployment personal accident, and life insurance plans, as well as pension plans.

DenizBank Bancassurance Performance (TL million)



DenizBank supports SMEs in order to contribute to Turkey's economy as a part of its corporate social responsibility.

SME Banking Group

The SME Banking Group ensures that DenizBank's:

- SME Banking, and
- Gold Banking

operations are run in coordination and create synergy with the Bank's other business lines.

The SME Banking Group's primary activities include:

- Developing products and services designed to meet SMEs' needs, devising sector and product-specific packages, and creating timely and multidimensional sales opportunities;
- Marketing and selling of gold and silver loans and deposits, and other products related to precious metals, as well as undertaking efforts to acquire new customers.

SME Banking

DenizBank's expert personnel at the Head Office, SME Banking Department, Regional Offices and branch locations across Turkey continued to provide new productivity-enhancing solutions to SME clients.

In 2017, the government increased the size of its Credit Guarantee Fund ("KGF") – which guarantees loans to SMEs that experience difficulties in accessing finance due to lack of collateral – to TL 250 billion. These additional funds helped SMEs stay resilient through challenging economic times and bolster their operations in 2018. DenizBank maintained its role as a major lender of KGF-backed loans to SME customers. The Bank has quickly delivered the loans to SME clients, thanks to its fast and efficient decision-making processes. DenizBank ranks 3rd in serving the most clients and 7th in offering most funds to SME Banking customers in terms of KGF-backed loans.

During the year, DenizBank achieved yet another first in the industry and began providing round-the-clock service and detailed information to customers via the KGF Support Hotline (0212 355 10 55).

At year-end 2016, DenizBank launched the "Nefes Kredisi" initiative in collaboration with TOBB (Turkish Union of Chambers and Exchanges) and KGF (Credit Guarantee Fund). Under this effort, DenizBank provided Nefes Loans totaling TL 1.15 billion with a 12-month maturity and an interest rate exclusive to more than 12,000 SMEs that are members of chambers and commodity exchanges under the TOBB umbrella. In April 2018, DenizBank emerged as the only private bank participating in the second round of the same loan initiative, extending loans up to TL 200 thousand – and totaling TL 1.2 billion – at an interest rate exclusive to more than 8,000 SMEs that are members of chambers and commodity exchanges under the TOBB umbrella, with a 6-month grace period and 18-month maturity.

Banking Services

We are proud of giving a breath (NEFES) to over 20 thousand SMEs.

Committed to facilitating SME access to financial products and streamlining the application process, DenizBank launched Swift Loan, for which customers may apply via SMS, online, AçıkDeniz Internet Banking, Facebook page and ATMs. With this innovative loan, SMEs can choose from among one or more of the product options – SME Card, Installment Commercial Loans, Commercial Kurtaran Hesap, DBS and Vehicle Recognition System products – in cash amounts of up to TL 80,000 thousand. SMEs that apply for Swift loans receive the result of their application within five minutes, and can easily obtain the products from DenizBank branches.

Shopkeepers and SMEs can save up to TL 5,000 thousand per year by selecting the best tariff suited to their needs from among a wide range of special SME tariffs for daily banking transactions that vary according to the type and frequency of transaction. Thanks to other banking packages tailored to their sector's specialized needs, they can also benefit from sector-specific advantages, convenient credit options, and banking transaction tariffs.

Furthermore, DenizBank provides consulting services to exporter SMEs to help them create a strategic business roadmap, obtain valuable information, make investments and enter new markets. Customers can call the Foreign Trade Hotline at 0212 348 34-44 to obtain information on many relevant topics, such as payment methods used in foreign trade, international rules, and the like.

DenizBank also offers special products and services for different sectors. For example, the Bank provides pharmacists additional contributions to their Private Pension Payments, cost-free banking transactions, as well as credit facilities at favorable rates, under the agreement reached with the Association of Turkish Pharmacists.

DenizBank provides women entrepreneurs the financial support they need to establish and expand their businesses. The fastest and easiest solutions at special interest rates are offered to meet their borrowing requirements. Female entrepreneurs can also take advantage of the Women Entrepreneur Tariff. This special tariff includes those transactions they need most to save on banking transactions, as well as time deposits at special interest rates for their savings in TL, USD, EUR or gold.

SME Banking places great importance on cooperating with business chambers and professional associations. DenizBank is the main sponsor of the SME Summits organized by TOSYÖV (Turkish Foundation for SMEs, Self-Employed People & Business Managers) in Istanbul and Ankara as well as SME Support Meetings held in seven cities across the country. The Bank organized events in many cities across Turkey – including Gaziantep, Bursa, Afyon and Iskenderun – and plans to continue its sponsorship in the coming period.

Thanks to collaborations with firms that lead their respective industries, the Bank provides small and medium enterprise customers with exclusive services to render their day-to-day operations easier, alleviating issues arising from their commercial operations.

Thanks to other various collaborations, SMEs that are customers of DenizBank receive discounted services from firms in relevant sectors – such as shipping, dry cleaning, electricity, catering and security services.

Gold Banking

The gold sector not only creates added value for Turkey but also stands out as a focus area for DenizBank. The Bank stepped up its focus on this burgeoning area and leapfrogged the competition by establishing the Gold Banking department in 2011. DenizBank aims to provide a comprehensive range of banking instruments, from loans to deposits, to fully meet the demands of the gold sector.

DenizAltın Days encourages households to invest their "under-the-mattress" savings in the national economy. This scheme has turned more than six tons of physical gold savings into deposits. The Gold Accumulating Account and Saver Account both provide savers the opportunity to grow their investments.

DenizBank Gold Banking aims to channel investors' gold assets in jewelry to clients as financial support under attractive terms, thus contributing to Turkey's economy.

DenizBank's total gold loan support has climbed to some five tons with a 17% market share. This success was achieved thanks to innovative efforts, such as special loan assessment processes for precious metals, in addition to groundbreaking product innovations, including Equal-Installment Gold Loan, Gold Loan with Early Closure Option and Gold Support Loan to Manufacturers.

As a core part of our social responsibility, we support the development of Turkish agriculture: "An investment in agriculture is an investment in our country's future."

Agricultural Banking Group

Agricultural Banking Group

- Ensures that DenizBank's Agricultural Banking related activities are run in coordination and creating synergy with the Bank's other business lines.

To reach out to target groups – such as farmers, agricultural businesses and investors interested in the agriculture sector – the Group engages in the following activities:

- Meeting the financing needs of producers and agricultural enterprises and developing financial products to this end;
- Researching and designing new funding products in agricultural banking;
- Developing new applications and projects to help Agricultural Banking keep abreast of new innovations and technological advancements in the future.

DenizBank conducts its business operations with a view toward supporting Turkish agriculture, boosting agricultural productivity, putting "a smile on every farmer's face" and contributing to a brighter future for our nation.

With the belief that agriculture holds the key to Turkey's future, DenizBank operates in the agricultural sector in line with its social responsibility mission. DenizBank is the first private Turkish bank to organize its Head Office, region and branch network structure in order to create a true agricultural banking enterprise. The Bank has executed all its agricultural efforts along the slogan "DenizBank: The Farmers' Bank" and has touched the lives of about half of all farmers in Turkey.

The highest quality, fastest and state-of-the-art agricultural solutions

In line with its commitment to agriculture and land resources, DenizBank acquired Tarişbank in 2002 and launched its Agricultural Banking operations. Since these beginnings, the Bank has been proud to stand by Turkish farmers no matter what. Today, the Bank delivers the highest quality, fastest and state-of-the-art agricultural solutions to producers via a 370 branch network located across Turkey's 81 provinces and with a field team composed largely of agricultural engineers.

DenizBank supports small scale producers who have difficulties in accessing finance as well as large producers and investors involved in modern agriculture on a larger scale.

In 2018, with the loan usage of over TL 9 billion, DenizBank recorded a total loan volume of over TL 12 billion, with more than 1.2 million customers. The Bank is the leader of agricultural loan allocations among private banks, boasting a market share of 42%.

DenizBank ranks fourth in credit card turnover with a market share of 10.5% and first in credit cards issued with a market share of 25.3%.

Producer Card

A leader in providing financing to the agricultural sector, DenizBank works to establish a Producer-Merchant-Bank relationship, offering solutions that provide maximum benefit to all parties. Leading the agricultural commercial card market with over 570,000 Producer Cards issued and a wide variety of innovative service offerings, DenizBank has customized the Producer Card to effectively meet the special requirements of the agriculture sector. Facilitating access to financing for micro producers and offering 0% interest rate and favorable maturity at contracted merchants, the Bank provides significant cost advantages for producers in their agricultural input purchases.

Banking Services

DenizBank's "Benim Bahçem Benim Tarlam" loans contribute to sustainable agriculture.

+570
THOUSAND
PRODUCER CARD

Producer Card-holders can purchase all their agricultural inputs – such as fertilizer, animal feed, seeds, saplings and pesticides – from 16,000 contracted merchants across the country with five-month repayment grace periods.

As part of DenizBank's collaboration with Petrol Ofisi dating back to 2006, producers can purchase fuel oil with the Producer Card, with a five-month repayment period and interest-free, from contracted dealers. In 2017 and 2018, the Bank entered into similar collaborations with Opet, Sunpet, Lukoil, Aytemiz, Moil, Alpet and TECO.

In 2017 and 2018, DenizBank continued to collaborate with the fertilizer sector, which started in 2016, spreading the advantages of the Producer Card across new locations. With the Producer Card Installment Loan product rolled out in early 2015, producers can obtain installment loans from DenizBank branches, via 24/7 DenizBank ATMs and on the SMS channel with maturity periods of up to three years, and with annual payments following harvest time. Additionally, Producer Card-holders can withdraw cash advances from DenizBank branch and 24/7 ATMs to meet their short-term cash needs.

Producers can pay for their TARSİM agricultural insurance policy – the essential insurance coverage to protect agriculture and livestock activities – with their Producer Cards and enjoy a "0" interest rate until the harvest. In addition, producers can pay the premiums on their Private Pension Insurance, Farmer Health Insurance and Farmer Individual Accident Insurance once a year, at harvest time. The Producer Card also helps farmers pay their monthly bills by giving them the option of repayment at harvest. Producers can make their monthly utility bill payments within a certain limit – including electricity, water and natural gas – at harvest time once a year, at more favorable interest rates. Additionally, DenizBank gives producers the option of paying their Bağ-Kur premiums with automatic payment orders via the Producer Card. As a result, producers can pay their premiums at harvest time and enjoy timely, uninterrupted access to all the rights the social security institution provides.

Producer customers can use the Producer Card to make purchases of equipment in member establishments where the Bank has an agreement with the advantage of taking up to three years to pay in full and making payment just once a year. Producers can also postpone payment of their Turkcell phone bills within a certain limit until harvest time, interest-free.

DenizBank places great importance on agricultural chambers, unions and cooperatives to protect micro-scale farming and boost productivity. Thanks to the Bank's partnerships with leading unions and cooperatives – such as Çukobirlik, Tariş and Pankobirlik, irrigation cooperatives, as well as breeding animal and cattle cooperatives – their members are able to purchase agricultural inputs at attractive prices. In addition, the Producer Card gives producers the opportunity to postpone payment of their power bills related to agricultural irrigation until harvest time.

Producers can apply for the Producer Card at DenizBank branch locations, POS machines at contracted merchants, ATMs or with a simple SMS from their mobile phones, in an easy, fast and hassle-free manner.

The Facebook page "Deniz'den Toprağa (From Deniz to Land)" now boosts over 100,000 followers, enhancing farmers' financial literacy and providing agricultural advisory to producers.

Other Products and Advantages

In agricultural loans, DenizBank offers customers the option of making repayment once a year, at harvest time, in line with its payment plans tailored to farmers' cash and income flows. The Bank has developed numerous products to meet the specific requirements of the sector. These specialized lending products include Animal Husbandry, Greenhousing, Fruit Growing, Fishery, Tractor, Equipment, Land Purchase, Wedding Ceremony, Repair & Modernization, Plow & Drill, Best Agricultural Practices and Project Investment loans. The Bank's innovative solutions help farmers finance their operational costs and all manner of agricultural investments.

DenizBank, in accordance with Ministry of Food, Agriculture and Livestock regulations to prevent the division of agricultural land through inheritance arrangements, offers "Benim Bahçem Benim Tarlam" loans. These special lending products are designed to protect unified land parcels, prevent the ongoing division of agricultural tracts and promote sustainable development. The loan provides up to 100% financing for the transfer of inheritable lands and agricultural tracts generating sufficient revenue, at maturity periods of up to 15 years. As such, farmers can continue agricultural activity on their parents' land and are not forced to abandon their home village. To ensure the sustainability of agricultural production, farmers who earn the right to receive grants from the Young Farmer Grant Support Program are provided with financing featuring maturity periods of up to seven years and affordable interest rates.

After launching "Green Drop" branch locations, a groundbreaking model designed to bring the Bank closer to producers, DenizBank expended efforts in 2016 to ensure that producers can access banking services without even leaving their homes.

Employing technology to deliver practical banking services to producers more rapidly, DenizBank continues to introduce such innovations in every facet of agricultural banking. In addition to alternative channels such as telemarketing, SMS, ATM and digital banking, the Bank's field personnel visit farmers in their villages, fields and homes to bring the branch to their doorstep in case the farmer customers are not able to easily access the Bank. Having in effect brought the branch to the village, DenizBank transferred its agricultural know-how and expertise to social media with its "Deniz'den Toprağa (From Deniz to Land)" platform. In another innovative solution for the agricultural sector, DenizBank launched in May 2015 the Facebook page "Deniz'den Toprağa (From Deniz to Land)" designed especially for producer users on the world's most popular social media site. The dedicated page now boosts over 100,000 followers, enhancing farmers' financial literacy and providing agricultural advisory to producers. The Facebook page provides advice to help farmers boost productivity, information on weather conditions, news on grants and other support, and price information during harvest times.

The "Deniz'den Toprağa" smart device application, the latest addition following the launch of the "Deniz'den Toprağa" Instagram account, won the Best New Product or Service Award in the "Innovation" category at the 2017 EFMA – DMI Awards. The DMI Awards is a highly prestigious international competition for financial markets.

All producers – whether they are customers of DenizBank or not – and anyone who is interested in agriculture or considers it a hobby can use this application for free. The app has so far been downloaded more than 120,000 times. Algorithms within the application simulate the entire growth of a crop, from planting to harvesting, in a virtual environment.

Banking Services

The "Deniz'den Toprağa" smart device application won the Best New Product or Service Award in the "Innovation" category at the 2017 EFMA – DMI Awards. The DMI Awards is a highly prestigious international competition for financial markets.

The app uses instant notifications to make specific recommendations to producers on fertilization, disinfestation and irrigation at each phase. The crucial "Ask the Engineer" feature enables users to submit their questions 24/7 to an expert team of agricultural engineers and receive their answers either via the application or by calling the indicated numbers. Producers can instantly access information such as market and stock prices, news updates, and official announcements. The "Rent a Tractor" feature helps producers share equipment and machinery that are required to continue production.

DenizBank is proud to have introduced such a groundbreaking application – dubbed "the farmers' intelligent advisor in the field" – to the industry. The highly-successful app is recognized by a prestigious platform in the international arena.

In 2017, DenizBank rolled out another innovation in Agricultural Banking by extending tractor loans to producers directly through the dealers without having to visit a Bank branch. This practice continued in 2018. The project was initiated in collaboration with TürkTraktör and included the New Holland and Case IH brands. This lending product offers a solution to many difficulties faced when taking out tractor loans and provides easy access to lending products.

With the Farmer Card, specially customized by DenizBank, farmer customers can withdraw money round-the-clock from ATMs and shop from contracted merchants without having to carry cash. The Bank also intermediates in Turkish Grain Board (TMO) product payments to farmers, ranking first among all private banks in this category. Thanks to the Farmer Card, producers receive TMO payments earlier than they would normally. With the Instant Farmer Card launched in 2017 to make a difference in TMO product payments, producers – even those who are not members of DenizBank – can receive their card while waiting in the queue at TMO agencies. Then, cardholders receive product payments 20 days earlier than normal wait times.

Committed to also supporting the development of licensed warehousing activities, DenizBank continues to intermediate for payment of crop proceeds and extend loans in return for Electronic Crop Receipts as collateral. Thanks to the licensed warehousing system, producers do not necessarily have to sell their crops at the time of harvest. Instead, they can store their crops in licensed warehouses at favorable rates for sales at a more convenient time later. The system enables storage of crops in a healthy environment. In addition, price disadvantages are eliminated in favor of producers.

DenizBank offers agricultural consulting services, facilitating access to information to those who need it.

DenizBank is committed to help increase the scale of agricultural enterprises – a key issue in Turkish agriculture. To this end, the Bank extends loans to producers to assist in covering agricultural investments and enterprise costs. Additionally, DenizBank provides services to facilitate establishing new processing plants, affect capacity increases in and modernization of existing facilities, and make equipment purchases easier.

To fuel the growth of the sector, DenizBank offers information and advisory services to large-scale producers and agricultural enterprises as well as entrepreneurs and industrialists with an interest in the sector. Furthermore, the Bank supports agricultural investment projects with attractive maturity and repayment terms so that investors can finance their projects in cattle breeding, animal husbandry for meat production,

DenizBank operates in the agricultural sector not simply as a lender but also as a comprehensive agricultural banking solutions provider that adds value to the everyday lives of producers in many ways.

dairy farming, sheep and goat breeding, greenhousing, and fruit growing.

The Bank also offers financing facilities under grant initiatives such as the Rural Development Investment Support Program (KKYDP) and the EU's Instrument for Pre-Accession Assistance in Rural Development (IPARD). DenizBank's specialized project team helps entrepreneurs to complete applications for these various programs.

DenizBank continues to add value to the everyday lives of producers through its corporate social responsibility activities.
DenizBank operates in the agricultural sector not simply as a lender but also as a comprehensive agricultural banking solutions provider that adds value to the everyday lives of producers in many ways.

To expand the availability of agricultural publications across Turkey and ensure that farmers have direct access to quality information, DenizBank joined forces with the Ministry of Food, Agriculture and Livestock to conduct Turkey's most extensive training campaign. Some 500,000 agricultural books were delivered to producers in 5,000 villages, intermediated by agricultural engineers who served as consultants. Sponsoring the "10th Agriculture and People" national photography competition held by the Ministry of Food, Agriculture and Livestock, DenizBank aimed to raise agricultural awareness across the country. In addition, high-achieving children of farmers who lack financial means are granted full tuition scholarships in collaboration with the Turkish Education Association.

In 2018, DenizBank paid visits to two villages in Edirne and Aksaray provinces under the Digital Transformation Ambassadors project. The Bank conducted social research on the two villages and the rural impact of agriculture. Social anthropologists participated in daily life and studied the cultural codes in the villages for a 10-day period. The project studied and sought solutions for social barriers to sustained involvement of young population in agricultural activities. This effort received the runner-up prize in the "Social Responsibility Category" at the 2018 DMI Awards by EFMA (European Financial Management Association).

In 2018, DenizBank provided support for a 4th time to the "Adding Value to Agriculture" competition held by the Ministry of Food, Agriculture and Livestock. The Bank intermediated in recognizing Ministry and Tar-Gel (Agricultural Know-How Enhancement Project) employees who made significant contributions to the agricultural industry with innovative initiatives that make a difference. DenizBank also helped promote these projects which set examples for the sector.

As in prior years, DenizBank officials participated in agricultural fairs, local harvest celebrations and agricultural festivals across Turkey in 2018. The Bank continued to stand by producers under all circumstances and put smiles on their faces.

Banking Services

The Corporate and Commercial Banking Group ensures that operations are conducted in coordination and creates synergy with the Bank's other business lines.

Wholesale Banking Group

The Wholesale Banking Group ensures that DenizBank's:

- Corporate and Commercial Banking Group,
- Project Finance and International Loans Coordination Group

operations are run in coordination and create synergy with the Bank's other business lines.

The core operations of the Group include bolstering relations and creating partnerships with overseas subsidiaries and branches. The Group also aims to expand the overseas subsidiary and branch network in line with the Bank's overall strategy. Furthermore, DenizBank Moscow, DenizBank AG, DenizLeasing, and DenizFaktoring report to the Board Member in charge of the Group.

Corporate and Commercial Banking Group

The Corporate and Commercial Banking Group ensures that operations are conducted in coordination and creates synergy with the Bank's other business lines.

The Group executes the following core activities geared toward its target group of corporate and commercial enterprises:

- Developing and marketing Corporate and Commercial Banking products in favor of strategic priorities;
- Organizing sales of products and services by the branches in line with set targets;
- Organizing the workflow between related departments and coordination of their relationships.

The Wholesale Banking Group's marketing approach is based on the following four pillars: The capacity to create high-quality assets, adapt rapidly to economic change, generate synergy with other business lines and among subsidiaries, and employ well experienced personnel who embody DenizBank's "collective wisdom" approach.

The Group has over 70 products in key areas such as loans, deposits, securities, cash management, project finance, leasing, factoring, insurance, foreign trade, and investment banking. DenizBank Corporate and Commercial Banking Group operations contributed to investment and privatization processes through its know-how in project finance and financial strength, thus bolstering its position in the market.

The Corporate Banking Group provides the right financial solutions to meet its customers' needs with innovative project finance, cash management and foreign trade products, as well as traditional corporate banking products. This approach creates value chains that integrate all business lines of DFSG and produces tailored and proactive solutions to meet any financial need.

Under its financial supermarket approach and collective wisdom strategy, the Group offers clients from diverse industries a wide range of products and services. In addition, the Group creates new business opportunities under DFSG and ensures synergy for DenizLeasing and DenizFactoring as well as the commercial, SME and Retail Banking groups. Providing support to target industries – including tourism, maritime, sports, health care, education and energy – the Corporate and Commercial Banking Group plans to continue serving these sectors in 2019.

The Corporate and Commercial Banking Group operates a total of 26 branch locations – including four Corporate branches and 22 Commercial Central branches – with an experienced and specialized sales team.

Project Finance and International Loans Coordination Group

The Department's core business includes providing structured financing for:

- Projects in target sectors,
- Industrial investments, and
- Privatization transactions.

The Project Finance Department focuses on large scale investments that play a key role in developing Turkey's economy, and thus require medium and long term financing. The Project Finance Department provides funds to such top priority industries as telecoms, energy, infrastructure (e.g. ports, airports and motorways), Public-Private Partnerships (PPP), healthcare and education – all of which form the backbone of economic and social development. The Department also conducts long-term transactions, including industrial investment, privatization and acquisition finance, as well as "club-loans" featuring multiple banks.

DenizBank has secured more than USD 20 billion in long term financing for more than 300 projects it has funded over the last 13 years.

By year-end 2018, Turkey's total installed power generation capacity expanded to 88,550 MW. Over the last 13 years, DenizBank has intermediated in commissioning some 6,400 MW in installed capacity. Including electricity distribution, natural gas distribution and wholesale projects, DenizBank has provided over USD 4 billion in financing to the energy industry.

DenizBank plays an active role in Turkey's infrastructure investments, and has specialized in airport financing. DenizBank provided EUR 500 million to İstanbul's Third Airport project, EUR 154 million for TAV Bodrum Airport, and varying amounts to İzmir Adnan Menderes Airport, İstanbul Atatürk Airport, Antalya Airport and Alanya Gazipaşa Airport – totaling EUR 800 million. DenizBank became the private bank extending the highest credit line to the Third Airport Project. Meanwhile, TAV provided financing to Bodrum Airport and Ankara High Speed Train Station projects on its own as a proof of its leadership in infrastructure financing.

Looking ahead to 2019, the Project Finance Department plans to bolster its pioneering position in large-scale infrastructure projects, while further boosting growth in the core sectors of energy, infrastructure, transportation, mining, healthcare and education.

Banking Services

DenizBank Call Center's first goal is to be both a major service channel with its high-quality service approach and an effective sales channel that generates value with its sales.

Payment Systems and Non-Branch Channels Group

The Payment Systems and the Non-Branch Channels Group make up the following functions within the coordination and synergy with other business lines at DenizBank:

- Call Center,
- Mobile Sales,
- Telemarketing-Collection and Customer Retention,
- Card and Product Management

are run in coordination and create synergy with the Bank's other business lines.

Call Center

The Call Center provides customers with top quality, non-stop services 24/7. All processes and the individual performance system are designed to maximize customers' experience in customer communications.

We communicate with our customers through a natural dialogue thanks to our Interactive Voice Response System, designed in an attempt to provide personalized, fast and simple service to customers using smart methods, and handle 60% of the calls without having to talk to a customer representative.

In addition to telephone, customers can reach DenizBank Call Center via Mobil Deniz, fastPay, and Skype offered in Turkish, English and Russian in line with the changing technological needs and emerging trends.

The Call Center's revenue-oriented business culture is focused on optimizing the customer experience and maximizing productivity. Systems were established at the Center to monitor its overall performance and issue warnings whenever problems arise. The General Service Performance of the Call Center (percentage of answered call, speed of answer, overage call quality score) is measured by monthly scorecard and the results are reflected in Call Center employees' performance system. Studies on incoming call projections and shift organizations and efficient performance monitoring allowed the Center to reach its numerical and quality targets. In 2018, 11.9 million incoming calls were answered. Another important link in the DenizBank communications chain is the POS Hotline, which responds to contracted merchant questions and provides immediate solutions to 88% of all incoming cases over the phone.

The Call Center screening used to serve inbound customers is capable of presenting the best offer and next best offer, determined according to the needs of the customer through analytical CRM models. The call blending infrastructure allows the Center to maximize productivity and enables respondent personnel to function as a Tele-marketing team. In 2017, the Call Center's top priorities included systems and technological enhancements, productivity improvements in sales automation, customer service representative staff increases, and deeper integration of sales activities with the business culture. In 2018, the Call Center, which is a standout with its superior service and sales-focus, sold more than 1.3 million products to customers.

Making the most effective use of technology infrastructure, the Mobile Sales Department attains the multi-product sales goal of the banking industry with a high level of efficiency in the field.

Mobile Sales

The Mobile Sales Group is a dedicated sales team focused on the marketing of payment systems, retail, SME, Agricultural Banking, digital banking and DenizFactoring products in line with segment-specific targets. The Group also lends support to the Bank's many business line as well as to general sales initiatives.

The Mobile Sales Group's primary goal is to acquire new customers through multiple sales efforts, while also making the best use of technology to conduct highly efficient sales transactions.

The mobile team visits individuals who have yet to become acquainted with DenizBank in their workplaces to respond to their needs with the widest product range possible, immediately meeting the financing needs of customers as part of Business Partnership projects. In addition to acquiring new customers, the team contributes to customer activation and profitability by offering new products to current customers encountered in the field.

Sales representatives use the Mobile Sales app installed on their tablet devices. Credit Cards, Consumer Loans, SME Card, Bonus Business, Factoring, Overdraft Account, Installment Cash Advance, Automatic Utility Bill Payment, Supplementary Card and Insurance products can be sold over this app. Thanks to upgrades effected in 2018, the Mobile Sales team will soon become capable of selling the Producer Card, the pilot testing of which is still underway, with their tablet devices in addition to the current transactions. Efforts to conduct POS sales and add it into the range of tablet products began. In 2019, the Bank aims to add new products to tablet apps and ensure that each staff member in contact with a customer can operate like a Mobile Branch.

Mobile Sales sold over 1.5 million products in 2018. As a result of this strong performance, Mobile Sales accounted for 52% of the Bank's total SME card sales through all channels for the SME Banking, 31% of all credit card sales for the Payment Systems unit, 68% of Bonus Business cards, 24% of all retail loan sales for the Retail Banking department, 27% of all overdraft account sales and 8% of retiring pension transfers, and 25% for Factoring, excluding the digital application.

Banking Services

The Group will continue to contribute to the future strategies of our Bank in the upcoming period with its channel management approach based on data analysis that makes a difference thanks to flexible and effective capacity management and uses high technology.

Telemarketing-Collection and Customer Retention

DenizBank's telephone channel, which manages all sales and collection processes that start and end telephonically, has three main functions, namely:

- Customer cross sales, activation and intensification via outgoing calls, and
- Customer retention and reacquisition through incoming and outgoing calls.
- Collection through incoming and outgoing calls.

Effective capacity management and high-technology use are the strongest suits of the channel that always focuses on delivering superior efficiency. In addition, data analysis-based channel strategy and management approach provide sustainable high performance in cross sales, collection and retention activities, which are the main operations in the channel.

The channel reached all of its annual performance targets in 2018, reporting a total of 1.54 million products sold and generating sales of TL 1.9 billion, and the telephone collections from defaulting accounts exceeded TL 10 billion.

Similarly, customer retention operations, another significant mission of the channel, were also conducted successfully. Increasing its persuasion rates compared to the previous year with its centralized staff of specialists, the channel retained the retail, commercial and agricultural credit cards that showed up in recommendation persuasion flows or returned via mail, thereby making direct contributions to the number of these products in circulation and the profitability goals of the business lines.

Thanks to the digital transformation that is visible to the naked eye in many areas as well as its many years of tele sales experience, the sales channel will continue to be a valuable partner in helping all business segments reach their productivity and profitability targets.

Card and Product Management

Credit Cards

DenizBank continued to expand its extensive credit card product portfolio appealing to different segments and preferences in 2018.

As of year-end, the Bank's total credit card unit market share rose from 6.40% to 6.68%. Credit card turnover increased from TL 39.9 billion in 2017 with a 32% rise to TL 52.6 billion as of year-end 2018. Meanwhile, DenizBank's turnover market share went up from 6.45% in December 2017 to 6.82% in 2018. Our year-end 2018 market share for credit card balance increased by 13 bps and reached 6.23%.

The number of credit cards issued rose by 6% sector-wide, while DenizBank's portfolio expanded by 11% during the year.

Bonus and Co-Branded Cards

In order to offer credit card products which will play a role in the life cycles of customers and to help meet their daily needs, DenizBank continued to undersign successful Co-Branded Projects with brands from various sectors, in addition to its privileged Bonus offerings with services that continued to make a difference in customers' lives in 2018.

Tailoring the Bank's card products for individual customers from the application stage through to exclusive promotional offers in order to provide the right product to the right customer, DenizBank offers a vast array of alternatives to its customer base.

Upon the completion of its credit card segmentation initiative, DenizBank has fully implemented its strategy of "delivering the right card product to the right customer."

DenizBank is the official card supplier of the five of the major Turkish football teams, which have won the national championship, in addition to clubs across Anatolia. The Bank is also the official card supplier of Manchester United, the only international team with a credit card in Turkey. In total, the Bank has card agreements with 12 football teams. The portfolio grows rapidly with more than 260,000 Football Fan Cards.

The Football Fan Card portfolio generated turnover of TL 2 billion as of November 2018. Thanks to this shopping volume created by football fans, the Bank has made contributions exceeding TL 25 million to the sports clubs it collaborates with since 2008.

The Bank plans to render its current Football Fan Card partnerships more profitable, and continue providing more benefits to the clubs and customers with its innovative service approach.

DenizBank Bonus Business

Prioritizing all kinds of support to shopkeepers and SMEs through its innovative services, DenizBank strives to offer significant advantages to its commercial customers with DenizBank Bonus Business Credit Card. Bonus Business Card is a commercial credit card that shopkeepers and SMEs can use both for their personal expenditures and for easily tracking the expenditures made by company employees on behalf of the company, while also offering the opportunity of installment purchase at all Bonus merchants.

As of year-end 2018, the number of cards in total exceeded 93,000 and our turnover market share reached 2.3%.

DenizKartım Product Management

DenizKartım (My Deniz Card) was launched as the last leg of this strategy in 2017. DenizKartım is a mobile application with both loyalty and wallet features designed exclusively for DenizBank credit and debit cards. Aiming to provide the best benefit to customers at the right place and time, this application strives to reduce communication costs and increase customer use while ensuring customer satisfaction thanks to its ease of transaction features.

The DenizKartım mobile application enables customers to:

- View all campaign details, participate, and monitor their status in the campaign;
- View the campaigns in their vicinity and get directions via the map app;
- Reach all up-to-date information on their cards; View Card Limit, Cash Advance limit, Statement Details, Bonus balances; and pay their card balances;
- Perform transactions related to all services and products of their cards;
- Earn D-Points with each step they take using the Walk & Earn feature;
- Make contactless payments using their phones.

Banking Services

DenizBank continued to provide innovative campaigns and services to its segment customers.

Segment Cards

DenizPrivate, the credit card exclusively offered to Private Banking customers, was updated as DenizPrivate Limited Edition under the concept "An exclusive world, just for you." DenizPrivate Limited Edition aims to integrate this concept into its design and provide a personal touch to the card, presenting the initials of the holder on matte black surface with a special vertical design.

DenizPrivate Limited Edition offers cardholders the opportunity to benefit from wide-ranging discounts and privileges globally and in Turkey with Mastercard World Elite. In June, the new card was sent in a special kit to each customer with average total assets of TL 1 million or more at the Bank.

The new DenizPrivate Limited Edition offers a myriad of opportunities to cardholders. These include free lounge access with a guest at domestic and international terminals at Istanbul Atatürk, Ankara Esenboğa, Izmir Adnan Menderes and Bodrum Milas Airports; lounge access at about 1,000 airports in 125 countries; 10% discount on accommodation and restaurant expenditures abroad; and 30% discount for Sunday breakfasts in every part of Turkey.

Differentiated from its competitors thanks to the exclusive financial advantages it provides in Sunday breakfasts, theatre and movie tickets as well as airport parking/valet, the Affluent Bonus Platinum credit card offered to DenizBank Affluent Banking customers continued to provide innovative campaigns and services.

Through the special focus for the retiree customers and by setting out with the message that the life experiences of retiree customers should serve as a road map and a helm for the following generations, credit card design and card communication materials were overhauled with a more dynamic and distinctive image.

Debit Cards

DenizBank's first pre-paid debit card project was launched on June 21, 2018. This project aims to meet the needs of specifically the corporate clients such as personnel payment, bonus payment and closed circuit shopping.

In line with the tactical actions taken to increase shopping with debit cards, Paracard is now included in Masterpass, the secure payment infrastructure by MasterCard. This action will enable Paracard to be used with ease at merchants where Masterpass is valid.

During the year number of DenizBank's total Debit cards Increased by 23%. As such, cash withdrawal amount and shopping transactions turnover rose by 23% and 35%, respectively.

DenizBank added new features to DenizPOS Mobile in parallel with its digitalization policy in 2018.

Merchant Relations

In 2018, DenizBank Merchant Strategy was set to gain Active POS customers and grow the customer portfolio in a healthy manner by landing Bonus POS contracts with merchants that are currently not included in any loyalty program.

To this end, POS devices were taken back from members that have been inactive for over 90 days and have never been active at all. By focusing on efficient customers and active customer acquisition, customer activity reached 79.6% by December 2018.

In the same period, the number of POS sales stood at 65.302. Mobile Sales team began to sell the POS product starting from August.

In 2018, several new features, namely the early POS unblocking solution, online tracking of transactions and monitoring fastPay transactions, were added to DenizPOS Mobile, which was offered to merchants in 2017 in parallel with the digitalization policy of our Bank. DenizPOS, an alternative service channel, reached 50,000+ downloads and 30,000+ users.

DenizBank Merchants aim to increase the current portfolio efficiency through analytical portfolio management and improve operational efficiency by focusing on active merchants.

Banking Services

Treasury and Financial Institutions Group

The Treasury and Financial Institutions Group ensures that DenizBank's:

- Treasury, and
- Financial Institutions

operations are run in coordination and create synergy with the Bank's other business lines.

The Group's main activities include:

- Treasury: managing short-term liquidity, pricing treasury products, implementing the treasury-related aspects of asset-liability decisions, and performing profit-oriented trading activities;
- Financial Institutions: establishing, enhancing and maintaining DFSG's correspondent bank relations, carrying out talks to intermediate the Bank customers' foreign trade transactions jointly with correspondent banks, securing bilateral loans from correspondent banks;
- Management of Nostro – Vostro account relations: conducting talks with overseas banks and other financial institutions concerning medium and long term borrowing activities, structuring and monitoring relevant transactions, coordinating these with the relevant Bank departments, corresponding with foreign banks and other financial institutions as regards medium and long-term borrowing activities, structuring and monitoring transactions, as well as coordinating these efforts with other Bank units.

Treasury

The Treasury Department operates via four groups:

1- Treasury Marketing and Pricing primarily deals with the pricing and marketing of treasury products to customers via branches and alternative delivery channels and with managing the exposures resulting from transactions. The Group is comprised of three units:

The FX and Interest Transactions Department is mainly responsible for supporting the branches in FX and precious metal transactions. The Department aims to train the staff at branch locations on treasury transactions and boost the competitiveness of branches via pricing. In addition to the services offered to branches, the FX and Interest Transactions Department is responsible for monitoring and managing on a daily basis the FX/precious metal exposures of the Bank as a result of customer transactions and performing transactions on the OTC and organized markets; responding to loan pricing from the relevant business lines in line with the spreads set based on the decisions by the Assets and Liabilities Committee; responding to requests for quotations for IRS and XCCY swap transactions; and making customer visits in coordination with the branches and Treasury Sales Units. The Department bases its activities on the principle of attaining sustainable profit rather than short-term gain.

The Securities Department responds to requests for quotations on securities (Treasury Bond, Government Bond, Eurobond, Private Sector Bonds/Bills and Repo) placed by External Financial Institutions, Treasury Sales Department, Private Banking and other branches. The Department executes trading transactions on the OTC and BIST markets in order to manage the exposures that occurred within this framework.

The Derivative Transactions Department provides the fastest and most competitive response to requests for quotations on FX, commodity and interest options submitted via the Treasury Sales and Private Banking Center. The Department is responsible for managing the options portfolio in the aftermath of FX option transactions by customers within the limits assigned to each customer concerned. Furthermore, the Derivative Transactions Department performs the required option, spot, futures and swap transactions on the OTC and organized markets to manage the risks of the options portfolio.

2- Fixed-Income Securities and Money Markets is comprised of the Fixed-Income Securities and Money Markets Departments.

The Fixed-Income Securities – FIS Department is responsible for managing DenizBank's Bank bill portfolio within the guidelines and goals set by the Assets and Liabilities Committee in addition to supporting the Assets and Liabilities Committee in hedging interest rate risk on the Bank's balance sheet. The FIS Department fully exercises its rights and meets its responsibilities under the Market Maker System of the Undersecretariat of Treasury and manages relations with the relevant institutions.

The Money Markets Department monitors the entire cash flow of the Bank in foreign currency and TL, and meets the needs for short-term funding and cash surplus placement. Turkish Lira Money Markets is responsible for performing optimal transactions (in consideration of the cost and maturity structure) within the limits available in line with the Bank's needs on the CBRT Interbank Money Market, Interbank Money Market (OTC Market), Interbank Swap Market, Takasbank Money Market and the markets to be potentially structured; on BIST Repo/Reverse Repo Market within the limits available and in return for securities; and optimally managing (in consideration of the cost and maturity structure) the Bank's surplus funds on the above-mentioned markets within the same conditions. FX Money Markets is responsible for the entire cash flow of the Bank in foreign currency (FX).

3- Treasury Sales coordinates between the branches and the Treasury Group, establishes direct contact with the customer base via the branch channel, while providing active sales and pricing service for capital market products. The Treasury Department's core strategy is to boost the transaction volume of financial products. Treasury Sales offers its customers treasury products to manage their balance sheets and mitigate possible financial risks.

The Department also plays a role in determining the sales strategies and targets of treasury products (foreign exchange, options, and securities). Treasury Sales develops new and sophisticated treasury products and offers these for sale, while ensuring that the branches market these products in line with overall targets. The Department strives to establish long term, sustainable relationships with customers as well as branch personnel.

The Department visits potential customers in person in order to expand the customer base and boost transaction volume.

The Treasury Sales Department's other duties include informing customers about all treasury products, keeping track of customer exposures, in addition to providing clients with fast, high quality services.

The Department plays an active role in the issuance of DFSG bonds and bills — which have a nominal volume of TL 2.9 billion and a market share of 8.2%. The Treasury Sales Department is key in ensuring the coordination between departments and managing institutional investor relations.

4- The Subsidiaries Treasury Department is responsible for liquidity management and optimal funding in line with the resolutions and instructions by the management of subsidiaries.

8.2%
MARKET SHARE IN BONDS&BILLS ISSUANCE

Banking Services

Expanding its Foreign Trade solutions portfolio, DenizBank continued to stand by its clients.

Financial Institutions

Correspondent Relations and Foreign Trade Financing: DenizBank continued to expand and diversify its funding portfolio thanks to its strong and extensive network of more than 700 correspondents in 112 countries. The Bank emerged as a key and active player in the sector by increasing its market share in Turkey's foreign trade.

Despite recent political and economic fluctuations in Turkey and around the world, Turkey's exports rose in 2018 against a decline in imports, thus increasing the export-to-import ratio. Turkey's exports and imports grew 7% and 5%, respectively and total foreign trade volume was USD 391 billion. Meanwhile, DenizBank's total foreign trade volume realized as USD 16.3 billion increasing by 4%, while its exports rose 21%.

Thanks to its various financing solutions related to exports and imports, DenizBank reached its market share in letters of credit for imports and exports by 11% and 5%, respectively, in 2018.

In addition, DenizBank added to its already long list of collaborations with various export loan insurance agencies from America and Asia, to Europe and the Middle East. The Bank continues to be a major solution partner by meeting domestic companies' long term financing needs thanks to agreements with Chinese banks and the China Export and Credit Corporations.

DenizBank continues to expand its network of correspondent banks in new markets for exporters, thereby supporting customers that seek protection from country risk in new markets and want to boost their exports.

Committed to making a difference and delivering solution-oriented services to customers, DenizBank continued to use international funds to provide customers operating in various countries with the opportunity to trade in 146 different currencies.

Furthermore, DenizBank supports exporters with loans extended through its own funds or the CBRT and Eximbank funds. The Bank also serves as solution partner to construction companies operating throughout the world for their external guarantee needs.

SME-friendly DenizBank continued to stand beside SMEs this year, as always, by providing appropriate financing solutions via Product and Service Packages customized for SME clients. Continuing to support SMEs this year, DenizBank maintained its support for SMEs by providing them with product offerings tailored specifically to their commercial cycles. In addition, the Bank continued to support foreign trade with its SME Foreign Trade Hotline, set up exclusively for SMEs.

In 2019, DenizBank's Correspondent Relations and Foreign Trade Departments plan to expand their foreign trade solutions portfolio, while providing critical support to customers. DenizBank aims to meet customers' foreign trade financing and investment needs via country loans as well as domestically and internationally-sourced funds. In addition, the Bank offers insurance solutions aimed at risk management with its specialist staff and customer-friendly approach.

The Financial Institutions Credit Analysis Department is responsible for conducting credit analyses of correspondent banks whose risk will be assumed by the Bank in line with its requirements, initiating the credit allocation process and following up until completion. All the necessary coordination is facilitated with the Credit Analysis Group, Credit Allocation and other related groups. We take the responsibility for 356 bank limits in different countries.

The Structured Finance Department is primarily responsible for maintaining relationships with foreign banks and other financial institutions to meet the medium and long term borrowing needs of DenizBank Financial Services Group. The Department also manages the financing process, monitors and structures transactions, and coordinates with the Bank's other business lines.

DenizBank continued to provide loans secured from the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), International Finance Corporation (IFC), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Japanese Bank for International Cooperation (JBIC), and the European Fund for Southeast Europe S.A. SICAV-SIF (EFSE), Agence Française de Développement (AFD) continued to provide credits to its clients in the agricultural and public sectors as well as SMEs.

In 2019, DenizBank plans to continue cooperating with international investment and development banks to secure such loans, thereby boosting its market share and supporting the real economy with low-cost and long term funds.

The share of the sales of the products and application penetrations within the Bank increased in 2018. DenizBank plans to further increase these shares in accordance with its digitalization goals.

Digital Transformation, CRM and Change Management Group

Digital Transformation, CRM and Change Management Group ensures that DenizBank's:

- Digital Generation Banking,
- Change Management,
- Business Analytics and CRM,
- Project Management,
- Electronic Money and Payment Systems,
- Cash Management and Public Finance

operations are run in coordination and create synergy with the Bank's other business lines.

The Group's main activities include:

- Delivering banking products and services via all digital channels, increasing the sales capacity and performance of these channels, monitoring and measuring the transactions undertaken;
- Monitoring technological developments related to the channels and adapting innovative projects and new products to the channels;
- Developing new business model solutions based on digital media for all subsidiaries and business lines, analyzing user behavior to develop new applications, helping the Bank acquire new customers and enhance customer loyalty;
- Monitoring innovative practices and integrating these innovations into the banking system;
- Expanding the base of those who benefit from products and services in digital media, in addition to shifting products and services to less costly channels.

Digital Generation Banking

Digital Generation Banking operations are divided into the Digital Channel Management, Fintech Banking, Digital Sales and Marketing, and Innovation Management Departments.

Digital Channel Management

Internet Banking

In 2018, Internet Banking continued to serve customers with advanced functionality both before and after login. The Bank embraced innovations to acquire new customers and enrich the customer experience in frequently used screens. Furthermore, in yet another first in Turkey, DenizBank offered customers, including those who are foreign nationals, a password-free login to the e-Government Portal both via AçıkDeniz and e-Government, thus becoming a pioneer once again in the banking industry. In 2018, principal and agent customers were given the opportunity to take action by using the Password-Free Login button to e-Government. Controls were installed for proxy accounts to prevent password-free login to e-Government under the Law on the Protection of Personal Data.

Banking transactions were performed via an online chat service under Disabled-Friendly Banking for hearing-impaired customers.

Lost/stolen card notifications, credit card restriction/non-restriction and expenditure objection menus enabled customers to take quick action over Internet Banking, thus significantly reducing the operational workload at the branches and communication center.

It is now possible to place instructions to top up istanbulkart thanks to the istanbulkart payment function under the Transport Payment menu in Internet Banking. This boosted customer satisfaction and strengthened a leading position for the Bank.

Banking Services

In 2018, the Bank completed work related to legal and regulatory requirements, specifically under the Law on the Protection of Personal Data. These changes affected applications, investment and loan transactions, leading to major changes in Internet Banking.

In 2019, users will be greeted with a brand new welcome page and offered a next generation user experience.

Mobile Banking

In 2018, Digital Channel Management maintained the highly successful Mobile Banking operations from the prior year.

MobilDeniz, DenizBank's mobile banking application, is available on app stores. It is positioned as a new application that combines customer-oriented and best user experience with the most recent technological trends.

Customer comments, feedback and habits were monitored and taken into account during the development of the new MobilDeniz. The Bank formed an internal analysis group to have a more efficient understanding of customer feedback and ensure the application was customer-oriented.

The software development process saw a switch to the Agile methodology, leading to continuous production, business visibility and continuous development. Usability tests were conducted at every stage of development to see whether flows and screens met customer demands. Data from such efforts were and are still integrated into the development process.

Neuroscience studies were used to observe the emotional and cognitive journeys of users during application use. Data from such efforts were and are still integrated into the development process.

Digital Sales and Marketing Management

The Digital Marketing team is responsible for the sales and marketing of the Bank's products and services across all digital channels as well as monitoring and analyzing data regularly. The team supports efforts to grow the Bank's products – time deposits, loans, credit cards, cash advances, installment cash advances, installments for cash, insurance – as well as Internet Banking and mobile applications. The Digital Marketing team also works to differentiate these products from the competition to give DenizBank a competitive edge. In this process, the team focuses on customer satisfaction, the Bank's profitability, and lowering costs.

The Digital Marketing team aims to perform an end-to-end measurement of marketing operations on digital media and of the digital customer journey. The goal is to optimize the marketing budget and operations. The team is responsible for integrating the required analytics and measurement tools into all banking products and practices in the most accurate fashion, and managing the integration tests as well as the process of launching them.

The share of the sales of the products and application penetrations within the Bank increased in 2018. DenizBank plans to further increase these shares in accordance with its digitalization goals.

Under Digital Sales, campaigns, targeting and awareness-raising efforts continued in terms of the penetration of digital products at all physical branches. Digital transformation efforts continued at all DenizBank branches throughout the year in parallel with the Bank's main strategies. This work will continue apace in 2019.

Web Platforms Department

The Web Platforms Department conducted initiatives to identify services to be offered on the DenizBank corporate internet site, mobil.denizbank.com and other digital platforms. The Department also formulated the strategies; implemented the projects; added the functionality for marketing and sales of banking products and services through interactive communication channels in accordance with marketing strategies; supported efforts to launch the planned projects; and provided post-launch reporting.

In 2018, the number of monthly visitors to denizbank.com topped 3.5 million. The Bank's web site has become a more effective tool thanks to a reorganization of the business flows, and personalization of the page according to each users' behavior patterns while on the site.

As a result of web site upgrades that enhance the user experience, the number of credit card applications went up 16% over the prior year. The Bank also launched numerous deposit projects in 2018 in response to the time deposit reform.

Innovation Committee and Management

Launched in 2015 to manage DenizBank's innovation processes, the Innovation Committee is comprised of the Chairperson, senior managers representing business lines, Board of Directors and the Committee Secretary General. The Committee's vision is to make DenizBank the leading innovative enterprise in Turkey and worldwide, not only in finance but across all industries. The mission is to interpret innovation in a way that touches upon both internal and external customers to ensure that all DenizBank units actively engage in innovation and think innovatively. The Innovation Committee strives to foster a culture of innovation among all Bank employees, and transform DenizBank into a veritable innovation factory.

The follow-up of all business lines and coordination of the Innovation Committee are carried out by the Innovation Management Department. To enhance current innovative products and identify new issues that arise, the Committee and Innovation Management team join forces, design DenizBank's upcoming product processes, and take the necessary action to implement these. In addition to traditional banking operations, the Innovation Committee continues to shape banking of the future in every way as a leading bank in innovation and creativity.

The Innovation Management Department convened the DenizBank Innovation Committee in December 2018. The Department aimed to share its vision for the new period under a new innovation management process. The new process will allow for an efficient functioning of innovation working groups that will be participated by DenizBank's regional offices and branch offices in line with a model that would accommodate the dynamic structure of the organization. The first working group became active in December 2018. Focus areas planned for 2019 include customer-oriented innovation vision and customer experience. An annual timeline was developed for working groups, laying the foundation for the start of their work.

Responsible for managing and developing digital projects within the Bank in conjunction with various business segments, the Committee commissioned the banking integration for the "From Deniz (Sea) to Land" application last year. In addition to the Neuroscience project with the Call Center, efforts are underway to commission a separate application comprising a neuroscience direction for the "New MobilDeniz" app and a new format for the "I Found a Solution" project with Human Resources.

Furthermore, "AlgoLab: The Algorithmic Investment Platform" – an award-winning project – was successfully managed in beta version. Plans are underway to launch a live version. Designed to facilitate the participation of all DFSG employees and managers in innovation and developed as a tool to combine internal innovation with collective wisdom, the Innovation Portal is pending for launch soon.

The Innovation Management Department attended many broadcasts of "TEKNODENIZ" in 2018 to share methods and action schedules on how to make more efficient and creative use of the combined power of innovation processes and interdepartmental innovation. The Committee is also working on innovative initiatives that are currently in the planning stages.

In 2018, the "I Found a Solution" application underwent a revision process. This effort aimed to ensure access to more users via the gamification infrastructure and better manage the internal open innovation culture. The application is an open innovation platform where users can easily share their ideas, findings and solutions on the Bank and innovation within the Bank. Users also can assign scores to each other, make comments and compete. The "I Found a Solution" app is intended to be a stand-alone application separate from the Denizde app for a better management of findings and solutions. Further, all employees vote on existing solutions and evaluate them with their comments.

The Committee delivers highly synergistic efforts with DenizBank Agricultural Banking to boost the productivity of farmers in the agriculture industry, the engine of Turkey's economy. In 2017, the "From Deniz (Sea) to Land" application was launched, developing a phenology engine that makes specific and dynamic recommendations to anyone seeking to increase productivity in agricultural practices. "From Deniz (Sea) to Land" is an agricultural advisory service that generates technology-supported customized solutions for farmers interested in lowering their production costs and boosting their yields. In addition, the "Ask an Engineer" feature enables farmers to be educated by expert agricultural engineers about challenges they face. Furthermore, farmers can follow the Wholesale Produce Market and Exchange prices and access the latest prices in real time. All developments in the agricultural industry – such as news, official announcement, grant and support notifications, and lucrative promotional campaigns – are found in the "News & Announcements" section of the application. In addition, users can contact tractor owners via classified ads to lease the tractor that meets their brand, model, horsepower, and daily rental price criteria. The Banking Integration project, which will maximize the value proposition for the "From Deniz (Sea) to Land" application, is also currently underway. This structure will ensure successful communication between the Banking APIs and the application. Integration of time-consuming monitoring transactions – such as loan debt query, debt balance, remaining maturity, which the Producer Card holders can only perform at branches – will be achieved. In addition, the new structure will enable functionality such as applying for the Producer Card, joining campaigns and making payments.

In second quarter 2018, the Innovation Committee commenced more intensive work on Alternative Credit Scoring. The Alternative Credit Scoring initiative aims to make more regular risk analysis and take robust steps to boost the Bank's market share in retail loans. The Innovation Committee works jointly with the Credit Analytics and Modelling Department on this project. Proof of Concept work with a third party company is planned for first quarter 2019.

Banking Services

The Bank started the studies for Platform Banking with a vision to render the Open API Platform a stronger business model as of the third quarter 2018. DenizBank Platform Banking is designed to meet all the financial and non-financial needs of people in today's world. To that end, a Platform Banking Strategy Committee comprised of Bank managers and 50% independent sector managers is being formed. Work is underway related to business models under the pilot business development process. This effort is conducted in cooperation with more than 20 companies from various sectors, including but not limited to small technology firms and telecommunication giants. The platform is scheduled for launch with a complete set of essential business partners and the required infrastructure by the end of first quarter 2019.

Working in parallel with the Innovation Committee, the Innovation Management Department follows up on in-house innovation processes, while also keeping track of all innovative products and technologies from Turkey and worldwide. The Department explores how these innovations can be used at DenizBank. The Innovation Committee conducts meetings and agreements with fintech start-ups and third parties that provide high quality services which can generate value for DenizBank. This contributes to the formation of an open innovation ecosystem across DenizBank. In 2018, the Committee embraced a corporate stance that validated the Ecosystem Banking vision. DenizBank actively introduced itself to startups via content on various platforms, granting special access to such startups. This effort helped DenizBank transform into a bank that startups want to work with. In addition, the Innovation Committee launched "News of the Week" in 2018. This innovation bulletin is used to inform the entire Bank staff on global technology and trending news.

To sustain DenizBank's international innovation achievements, which are valued across the world, the Bank maintains relations with global authorities that recognize innovative products and services. Furthermore, in order to expand DenizBank's successes and unique experiences in this area, efforts are made to prepare and publish domestic and overseas publications on technology, digitalization and innovation.

Our Awards

2017 was yet another year when DenizBank bolstered its reputation as an "Innovation Leader." DenizBank became the only financial institution to be named the "World's Most Innovative Bank" four times in a row after receiving the World's Most Innovative Bank awards from BAI in 2014 and from EFMA in 2015. That was followed by the BAI 2016: The World's Most Innovative Bank award in October 2016. In 2018, the Bank received prestigious awards from Gartner, BAI and EFMA for its mass market practices after adopting a customer-oriented philosophy in product design. DenizBank not only maintained product leadership but also used the new customer-oriented approach as leverage to reach customers more often over products. This added more to brand recognition.

Digital Transformation Ambassadors/EFMA – Silver Award for Social, Sustainable and Responsible Banking

In 2018, DenizBank added another item of success to its tally in the field of agriculture during Efma Innovation Awards. The Bank received Silver awards in Social, Sustainable and Responsible Banking with its Digital Transformation Ambassadors initiative.

Credit X/BAI – Innovation in Marketing Winner

DenizBank was crowned the winner in the "Innovation in Marketing" category thanks to its Credit X marketing strategy at the Global Banking Innovation Awards by the US Bank Administration Institute (BAI). The competition received thousands of projects from financial institutions in more than 22 countries.

Algolab/The Banker Tech Projects of the Year 2018 – Trading Platforms Winner

Furthermore, DenizBank was the first place winner in the "Trading Platforms" category at Tech Projects of the Year 2018, held by The Banker, a leading global magazine for financial services industry. The Bank also won the "Most Innovative Project of the Year" category with AlgoLab, the next generation innovative algorithmic transaction platform developed in cooperation with DenizInvest.

DenizBank Neuroscience Project/Gartner Eye on Innovation – EMEA Winner

DenizBank recorded a historical success when it received an award in its own category and at the same time emerged as the winner in EMEA* region at Gartner Eye on Innovation 2018 Awards thanks to its neuroscientific work in Call Center process improvement and MobilDeniz redesign and software processes

*Europe, Middle East and Africa

Change Management

Turkey's banking industry is undergoing a major change and transformation process, both quantitatively and qualitatively. To make a difference in competition in this period of rapid digital transformation, it is a must to closely monitor and follow technological developments, adapt quickly to changes, review IT strategies in parallel with agility strategies, ensure the appropriate use of resources, and establish an IT infrastructure and business model that support cyclical developments. This period saw the need for change and transformation in risk, operation and customer perspectives.

To lead this industry-wide and structural transformation process and gain a competitive edge, the Change Management Group aims to offer consulting and support services to the Bank's senior management, subsidiaries and relevant staff. This effort will help them develop new strategies in line with legislative and regulatory changes, efficient risk management, cost effectiveness, efficient performance management models, inter-channel integration and advanced customer analytics. Due diligence based on retrospective analyses supports resource optimization and balance sheet management from a perspective of maximum rate of return/minimum cost.

DenizBank's Change and Transformation Management strategy can be summarized as follows:

- Increasing Company Value,
- Ensuring Qualified Personnel,
- Effecting Structural Changes,
- Developing Savings Methods,
- Implementing Process Improvement and Changes,
- Embracing Cultural Change – Customer Focus.

A robust and efficient IT infrastructure is critical for catching up with the rapidly digitalizing world and providing the fastest, most appropriate solution to changing customer needs. To that end, the Bank engaged in efforts to redesign the IT structure in a way that eliminates competitive risks and boosts internal efficiency while introducing organizational and structural changes. Adopting the principle "If You Can't Measure It, You Can't Manage It," the Bank designed dashboard screens for more transparent and efficient monitoring of IT project processes by all stakeholders. The DenizBank PMO team was established to bolster cooperation between Intertech and DenizBank while ensuring effective management of the former Service Quality functions under the relevant business lines and groups.

To ensure effective management of costs and resources, increased efficiency and sustainable growth, recommendations and presentations were delivered to the Board of Directors. All subsidiaries and groups under DFSG are provided with internal consulting services.

Subsidiaries – such as DenizFaktoring, DenizLeasing and DenizBank AG – are analyzed in detail in terms of operational, organizational and business model aspects. Efforts are supported to make more efficient use of inefficient or idle functions and staff positions as identified following cooperation and exchanges with the management of the relevant companies. In addition to work on modernizing and improving the effectiveness of the branch network, an active role is played to boost synergy and collaboration among IT and the relevant groups. The aim is to optimize and increase the efficiency of competitively-advantageous structures such as NBC (Non-Branch Channels) and digital channels.

In an increasingly competitive operating environment, changes in the business model are suggested to ensure an organizational structure that maximizes customer satisfaction in parallel with customer needs. Internal processes are reviewed from that perspective.

Business Analytics and CRM

Already a highly dynamic sector, Turkey's banking industry is marked by ever-increasing competition as firms from other sectors – such as telecommunications, retail, Internet and fintech – enter the field. Tightening regulations and changes in economic conditions force banks to rapidly revise their multiple functions. It is critically important to develop 360-degree knowledge of customers and manage them as efficiently as possible in such a dynamic environment.

The "Pole Star" project of 2018 gathered on a single platform the entire set of customer data from the Bank and non-bank sources – ranging from the Interbank Card Center and Corporate KKB, to Memzuç (Consolidated Data System) and derivatives notifications from TBB (Banks Association of Turkey). This effort provided both branches and Head Office with 360-degree knowledge on customers including risks, profitability, product needs and share of wallet. In addition, data from such sources is fed into the Bank's various systems, including MDS, POS application and early warning for supporting decisions. Financial networks of customers were drawn up from money transfers between customers (EFT, remittance, cheques, notes and bills, salary) or from customer relations with alternative data sources (DDS, KRM). This effort took the opportunity for 360-degree analysis from a customer level to a network level. Network analyses are actively used not only for customer acquisition and deepening relations but also for risk management. Efforts to identify specifically those that would be put in a difficult position by firms suffering from financial bottlenecks within their own networks are ongoing.

Banking Services

The "Pole Star" project gathered on a single platform the entire set of data from the Bank and non-bank sources with a customer-focused approach, ensuring a 360-degree analysis of customers.

Simply getting to know customers in a highly competitive market is not sufficient to gain a competitive edge. Effectively managing customers is as important as knowing customers. To that end, the Bank developed dedicated strategy presentations for business lines and shared findings on how different customer segments could be managed more efficiently. Action was taken on conducting price sensitivity analyses, lowering operating costs, managing unproductive customers on alternative channels, among others. Additional work on branch optimization as well as ATM/Cash optimization aims to reduce the Bank's overall costs without negatively impacting customer satisfaction.

Following the increasing importance of digitalization to remain competitive, the Bank engaged in various efforts to direct customers to digital channels. Special support was provided to ensure an innovative campaign design for the fastPay product. In addition, dedicated CRM presentations were prepared for various firms to engage in brand collaboration. The objective is to use the power of CRM to build business partnerships and enrich existing ones.

For corporate customers, the Bank targeted capturing a share of cash flow in return for the loan extended under the "Denizyıldızı (Star Fish)" concept and engaged in efforts to expand the deposit base of the Bank.

DenizBank launched the Datascientist program to ensure that a data-based perspective extends across the Bank's corporate culture. The Business Analytics and CRM Department played an active role in various stages of the program – from participant selection to training design.

Project Management

The Project Management Department is responsible for rapidly and effectively completing projects by DFSG business units with the goal to launch their strategies to make a difference through customer satisfaction under today's conditions which reflect a high competition in the finance sector.

In cooperation with DFSG business units, the Project Management Department ensures an appropriate selection of strategic projects that comply with DFSG's business strategies and pursues them before the Executive Board. This includes bringing into action the resulting strategic and tactical requests in a fast and quality manner in addition to developing, managing, and improving, if necessary, the relevant processes.

In terms of effectively realizing the requests of DFSG business units, the Project Management Department is charged with designing and managing the processes required for synergistic work among DenizBank PMO, Intertech PMO and DFSG Business Units. Potential priority conflicts in IT Product Teams in regard to the strategically and tactically prioritized requests of the Business Units are resolved.

Requests submitted by DFSG business units are analyzed for any points that could be helpful for different business units. The resulting solution is made available to multiple business units. The required follow-up and coordination work is conducted to launch the DFSG Strategic and Tactical projects requested by the Business Units. The required management and coordination work is undertaken in order for DenizBank PMO, DFSG Business Units Project Management and Intertech Project Management Office to work within an agile structure in line with DFSG's strategic objectives.

The Project Management Department proactively attends the Intertech A/G Committee to validate the costs associated with IT requests by DFSG. Furthermore, it reviews and updates, when necessary, the DFSG's IT costs.

Electronic Money and Payment Systems

Electronic Collection Services

In electronic collection services, the Bank contracted 55 new companies in the Direct Debit System (DDS) and corporate collection projects in 2018. As of year-end, the number of parent companies to have signed up to DDS and Card Payment System projects grew 18%, with a total collection volume of TL 7.8 billion.

Electronic Payment Services

During 2018, DenizBank intermediated about 6.4 million in payment transactions through the Bulk Payment System. In addition, the Bank increased the electronic payment transaction volume by 39% to TL 195 billion.

The Bank's Foreign Currency Bulk Payment System, launched to facilitate DenizBank customer domestic and overseas bulk foreign currency transfers, recorded a 36% rise in the number of transactions in 2018.

One of the first banks to activate the QR Code feature in cashier's cheques in 2015, DenizBank captured 6.8% market share in cashier's cheques in 2018.

Collections from Institutions and Municipalities

DenizBank signed contracts with new billing companies and continued to enrich its customer service channels in 2018. Further, the Bank offered IT solutions tailored exclusively to municipalities and continued to forge strategic partnerships. As a result of these efforts, the Bank provides collection services to more than 60 municipalities.

Cash Management and Public Finance

Cash Management

The Cash Management Group uses the power of technology and processed data so customers can complete their collection and payment transactions quickly and easily. The Group aims to access the right customer with the right product at the right time. The aim is to alleviate the operational burden assumed by both the customer and the Bank and minimize the time cost. Placing great importance on building multifaceted, long term relations with the client base, the Cash Management Group sees customers as a business partner. To this end, the Groups develops a comprehensive range of products that support its customers' collection and payment processes. The Group adopts a customer-focused approach to produce solutions that tailor the product for the customer rather than fitting the customer to the product.

The Analytical Marketing Group's data processing capability and analytical models are used to develop action plans that will contribute to customer penetration, profit and efficiency. The Cash Management Segmentation launched to serve that purpose embraced a customer-focused approach in 2018.

The Cash Management Groups always highlights customer needs across all business processes. The Group is committed to providing fast, high quality products tailored for customers to fully meet their needs rather than offering one-size-fits-all products. The aim is to give customers the right solution.

In 2019, the Cash Management Group plans to maintain its customer-centric approach to accurately analyze customer needs and offer the right product at the right time as a core strategy.

Public Finance

DenizBank broke new ground in Turkish banking by targeting public finance as one of its strategic business areas. The Public Finance Department was established to service a target group: local government, its subsidiaries and economic enterprises, as well as state economic enterprises, their entities and subsidiaries. To date, the Public Finance Department has provided low cost and long term financing to more than 300 projects.

The Public Finance Department provides the full range of banking services to local governments with its specialized and highly-experienced staff at the Head Office, regional offices, and branches.

The cash management systems developed exclusively for DenizBank in addition to the Bank's branch network and alternative distribution channels maximize operational efficiency and productivity in tax collection processes. Today, the Bank provides collection services for tax, water bill, and other collections for more than 80 municipalities.

Banking Services

DenizBank's active POS rate reached 71%. Thanks to POS services enabling customers to receive 24/7 support, DenizBank has achieved the service quality level required to become their preferred bank.

Information Technologies and Support Operations Group

The Information Technology and Support Operations Group, IT Security and Digital-Card Payment Operations Group, Branch and Central Operations Group, and Intertech report to the Chief Operating Officer (COO).

IT Security and Digital-Card Payment Operations Group

The IT Security and Digital-Card Payment Operations Group ensures that DenizBank's:

- IT Security,
- Digital and Card Payment Operations

are run in coordination and create synergy with the Bank's other business lines.

The Bank keeps close watch on customer behavior and IT security structures that evolve as technology advances, and upgrades its relevant processes. DenizBank manages risks arising from digitalization in the most effective way. The Bank is committed to instilling confidence in our future in the digital world, which has become an indispensable part of our corporate and individual lives. The Bank has designed and built behavior-based security technologies, leading to better protection against zero-day attacks. Security risks are minimized by isolating Internet access from the surrounding environment.

Today, security processes are much more dynamic. The new feature publishing cycle is now significantly shorter. The Bank makes a point of raising user and customer awareness against cyber attackers who exploit people's weaknesses.

Internal users and customers are more and more exposed to cyber security risks with the widespread use of digital devices. These rising threats aggravate the risks associated with digital media. The IT Security Unit is further enhancing its detection and prevention activities with additional security-related investments. Integration of new security technologies into the network allows the Bank to swiftly receive information about global threats. The Bank carries out ongoing risk management activities related to IT processes, applications, infrastructure and security systems. The IT Risk Management Unit was restructured with a focus on cyber risks. The Unit is less susceptible to such risks thanks to the increase in its capacity.

Card payment systems, very well-developed in Turkey, affect customers' choice of bank with the ease of use and convenience they bring to their lives. As such, card payments form a critical service that makes a competitive difference. Understanding that card payment systems are a key component of its competitive edge, DenizBank aims to be the best service provider in the industry in terms of all card payment transactions offered to customers.

Committed to providing customers the best experience while striving to achieve operational excellence, DenizBank's delivery of credit and debit cards is the fastest and most accurate in the sector. DenizBank boasts the highest level of completeness and accuracy in terms of customer address structure among Turkish banks.

Cards are sent to customers with a 94% delivery success rate, demonstrating the Bank's exemplary operational accuracy.

DenizBank closely monitors technological developments and offers customers the most innovative products available to the market – the first of their kind not only in the industry but also worldwide. By adding anonymous prepaid and preauthorized prepaid cards to its existing credit/debit card portfolio, DenizBank succeeded in providing banking

DenizBank has launched Inter-Paynext, a new card package integrated with the banking system, and NFC Card, which is based on Cloud Technologies.

services to an even larger customer base. DenizBank has become an industry leader with instant credit card service provided at branch locations. DenizBank's card services reach a vast, diverse population in Turkey via card products specially designed for transportation use, sports events and campus projects. Payment automation systems set up at Marmara University and TED University provide students and academics with secure payment and safe access at these campus locations.

DenizBank conducts ongoing campaigns related to the statement process. The Bank posts a success rate of 96.9% in statement notifications via SMS and mail, ensuring significant cost savings.

In 2018, DenizBank's active POS devices rose to 71%, up from 51%. Thanks to POS Support Service, which enables customers to receive 24/7 support, DenizBank achieved the service quality level required to become their preferred bank.

The Bank participated in the design and manufacture of the New Generation Payment Registration Devices (ÖKC) demanded by the Ministry of Finance. DenizBank was the first bank in the world to launch these devices at contracted merchants. DenizBank has over 70,000 ÖKC devices in active use.

With the additional models that support the banking application, Payment Registration Device (ÖKC) models are varied and this wide range makes more clients prefer DenizBank.

Projects devised for current POS models were integrated with payment recording device terminals. In 2018, the Producer Card was integrated with Vera Payment Recording Devices. Payment recording devices were enhanced to integrate with the multi-bank operation system. This development has a positive impact on customer satisfaction.

In another innovation, the ÖKC device has the capability to serve as a POS terminal only. Clients who do not need or want a cash register but only a POS terminal can now also use a VERA ÖKC.

Thanks to the DENİZPOS mobile app for smartphones, POS clients can easily access banking applications and various services, such as bank statements, materials, POS application or rate changes.

A new payment method was created in ÖKC devices for payments made via FastPay, as it has become possible to generate and scan QR codes with the FastPay mobile application.

To capture a larger share of the rapidly growing card market in Turkey, banks must rapidly launch POS/card/card packages in line with consumer preferences. To this end, DenizBank has developed its own card payment package, inter-PayNext. The POS client and contracted merchant side was made compatible with this package, ensuring a safer and faster operation through the Bank's own package. DenizBank continues work on upgrades for POS clients and contracted merchants.

DenizBank currently operates 2,917 ATMs. In addition, the Bank has over 400 "Express Gişe (Cash Kiosks)." These specially designed machines offer money deposit and withdrawal services and function as alternative distribution channels in retail chains. A channel that entirely feeds on a CRM infrastructure, DenizBank ATMs are used to suggest products and services to customers and support sales. The Bank enhanced the ATM Cash Flow Management application to minimize the funding cost of money transfers to ATMs, and render their operation more efficient. Recycle support, which allows the money deposited in ATMs to be used in withdrawals, allows ATMs to run for longer periods without being supplied. As a result, operating costs were reduced. During the year, the Bank launched innovative projects at its ATMs, including card-free money withdrawal, login via SMS, money withdrawal by voice, and FastPay.

The Bank added Diebold ATMs, one of the top three brands in the world, to its existing NCR and WINCOR ATM model portfolio. Over 320 Diebold brand ATMs are now in service at DenizBank.

The Bank's Chargeback project and the Visa-MC Foreign Barter Accounting Automation project have minimized the operations-related loss of time and labor and operational failure risk. Reports have started to be stored in a digital format.

The Bank analyzed actions in response to payment system fraud, increasingly widespread across the world. Proactive and reactive measures were adopted according to customer lifestyles. As a result, DenizBank customers, who carry out transactions across all channels via the Bank's systems, were provided with Turkey's most secure payments services. The Bank merged loan and credit card applications under Fraud Risk Management, and established a more secure structure. In the area of customer information and security, DenizBank took measures against financial losses of customers in line with recent trends. As a result, total losses were reduced despite a rise in the number of attacks.

Banking Services

The Branch and Central Operations Group ensures that banking products previously or currently purchased by DenizBank customers and their after-sales aspects are in accordance with national, international and in-house regulations.

Branch and Central Operations Group

The Branch and Central Operations Group ensures that DenizBank's:

- Central Operations and Branch Operations,
- Organizational and Operational Quality,
- Fund Management and Investment Banking Operations

are run in coordination and create synergy with the Bank's other business lines.

In line with its functions, Central Operations delivers a wide range of production operations for branches and customers, including:

- Foreign trade operations,
- Cash and non-cash loan operations,
- Operations related to customer information and documentation, reception, introduction, scanning and archiving,
- Operations at branches' accounting and current accounts center,
- Attachment, pledge and account research transactions,
- Operational transactions related to domestic subsidiaries of the Bank,
- Fund management and investment banking operations,
- Operations related to cheques and bonds,
- Risk center reporting operations,
- Operations related to payments to institutions,
- Fraud and insurance operations,
- TL and FX domestic and international payments,
- Fund management, middle office, custody, and investment banking operations.

The Branch and Central Operations Group ensures that banking products previously or currently purchased by DenizBank customers and their after-sales aspects are in accordance with national, international and in-house regulations.

In line with the goal of transforming branches from Service Centers to Service and Sales Offices, the Bank restructured the operational staff positions at branch locations in February 2018. Now, these positions report to Branch Managers. As of November 2018, the task group for Teller Sales Officers and Cash Transactions Officers at branches report to the Retail Banking business line on the organizational matrix. Field sales will be accelerated through the sales expertise and mentoring of Regional Sales Managers.

To manage the Bank's risks efficiently, all CGF lending, control and compensation processes can be run with final control and approval by Central Operations after the team responsible for these processes receive specialized training.

Delegated to branches for performance under efficient workforce management, the types of transactions within the pool have been increased and expanded. Attachment entry and cheque entry transactions were transferred to large-scale branches pool to boost efficiency.

To improve expertise and make promotion conditional on the certification program at the Central Operations Product Departments, a Vice President Certification Process was introduced.

The export module was updated and rendered compatible and integrated with today's conditions in an electronic file format.

Maximizing information exchange among all DenizBank employees, DenizPortal intranet consolidates all internal information and serves all employees across the organization.

Organizational and Operational Quality

To help DenizBank achieve its strategic goals, the Organizational and Operational Quality Department focuses on improving processes and developing competitive, efficient and productive business methods. The aim is to move the Bank forward to achieve operational excellence. The Department's main targets include:

- Delivering project management for Central Operations,
- Achieving simplicity and productivity in operational processes,
- Maximizing automation.

As part of process development and improvement efforts in operations, process analysis modeling is applied, as the projects are put into practice. The departments strive to ensure that processes are defined and interconnected and that responsibilities and roles are clearly identified. In parallel with continuous follow-up and improvement efforts, experiences yielded by each project are considered when undertaking other projects and processes. The goal is to establish a learning organization.

To boost branch productivity with a customer-focused approach and while minimizing and controlling risks, the improvement needs of branches are identified, turned into projects and resolved. Strategic projects related to the branches are implemented within the set deadlines.

In order to implement operational projects, the Bank conducts training, notification and coordination related activities. These efforts are designed to spread and reinforce those innovations that will make DenizBank more competitive and customer oriented. To this end, the necessary methodology for extending and systematically implementing these training programs is outlined and documented.

Maximizing information exchange among all DenizBank employees, DenizPortal intranet consolidates all internal information and serves all employees across the organization.

To that end, the Portal offers a "one-stop shop" access to the following:

- All product information required via DenizBank Product Tree platform;
- All procedures and work flows in a simple and comprehensible manner via the Way of Doing Business platform, and all documents required in terms of work flows via the same platform;
- The terms of reference and job definitions for departments working in integration and the staff at various departments via the Job Definitions platform.

As part of its enterprise resource planning (ERP) initiatives, DenizBank continues to conduct capacity requirement assessment efforts for permanent staff in the Branch Operations and Portfolio Management, and Central Operations Departments.

Process measurement efforts continued in order to set the basis for permanent staff position calculations and activity-based costing. The standard transaction durations and cost centers were identified for each step in relation to transactions processed.

Fund Management and Investment Banking Operations

In 2018, the Fund Management and Investment Banking Operations Group implemented the following improvements to comply with applicable legal and regulatory requirements, boost operational productivity and minimize operational risk:

Fund Management Operations

The "Netting" module was been created and commissioned in interbank transactions, for more effective management of correspondent bank costs and operational efficiency purposes.

Banking Services

DenizBank became a member of SWIFT GPI for more efficient monitoring of FX Customer Transfers.

Private Banking Operations, Foreign Payments and FX Cheques Operation

Action was taken to ensure all fax orders to Private Banking branches are directed to the pool of the central Private Banking Operations. This change made it possible to serve customers faster.

In the second half of 2017, Private Banking Operations made it possible to accept customer orders via voice recording. This practice was extended in 2018, enabling Multi-Currency FX Spot transactions via voice recording.

DenizBank became a member of SWIFT GPI for more efficient monitoring of FX Customer Transfers, completed system-wise development efforts and launched the project.

GPI enabled monitoring of outgoing FX payment orders, transaction times and fees charged. The customers are informed via SMS or e-mail if their beneficiary account is credited depending on their choice.

Investment Banking Operations

To maintain DenizBank's competitive edge in securities operations, in addition to the standard services offered in the market, DenizBank's exclusive securities projects are developed and automated in the securities system.

The Investment Banking Operation Department conducts the following transactions:

- Trading in liquid and short term investment funds via branches and alternative distribution channels, 24/7;
- Automatic trading for the "Captain Account" application of the Liquid Fund's Short-term bond fund;
- Automatic terminating of Liquid Funds and short-term bond fund during cash withdrawal from ATMs;
- Performing automatic fund sales in line with the criteria of the "Deposit Fund" project;
- Executing public offering of Capital-Protected Funds, termination of these funds according to certain criteria, and repayment on maturity date;
- Executing public offering of Umbrella Funds, termination of these funds according to certain criteria, and repayment on maturity date;
- Issuing DenizBank Asset-Backed Securities, related Central Registry Agency transactions and customer transactions;
- Issuing DenizBank Bonds, related Central Registry Agency transactions, distribution, trade, repayment of principal and coupons.
- Carrying out registry, issuance and trading transactions for Electronic Warehouse Receipts (ELÜS).

Since the start of 2013, DenizBank has enjoyed market-maker status in the government debt securities (DİBS) market with the approval of the Undersecretariat of Treasury. . The Bank's transactions on the Stock Exchange and OTC market have expanded in terms of number and volume. Due to its market-maker status, the Bank also participates in Open Market Transactions (APİ) tenders and direct trading tenders. An automatic tender notification infrastructure was established to communicate with the Central Bank of Turkey regarding weekly DİBS tenders.

Branches, customers, CBRT cash transactions and offsite ATM management were all combined under the roof of the Cash Operations and Reconciliation Department for more effective cash management.

Custody Services, Fund Services Operations

In line with Capital Markets Board communiqués, DenizBank's Custody Services Department provides custody services to:

- Customers served by portfolio management companies, and individual customers;
- Investment funds and investment trusts (collective investment companies);
- DenizBank AG customers with their portfolios on customer basis.

The core products that fall under custody services include:

- Stocks,
- Fixed Income Securities,
- Eurobonds,
- Investment Fund Participation Certificates,
- Domestic and foreign currency deposits,
- Foreign currency exchange transactions,
- OTC derivative transactions and Futures and Options Market (VİOP).

The Fund Services and Operations Department uses Infleks software to provide various services. These services include price calculation, accounting, notifications and reporting of investment funds set up and managed by Deniz Portföy A.Ş., or other portfolio management companies.

Changes and improvements required by applicable laws, rules and regulations are communicated to the software company and completed as a joint effort. As of end-2018, DenizBank serves a total of 36 investment funds including 19 hedge funds.

Cash Operations and Reconciliation

Launched by the Issue Department at CBRT, the Decentralized Cash Management (DCM) system saw the introduction of DCM storage to keep Turkish lira banknotes on behalf of CBRT.

Branches, customers, CBRT cash transactions and offsite ATM management were all combined under the roof of the Cash Operations and Reconciliation Department for more effective cash management.

Foreign Subsidiaries

DenizBank AG plans to expand its service offerings through the renewed Mobile Banking application.

DenizBank AG (Austria) – JSC DenizBank Moscow (Russian Federation) – EuroDeniz International Banking Unit Ltd. (TRNC)

DenizBank AG (Austria)

Established in 1996 by the former Esbank in Vienna, Esbank AG was acquired by DenizBank A.Ş. in 2002, and renamed DenizBank AG in 2003.

DenizBank AG operates with an extensive range of deposit and loan products in Retail and Commercial Banking. The Bank serves corporate, commercial, SME and retail customers by focusing on key products – such as investment loans and project and foreign trade finance – based on market needs and identified opportunities. Headquartered in Austria, DenizBank AG operates a network of 43 branches – 27 locations in Austria and 16 branches in Germany – as of year-end 2018. Closely monitoring global development trends, DenizBank AG is the third biggest bank in Austria in terms of direct banking customer portfolio.

Some 95% of retail customers at DenizBank AG are either Austrian or German citizens. The bank also offers retail banking services to many Turkish citizens abroad. The synergy between DenizBank AG and DenizBank is attained by pooling resources such as the extensive branch network, the increasing number of money transfer points, and easy access to services. This synergistic relationship has ensured a positive customer experience that reflects well on both companies, and thereby expands their respective customer bases.

As of year-end 2018, DenizBank AG's total assets rose to EUR 11.0 billion, while its equity increased to EUR 1,515 million.

In the coming year, DenizBank AG plans to grow its ATM network and expand the scope of its Internet banking services in Austria and Germany. The updated Mobile Banking application started serving customers in early 2018. Eleven thousand users downloaded the application and the active user base reached 2 thousand.

Recording steady growth for more than 20 years, DenizBank AG used its expert staff and principal shareholder as leverage to raise its asset size to EUR 11.0 billion. As a result, DenizBank AG is currently one of the top five private banks in Austria. In terms of total assets, DenizBank AG ranks among the five largest Turkish banks abroad.

In early 2017, DenizBank AG acquired accredited bank status for European Exim loans and reached an agreement with the global leader Allianz Group for the sale of its insurance services and products. The bank continues to diversify its product portfolio. Previously brokered in Austria, the sale of Santander customer loans also started in Germany in 2018. DenizBank's business partnership with Wüstenrot for mortgage loans and building savings and with Money Gram for global money transfers, exclusively in Austria, continued in 2018.

JSC DenizBank Moscow (Russian Federation)

DenizBank acquired Iktisat Bank Moscow in 2003 and changed the name to CJSC DenizBank Moscow. This company name was changed to JSC DenizBank Moscow on December 3, 2014. The Bank provides a full array of banking services to corporate and commercial clients.

The opportunities for economic partnership between Turkey and Russia generate new investments, primarily in foreign trade and tourism. As such, the number of Turkish entrepreneurs investing in Russia is rising steadily. By establishing close relationships with entrepreneurs, JSC DenizBank can identify the needs of these businesses accurately and bring all financial services offered by DFSG to its customers. The bank can also respond quickly to requests by way of DenizBank's financial power.

DenizBank customers perform their foreign trade transactions in Russian rubles with the support of the subsidiary. Customers can also perform many other banking transactions, including money transfers, account openings, external guarantees, foreign exchange transactions, Russian ruble purchasing, in addition to forwards and arbitrage.

As of end-2018, JSC DenizBank recorded total assets of USD 263 million and shareholders' equity of USD 81.7 million, maintaining its leadership position in the Turkish niche market.

EuroDeniz International Banking Unit Ltd. (TRNC)

Acquired by DenizBank from the Savings Deposit Insurance Fund of Turkey in 2002, the bank was renamed EuroDeniz International Banking Unit (IBU) Limited in February 2009. EuroDeniz IBU is licensed to engage in all commercial banking operations. The bank offers various deposit and loan products to the corporate and commercial customer segments.

As of year-end 2018, EuroDeniz IBU recorded total assets of USD 191.2 million and shareholders' equity of USD 7.1 million.

Information Technology (IT) Services

Intertech's latest integrated finance platform "inter-Vision" serves 50 institutions in 10 different countries.

INTERTECH

Established to provide much needed IT services to the financial sector, Intertech operates under the under the umbrella of DenizBank Financial Services Group (DFSG) since 2002 Intertech reports to the DenizBank COO, under the umbrella of the DenizBank Financial Services Group (DFSG) and designs innovative and efficient solutions for 50 institutions in 10 countries.

Intertech has developed four core banking packages used in many domestic and foreign banks, and has capitalized on its experience and expertise to further upgrade its product range. A strategic solution partner of Microsoft's, Intertech has built its inter-Vision integrated banking platform on Microsoft-based current technologies such as NET and Microsoft SQL Server.

Intertech provides cutting edge IT solutions-recognized by multiple international awards-for DenizBank to achieve its targets of "Operational Excellence" and "Unique Customer Experience." Having received numerous awards since its establishment, Intertech received the Silver prize in the special category 'The Most Innovative, Groundbreaking Bank on a Global Scale' and the top prize in the most prestigious award category, namely 'The Best Product/ Service Category', with its application 'From Sea to Land', at the 2017 Innovation Awards, which is organized by European Financial Management Association (EFMA) and the business consultancy company Accenture, and is considered by international finance circles to be one of the most prestigious award platforms, and the innovation arena of the global banking industry.

Furthermore, at the US-based Bank Administration Institute's (BAI) Global Innovation Awards, organized since 2011 with thousands of participations from over 22 countries, DenizBank received an award in the Internal Process Innovation category with its "Intelligent Workforce Management" project developed jointly with Intertech, its technology hub.

After Austria, Bahrain, Germany, TRNC, Saudi Arabia, Turkey, Albania, Kosovo and Lebanon, Intertech's latest integrated finance platform "inter-Vision" has extended its services to Azerbaijan, thus bringing up the number of national markets it serves to 10 and its institutions to 50 as of 2018.

After DenizBank and Turkcell Payment Services, PTT also opted for Intertech's solutions in Card Payment Systems and ATM Applications management in 2018, and our applications thus came into use in Turkey's most extensive network. As of end-November 2018, the "eTuğra" Istanbul Card Infrastructure Renewal Project has been completed, whereby our inter-Paynext platform has come into service in one of the world's largest public transport networks comprising over 30 million cards, 15,000 terminals and 3,000 merchants. We plan to extend the project "eTuğra", our first reference in the transportation sector, across metropolitan municipalities all over Turkey.

Following an 18-month project phase, in April 2018, HSBC Turkey's "Future Core Banking" project was completed without errors and interruptions thanks to Intertech's immense experience in similar projects, thereby adding yet another client to Intertech's long list of success stories. In a unique step for the global organization of HSBC, the company has thus procured its almost entire financial IT requirements from a sole provider.

Agile project management methods were employed in the development of new mobile banking and API banking projects, which stood out as two other significant and innovative projects in the year 2018.

The next generation banking platform, inter-Vision Integrated Banking Platform, was developed in line with DFSG's IT strategy. It is a web-based banking application built entirely on service oriented architecture to assure scalable solutions through the quick application and unique combination of the best IT infrastructure in its field. The inter-Vision Integrated Banking Platform links DenizBank's corporate marketing strategy with banking processes in a manner that places customer process management at the center, thus allowing DenizBank to execute its activities in line with customer needs and expectations. Information retrieved from consolidated and central data feeds marketing applications to provide dynamic access to decision support models and turns its operational employees into a fully equipped sales force.

DenizBank has achieved the following results via the inter-Vision Integrated Banking Platform:

- Customer Relationship Management for a Customer- Oriented Perspective: Customers are offered high-quality products and services aligned with their preferences and financials.
- Business Process Management for Operational Productivity: The platform was provided to design, automate, implement and optimize customer-

Information Technology (IT) Services

oriented business processes, achieve low training costs and inject agility across all levels of the organization.
- Financial Solutions for Agility: Intertech's fields of expertise are not limited to basic banking operations, but also include financial topics that appeal to all institutions. As such, the relevant companies in DFSG not only utilize Intertech's solutions in basic banking, but also in factoring and leasing.
- Business Intelligence Solutions for Efficient Decision Support: This platform has strengthened the management of financial data storage and created an integrated decision support structure.
- Alternative Distribution Channels Management for Banking, Anytime and Anywhere: The platform has provided uninterrupted 24/7 financial services through all distribution channels and has developed IT solutions and infrastructure in line with business growth.

Intertech designs a continuous, robust and flexible IT development infrastructure for DFSG. The Company has also established the Disaster Recovery Center in Ankara, outside operational areas, with a view to providing continuous services in cases of emergencies and disasters. Twice a year, Intertech controls the operations expected to be delivered by the Disaster Recovery Center to ensure the continuation of banking services.

As the expansion of online services across the world brings about a parallel increase in IT security threats, Intertech has expanded its IT security team. As such, Intertech provides the following security measures:

- Development of security policies and procedures,
- Training of code security and techniques for secure code development,
- Training of security awareness,
- Audit for IT security,
- Application security audits,
- Network weakness analyses and penetration tests,
- Installation of public key infrastructures,
- Encryption and electronic signature applications,
- IT security risk analyses,
- Project consulting for security technologies,
- Architectural modeling for security technologies,
- Cyber crisis management and
- Border, Endpoint and Network Security Technologies management.

Intertech implements processes based on the global ITIL and COBIT standards to continuously improve and sustain the quality of IT services provided to DFSG, and to keep its services in line with defined Service Level Agreement (SLA)s.

With the belief that service quality can be guaranteed only with a quality life cycle, Intertech continuously improves and sustains its service quality by using DevOps Processes and Agile project management methodologies and including the quality life cycle into all process within its projects, developed through the total quality management approach.

In its DenizBank/Intertech IT infrastructure (storing units, servers and network equipment, cooling systems), DenizBank prefers green hardware which uses energy efficiently. In the evaluation of the bid offers, costs and sensitivity for the environment are important criteria. When calculating the total cost of ownership, energy costs are also included in the calculation.

Energy consumption figures of DenizBank's systems are monitored and the Bank's IT infrastructure was virtualized by 85%.

Green cooling systems and high efficiency UPS systems are utilized in the Bank. In order to control the Data Center's energy consumption, air-conditioning is made at the optimum temperature the systems can tolerate. The right space for energy optimization is where there are too many devices. For this purpose, all PCs and monitors are managed remotely by Microsoft SCCM; when they are not in use, standby mode is activated and thus energy savings are achieved.

Ekspres IT and Trade

Ekspres Securities joined DenizBank Financial Services Group at the end of 2002 and focuses on offering equity investment services for foreign institutional investors.

In the final quarter of 2013, it was decided that EkspresInvest and DenizInvest would merge under the trade name of the latter and the merger was finalized by year's end.

A Securities Trading Brokerage Authorization Certificate sales agreement was signed in July 2015, and transfer procedures were finished in June 2016; and the Company has changed its status from financial company to non-financial company. Upon a resolution adopted at the Ordinary General Assembly in August 2016, the company's primary business line was changed to provision of IT services, solutions and systems integration, communication network services, system installation and operation services, IT support and consultancy services, and its trade name was registered as Ekspres Bilgi İşlem ve Ticaret A.Ş. (Ekspres IT and Trade).

Private Banking and Investment Activities

DenizBank Investment Services Group has developed a business model that maximizes the confidence and profits of customers with a focus on customer satisfaction.

Denizbank Investment Services Group

DenizBank Investment Services Group has gathered DenizBank Private Banking, DenizInvest, DenizPortfolio and Deniz REIT under one single roof to offer a "one-stop shop" for all financial products.

Customers can access mutual investment instruments – including securities, investment funds organized market products, over-counter products, and derivatives – and conduct their transactions.

In keeping with its motto "Don't Invest in Hype," DenizBank strives to improve its investors' financial literacy and deliver the best service to its clients, while using simple, easy-to-understand language. To stand by its clients at all times and make their lives easier, the Bank aims to develop new technologies and innovative products with its specialized staff. DenizBank launches new products designed to bolster its innovative and dynamic position in the industry.

Although most companies focus on providing specific products, the Group's main emphasis is on customers and their satisfaction. The Bank's business model is designed to maximize both customer trust and profits.

DenizBank provides investment instruments to customers at every service point in line with its financial supermarket approach. The Bank has determined the service and product model best suited for each customer segment.

DenizBank Private Banking

DenizBank Private Banking serves clients with net worth of over TL 1 million.

DenizBank Private Banking has 11,622 active clients as of end-2018, and offers a wide range of customized services and solutions. The Private Banking Group boasts the widest private banking network in Turkey.

It operates a total of 18 Private Banking service points: seven in Istanbul and 11 locations elsewhere across the country, in Ankara, Izmir, Antalya, Bursa, Adana, Trakya, Kayseri, Samsun, Bodrum and Diyarbakır. The Bank established the first private banking service points in Kayseri, Samsun, Bodrum and Diyarbakır, staying one step ahead of the competition.

The Private Banking Group closed fiscal year 2018 with total assets of TL 31.4 billion. DenizBank's trajectory of success received a boost when the Bank joined the Sberbank family in 2012. This success was further enhanced upon the acquisition of Citibank Turkey's Retail Banking Division in 2013. Operating in harmony and collaboration with other business lines to constitute a single gateway for customers, the Group's 62 portfolio managers deliver all DenizBank Financial Services Group product and services with their many advantages and privileges.

In line with customer preferences, DenizBank Private Banking offers a diverse range of mutual funds, including Private Sector Bonds/Bills established by DenizPortolio, Hedge (FX) Funds, Eurobond, Lease Certificate Funds and BIST 25 Dividend funds. Special umbrella funds were created for clients to manage their wealth in a more professional manner. In 2018, the Group brokered the issuance of over TL 12 billion in bank and non-bank private sector bills and bonds, enabling customers to access alternative, non-deposit products.

In addition to Hillside Leisure Group, DenizBank signed new sponsorship agreements with Big Chefs Group and Su Group to offer its Private Banking customers various advantages at restaurants managed by these entities that serve upmarket clientele.

Private Banking and Investment Activities

DenizPrivate, the credit card exclusively offered to Private Banking customers, was updated as DenizPrivate Limited Edition under the concept "An exclusive world, just for you." DenizPrivate Limited Edition combines this concept with a personal card design.

DenizPrivate Limited Edition offers cardholders the opportunity to benefit from wide-ranging discounts and privileges globally and in Turkey with Mastercard World Elite. In June 2018, DenizPrivate Limited Edition was sent in a special kit to each customer with average total assets of TL 1 million or more at the Bank.

The new DenizPrivate Limited Edition offers myriad opportunities to cardholders. These include free lounge access with a guest at domestic and international terminals at Istanbul Atatürk, Ankara Esenboğa, Izmir Adnan Menderes and Bodrum Milas Airports; lounge access at about 1,000 airports in 125 countries; 10% discount on accommodation and restaurant expenditures abroad; and 30% discount for Sunday breakfasts in every part of Turkey.

DenizBank Private Banking aims to offer its customers exclusive event experiences where they will feel special and valued. The Group is committed to getting to know its customers well and strives to maximize customer satisfaction with exclusive activities. In 2018, the Group reached over 2,000 Private Banking customers and enriched their lives via special screenings, concerts, auctions, gala, launch and festival invitations.

In 2019, the Private Banking Group plans to expand its asset size and raise its service quality, while providing personalized solutions with a dedicated workforce to meet customer needs and expectations. The Group also aims to continue standing by its customers with special, exclusive activities, and other non-banking services.

DenizInvest

DenizInvest operates at 37 service centers. 18 of these have Private Investment Center status, delivering personalized services in an ever-expanding capital market product range. Sixteen service centers that have "Investment Center" status are positioned to deliver services in organized markets products.

Continuing to break new ground in the sector, DenizInvest launched an innovative scheme called "T+0." Under this service, DenizInvest immediately transfers the sums for equity sales to clients' accounts, without having to wait for two business days.

As a result, clients can sell their equities and have immediate access to the proceeds round-the-clock.

Thanks to this restructuring, DenizInvest has transitioned from a product focus to a customer focus approach, providing a full range of capital markets products.

Firsts and Milestones

- 2006 – Brokerage services at international derivatives exchanges
- 2007 – Offering foreign corporate investors direct electronic access to BIST
- 2010 – Repurchase Guarantee and Bonus Shares incentive mechanisms under the Investor Protection and Incentive Program for the first time in Turkey, and
- 2012 – Development of Daily Purchasing Order Guarantee and Financial Performance Guarantee mechanisms
- 2013 – Intermediation of Electronic Crop Receipts allowing electronic spot trading of agricultural products

DenizInvest's Investor Protection and Incentive Practices, which are utilized during public offerings, won the "Most Creative Capital Markets Award" at the second edition of the Capital Markets Awards organized by Turkish Capital Markets Association in 2017.

DenizInvest is the leader of the sector with its 16.7% market share in the public offerings both collection of domestic IPO demand and in terms of number of domestic investors.

As Consortium Leader, DenizInvest underwrote 15 key IPOs worth over USD 1 billion, including real estate investment trusts, football companies, among others.

DenizInvest played a leading role in the expanding market of private sector borrowing instruments. The company has underwritten bond issues of many companies from the financial services sector and the real economy since 2012. DenizInvest provides advisory and intermediation services for all capital markets instruments of Turkey's four major sports clubs.

DenizInvest commenced margin trading operations after receiving the relevant license from the Capital Markets Board in 2012. The firm recorded a total margin trading volume of over USD 35 billion as of year-end 2018.

In parallel with the increasing use of technology and digital channels in the industry, DenizBank continued to invest in these key areas. The Bank now boasts 13 electronic delivery channels with 78% of all orders communicated digitally. Furthermore, orders for equities and the TurkDex are now placed via hardware positioned in Borsa İstanbul's co-location center. This arrangement allows for significant improvements in end-to-end order performance.

Since 2015, all the reports of the Research Department have been issued under the brands of both Sberbank CIB and DenizInvest following the integration process with Sberbank CIB Research Department.

DenizAsset Management

In May 2003, Ege Portföy Yönetimi A.Ş. (Ege Portfolio Management) was acquired from the Savings Deposit Insurance Fund of Turkey. The entity was renamed Deniz Portföy Yönetimi A.Ş. (DenizAsset Management) in June 2003. DenizAsset is committed to delivering top quality services in response to changing market conditions. DenizAsset manages 30 DenizBank investment funds and 14 pension investment funds, providing investors both high performance and consistent returns. Boasting a well experienced team of professionals, DenizAsset plays a key role in capital markets with world-class services that include domestic and foreign investment funds, pension funds and portfolio management.

DenizAsset Management aims to grow its alternative funds as a core investment strategy. The company focuses on the sales and management of funds investing in private sector bills and bonds. DenizAsset has come to enjoy a prominent standing in the industry with its successful performance over the last three years. DenizAsset figures among the top players in the market thanks to the personalized funds that it has established, as well as its Eurobond funds. As of end-2017, DenizAsset recorded total assets under management of TL 3.7 billion with 4% market share in investments funds.

Although the Turkish mutual fund market contracted to TL 47 billion in second quarter 2018 due to cyclical events, DenizAsset Management maintained its volume thanks to a special fund composition strategy. The firm grew the size of its mutual funds to TL 2.6 billion and increased its market share to about 5.5%. In 2019, DenizAsset plans to offer new products to the public, while considering the investment preferences of its clients. The company also aims to capture a greater total market share by growing specifically in the investment fund market and focusing on individual/corporate portfolio management.

Deniz Real Estate Investment Trust

Joining DFSG at year-end 2001 as a subsidiary of DenizYatırım Menkul Kıymetler A.Ş. under the commercial name DenizYatırım Ortaklığı A.Ş., the company was transformed into a real estate investment trust on December 20, 2013 and changed its commercial name to Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (DenizREIT). On December 31, 2013, DenizREIT acquired Pupa Gayrimenkul Kiralama ve Yönetim Hizmetleri A.Ş. (Pupa), a DFSG company, and then merged with Pupa on June 11, 2014 to form its real estate portfolio.

DenizREIT's core business consists of investing in real estate, real estate-based capital market instruments, real estate projects, real estate-based rights and capital markets instruments, in order to create and enhance a robust real estate portfolio.

DenizREIT's real estate portfolio includes 29,157 m^2 of leasable area and 146 independent sections.

In the REIT sector, 33 companies are listed on Borsa Istanbul, six of which – including DenizREIT – were established by banks. As of year-end 2018, DenizREIT's real estate portfolio amounted to TL 202 million and total assets stood at TL 566 million.

In addition to the existing real estate portfolio, DenizREIT develops niche real estate projects in accordance with its mission and vision. The company has two ongoing real estate development projects, one in Istanbul's Tarabya and the other in Bodrum. DenizREIT is currently developing two real estate projects. Le Chic Bodrum, comprises 133 villas/residences and a 50-room boutique hotel on a 40-decare tract in Bodrum's Asarlık Region. Le Chic Tarabya, a flat-for-land project comprised of 156 housing units on a 15-decare tract, is located in Istanbul's Tarabya. Le Chic Bodrum has an 8-decare natural sand beach extending for about 200 meters in addition to piers, restaurants, a marina and the opportunity for boat access. Le Chic Tarabya is a niche development project thanks to its social facilities, exclusively-designed landscapes and special location.

Backed by the corporate and financial resources of DFSG, DenizREIT conducts its business operations in line with its mission: "Engaging in activities to increase the value of the property featured in its real estate portfolio, generating regular lease income, consistent growth and profitability, and developing original real estate and construction projects, especially in the Istanbul region, by making a difference with business partners meticulously chosen to meet the requirements of each project and by upholding ethical principles."

Leasing and Factoring Services

DenizLeasing maintains its pioneering position in the financial leasing sector by providing the right financing method for the right investment, establishing customer relationships based on trust, and meticulously evaluating the financial requirements of customer projects.

DENİZLEASING
DENİZFAKTORING

DenizLeasing

DenizLeasing provides financial and operational leasing services to corporate, commercial, SME and agricultural customers in the Turkish economy, which is in need of modern financing methods due to its rapid development. Established in 1997 with a customer-oriented approach and a strategy to launch new products in response to customer needs, DenizLeasing is committed to becoming the leading provider in the field. The company maintains its pioneering position in financial leasing by providing the right financing method for the right investment, establishing customer relationships based on trust, and meticulously evaluating the financial requirements of customer projects.

With its active sales policy; personalized financial solutions developed for the renewable energy, healthcare, real estate, business and construction machinery sectors; and the fleet leasing services launched under the DenizFleet brand, DenizLeasing has deepened its relationships with existing customers while acquiring new ones. As a result, the company also maintains its position as an innovative service provider.

Keeping the organization's internal dynamics refreshed with a specialized staff, continuous improvement and ongoing restructuring, DenizLeasing strives to offer added value to its solution partners and the sector as a whole. DenizLeasing manages its sales operations with 18 branches across the country. DenizLeasing offers customers, regardless of their sector, the opportunity to pay in varying repayment periods, in Turkish lira or foreign currency, over the medium or long term, or in accordance with their respective sector's cash flow to finance any and all investment goods.

DenizLeasing plans to use all its products in support of the DFSG portal in the future as a key part of the financial supermarket approach, an overall strategy of the Bank. The company aims to reach all customers of the Group in the SME segment with both leasing and fleet products.

DenizFleet

DenizLeasing initiated operational leasing activities, the first to do so in Turkey among leasing companies. The company set up its new brand DenizFleet, a pioneering enterprise in the sector, in 2014.

DenizFleet was established under the umbrella of DenizLeasing in order to provide long term car rental services. DenizFleet stands out in Turkey as the only operational leasing brand operating within a leasing company. DenizFleet offers common, fast and reliable solutions across Turkey via its professional staff and is committed to delivering unconditional customer satisfaction. To this end, the company offers the most reliable and comprehensive service package to customers who demand fleet rental service. As of end-2018, the number of cars in the fleet totaled 3,600.

Capitalizing on the synergy created with DFSG's 754 branch network and 14 thousand-strong workforce, DenizFleet provides boutique services to every customer and strives to deliver unconditional and sustainable customer satisfaction.

Leasing Receivables and Asset Size

DenizLeasing provided services for investment financing in line with its strategy of productivity and profitability. The company strengthened its position among sector leaders in terms of assets and shareholders' equity. In 2018, DenizLeasing recorded leasing receivables of TL 2.9 billion and assets of TL 3.5 billion.

The "Deniz'e Çek Gönder (Send a Cheque to Deniz)" application helps customers conduct factoring transactions swiftly.

In 2019, DenizLeasing plans to execute a stable, controlled growth strategy to maintain its position among the sector leaders. It also aims to make progress as a company that leads the industry with innovative practices. In addition, DenizLeasing will differentiate by offering the advantages of operational leasing to customers in need of leased car fleets and further improve performance in the SME segment by providing special financing facilities. The company plans to boost market share by offering a specialized service approach to commercial and corporate enterprises on the basis of each specific customer and project.

DenizFaktoring

DenizFaktoring was set up in 1998 under the umbrella of DenizBank Financial Services Group. Primarily providing customers with guarantee, collection and financing services, DenizFaktoring is a pioneer in the sector with a wide product and service range. These offerings include Express Factoring, Collection Management System, Supplier Finance Application, Public Sector Factoring and Export Factoring.

In August 2001, DenizFaktoring became a member of the world's most prominent international factoring organization, FCI (Factors Chain International).

In October 2004, DenizFaktoring became a Full Member of FCI, after confirmation of its transaction volume and service quality.

In 2013, the company became a member of the Association of Financial Institutions (Association of Financial Leasing, Factoring and Financing Companies). The CEO represents the company as a Board Member at the Association of Financial Institutions.

DenizFaktoring delivers its products and services to customers via a highly qualified, capable team at the Head Office and via the DFSG network, in a rapid and accessible manner. DenizBank branch employees support DenizFaktoring within applicable legal and regulatory requirements. Becoming one of the top three factoring companies by guaranteeing sustainable and profitable growth, DenizFaktoring strives to expand DenizBank's product range with factoring products and contribute significantly to the Group's success.

In 2018, DenizFaktoring recorded a market share of 6.5% in profitability, and return on equity of 27.7%, well above the sector average of 20.6%. DenizFaktoring posted a cost/income ratio of 9.5%, outperforming by a large margin the sector-wide ratio of 30.9%. DenizFaktoring has 6.8% market share in factoring receivables. Domestic factoring transactions account for 94% of total transaction volume while international transactions account for 6%.

Breaking new ground in the sector, DenizFaktoring launched its "Digital Factoring" service in 2017, in keeping with the latest digital platform trends across the world.

Thanks to the application "Deniz'e Çek Gönder (Send a Cheque to Deniz)," customers can access factoring services over their smartphone or tablet. This capability allows firms in the micro or SME segments to swiftly perform smaller scale factoring transactions. The application also allows clients to rapidly access financing without having to wait for the maturity date of cheques with invoice.

To apply, customers can scan the QR code of the cheque for the transaction or upload a photo of the cheque to the application and complete the form for a quick result. Furthermore "Deniz'e Çek Gönder" shows the nearest DenizBank branches and their addresses to facilitate fast access to financing.

DenizFaktoring, under the guarantee of Sberbank Factoring, is the only Turkish company to provide insurance for exports to Russia, and enjoys an unrivaled market position in this area.

Cultural Services

DenizKültür upholds the DFSG's corporate and social mission with its various activities in education, culture, arts and sports.

DenizKültür

Established in 2004 to organize and support scientific research, arts, literature and other cultural activities, DenizKültür represents the Group's corporate and social mission through various educational, cultural, arts and sporting events.

DenizKültür's activities include the following:

- Publishing books on science, arts and literature,
- Producing audio and visual cultural materials,
- Staging arts events,
- Organizing collection/exhibition projects geared toward the plastic arts and handcrafts,
- Organizing campaigns in line with the Bank's social mission, as well as other cultural activities to emerge from new ideas.

Arts Productions and Publications in 2018

Agriculture and People 4 Seasons – Book

This book comprises award-winning archive photos from the Agriculture and People Photo Competition, which has been held for 10 years by the Ministry of Food, Agriculture and Livestock in conjunction with DenizBank.

New Discoveries in Ani – Book

New Discoveries in Ani by Vedat Akçayöz, an investigative author, presents photos and information on the recently-discovered and photographed underground cities at the ancient ruins of Ani.

Black Week Festival

During the festival organized by DenizBank and Pera Palace Hotel, top Turkish and international crime writers convened in Istanbul for four days. The festival included talks by prominent authors, book signing days, and theatrical performances.

GaleriDeniz Art Exhibition

An exhibition of photos from the "Agriculture and People Photo Competition" organized on Farmers Day for DenizBank customers and employees was on display at GaleriDeniz. Subsequently, the sculpture exhibition by sculptor Özge Önkok welcomed visitors until the end of the year. The works of illustrator Ezgi Karaata were also exhibited at Deniz Academy in 2018.

Board of Directors

Name Surname	Title	Executive/Non-executive/Independent Member	Education	Professional Experience (Years)	DenizBank Titles Held in the Last Five Years	Other Non-DFSG Titles Currently Held	% of Shares Held
Herman Gref	Chairman of the Board of Directors	Non-executive	Ph.D.	27	Chairman of the Board of Directors	Member of the Supervisory Board of Sberbank of Russia (Sberbank), CEO, Chairman of the Executive Board of Sberbank	-
Hakan Ateş	Member of the Board of Directors, President and CEO, Credit Committee Member	Executive	Bachelor's Degree	37	Member of the Board of Directors, President and CEO, Credit Committee Member	Member of TED University's Board of Trustees, Member of TED Ankara College Association Board of Directors, Member of THK University's Board of Trustees, Member of MetLife's Board of Directors, Member of TED İstanbul College Foundation's Board of Trustees, Full Member of Board of Turkish Tourism Investors Association	0.000002
Nihat Sevinç	Vice Chairman of the Board of Directors, Audit Committee Member, Remuneration Committee Member	Independent Member	Bachelor's Degree	32	Vice Chairman of the Board of Directors, Member of the Board of Directors, Audit Committee Member, Remuneration Committee Member	-	-
Deniz Ülke Arıboğan	Member of the Board of Directors, Corporate Governance and Nomination Committee Member	Independent Member	Ph.D.	32	Member of the Board of Directors, Vice Chairman of the Board of Directors, Corporate Governance and Nomination Committee Member	Senior Fellow at University of Oxford Centre for the Resolution of Intractable Conflict (CRIC), The Dean of Uskudar University	-
Wouter Van Roste	Member of the Board of Directors, Audit Committee Member	Non-executive	Bachelor's Degree	29	Member of the Board of Directors, Audit Committee Member,	-	-
Derya Kumru	Member of the Board of Directors, Credit Committee Member	Executive	Ph.D.	26	Member of the Board of Directors, Credit Committee Member	-	-
Dzhangir Dzhangirov	Member of the Board of Directors	Non-executive	Master's Degree	13	Member of the Board of Directors	Sberbank Risk Management and Control Executive Vice President (including Troika Dialog, the investment bank acquired in 2012 by Sberbank of Russia), Visiting professor at New Economic School, Visiting professor at Higher School of Economics, Sberbank Europe Supervisory Board Member	-
Timur Kozintsev	Member of the Board of Directors, Credit Committee Member	Executive	Ph.D.	19	Member of the Board of Directors, Corporate Governance and Nomination Committee Member, Credit Committee Member, Credit Committee Associate Member and	Sberbank Managing Director	-
Igor Kolomeyskiy	Member of the Board of Directors, Remuneration Committee Member	Non-executive	Bachelor's Degree	25	Member of the Board of Directors, Remuneration Committee Member	Senior Vice-President, Head of Sberbank International, Chairman of Board of Directors at Sberbank JSC (Kazakhstan), First Deputy Chairman of Supervisory Board of Sberbank Europe AG	-
Alexander Morozov	Member of the Board of Directors	Non-executive	Master's Degree	26	Member of the Board of Directors	Sberbank Deputy Chairman of the Executive Board & Group CFO	-
Pavel Barchugov	Member of the Board of Directors, Audit Committee Member	Non-executive	Bachelor's Degree	23	Member of the Board of Directors, Audit Committee Member	Sberbank Senior Managing Director, International Retail Banking, Subsidiaries Strategy and Performance Measurement, Deputy Chairman of Supervisory Board of BPS-Sberbank (Belorussia), Member of Supervisory Board of Sberbank Europe AG, Member of the Board of Directors of Sberbank JSC (Kazakhstan)	-
Alexander Titov	Member of the Board of Directors, Credit Committee Associate Member, Corporate Governance and Nomination Committee Member	Non-executive	Ph.D.	25	-	Sberbank Senior Managing Director - Director of International Corporate Business	-

Board of Directors

HERMAN GREF
CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Gref was born in 1964 and received an undergraduate degree in Jurisprudence from Omsk State University, Faculty of Law. Subsequently, he received his postgraduate degree from Leningrad State University, Faculty of Law before completing his Ph.D. in Economics at the National Academy of Economics established by the government of the Russian Federation. Starting his professional career in 1992 as first rank legal advisor at the Administration of Petrodvorets, St. Petersburg, Mr. Gref served on the City Property Committee of St. Petersburg Mayor's Office between 1994 and 1997 as First Deputy Chairman and Vice Chairman of the Committee. From 1997 to 1998, he served as Chairman and Vice Chairman on the City Property Committee of St. Petersburg Mayor's Office. After holding the post of First Deputy Minister of the Ministry of State Property of Russia in 1998-2000, Mr. Gref served as Minister for Economic Development and Trade of Russia from 2000 until 2007. Mr. Gref has been a Member of the Supervisory Board and Chairman of the Executive Board & CEO of Sberbank since November 2007 and Chairman of DenizBank A.Ş. Board of Directors since September 2012.

HAKAN ATEŞ
MEMBER OF THE BOARD OF DIRECTORS, PRESIDENT AND CEO

Mr. Ateş was born in 1959 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration after completing his studies at TED Ankara College. He started his banking career in 1981 as an Internal Auditor at İşbank. After serving at various Interbank units from 1986 to 1993, he worked as Branch Manager at the Elmadağ, Şişli, Bakırköy, İzmir and Central Branches. He established Interbank's Cash Management System and was promoted in 1993 to Executive Vice President in charge of Central Operations. Mr. Ateş worked as Executive Vice President in charge of Financial Affairs and Operations at Bank Ekspres between 1994 and 1996 and led the bank's restructuring project with Bank of America. He established Garanti Bank Moscow in Russia and worked as CEO for one year starting from June 1996. Mr. Ateş has continued his duties as President & CEO at DenizBank, where he started in June 1997 as Founder President. During his management tenure, DenizBank shares were offered to the public in October 2004; the offering was 5.5 times oversubscribed. His management ran the sale of Zorlu Holding owned DenizBank shares to Dexia S.A. in May 2006 for USD 3.250 billion – 4.7 times its book value, a record in Turkey. Mr. Ateş's management was also responsible for the sale of 99.85% of DenizBank shares owned by Dexia Group to Sberbank six years later in June 2012 for USD 3.6 billion – 1.33 times its book value. Serving as the Chairman of the Board of Directors at DenizBank subsidiaries Deniz Yatırım Securities, Intertech A.Ş., DenizBank Moscow and DenizBank AG Vienna, Mr. Ateş was granted the "Those Who Add Value to Turkey" award presented by Bahçeşehir University in 2015. Hakan Ateş is married with two children. He speaks fluent English.

DENİZ ÜLKE ARIBOĞAN
MEMBER OF THE BOARD OF DIRECTORS

Ms. Arıboğan was born in 1965 and graduated from TED Ankara College Foundation High School. She received an undergraduate degree in International Relations from Ankara University, Faculty of Political Sciences. She received her M.A. and Ph.D. degrees from the Institute of Social Sciences, Istanbul University in International Relations. In 1995, Ms. Arıboğan attended the International Security School at the University of St. Andrews in Scotland. Her academic career, which started at Istanbul University, continued at Istanbul Bilgi University and Bahçeşehir University. From 2007 to 2010, she served as the Rector of Bahçeşehir University. Between 2010 and 2014, Professor Deniz Ülke Arıboğan was a member of the Board of Trustees at Istanbul Bilgi University. She has worked as a faculty member at Istanbul University, Faculty of Political Sciences from March 2014 until October 2018 and served as Chairman of the Advisory Committee at Istanbul Bilgi University from February 2015 to October 2018. A Senior Fellow at the University of Oxford Harris Manchester College CRIC (Centre for the Resolution of Intractable Conflict) since December 2015, she was appointed Dean of Üsküdar University as of October 2018. Deniz Ülke Arıboğan has served as an Independent Board Member at DenizBank A.Ş since December 2012. As of March 2018, she was again appointed Independent Board Member serving until March 2021.

NİHAT SEVİNÇ
VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Sevinç was born in 1952 and graduated from Istanbul University, Faculty of Literature, English Language and Literature. Starting his professional career at Interbank in 1986, he held several duties in the Branches, Central Operations and Capital Market Departments until 1994. Mr. Sevinç served as Department Head of the Branch Operations, Internal Control and Legislation Departments at the headquarters of Bank Ekspress until 1996. He was Deputy General Manager at GarantiBank Moscow between 1996 and 1997. Mr. Sevinç joined DenizBank in 1997, served as Executive Vice President of Operations until 2002 and as Executive Vice President of Foreign Subsidiaries from 2002 to 2007. Nihat Sevinç has been an Independent Board Member at DenizBank A.Ş. since December 2012. As of March 2018, he was appointed Vice Chairman of the Board of Directors serving until March 2021.

WOUTER VAN ROSTE
MEMBER OF THE BOARD OF DIRECTORS

Mr. Van Roste was born in 1965 and graduated from Limburg University (Belgium), Marketing Department. Starting his career at Bacob Bank Belgium in 1989 in the Corporate Sales Department, he then held several positions at Paribas Bank Belgium and Artesia BC as Head of Corporate Sales, Structured Products, FX Derivatives Departments before joining Dexia in 2002. Mr. Van Roste worked at Dexia as Deputy Head of Financial Engineering and Derivative Products in the Treasury and Financial Markets Group and served in the Public and Project Finance Group, Structured Finance and Export Finance Department between 2003 and 2005. He assumed the duties of Executive Director at Dexia Holding from 2005 to 2007, Executive Vice President in charge of the Public and Project Finance Group at DenizBank A.Ş. in 2007, Executive Vice President in charge of the Public Project Finance and Corporate Banking Group at DenizBank A.Ş. from 2007 until 2009. Wouter Van Roste has served as a Member of the Board of Directors at DenizBank A.Ş. since June 2009.

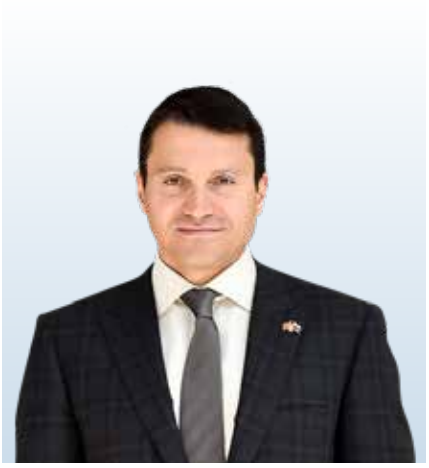
DERYA KUMRU
MEMBER OF THE BOARD OF DIRECTORS

Mr. Kumru was born in 1964, graduated from Ankara University, Faculty of Political Sciences and obtained an M.A. degree and Ph.D. from Istanbul University, Institute of Social Sciences. Between 1987 and 1999, he held several positions at Esbank T.A.Ş. and was appointed Executive Vice President in 1998. Mr. Kumru joined DenizBank Financial Services Group in 1999. After serving as Executive Vice President in charge of DenizBank A.Ş. Corporate Marketing Group and General Manager at DenizLeasing and DenizFactoring, he was appointed General Manager of DenizBank Moscow in 2004. From 2009 to 2011, Mr. Kumru served as Executive Vice President in charge of the Corporate, Commercial Banking, Public Finance, Project Finance and Foreign Subsidiaries Group at DenizBank A.Ş. From 2011 until 2012, he assumed the title of Executive Vice President in charge of the Wholesale Banking Group at DenizBank A.Ş. Derya Kumru has served as a Member of the Board of Directors at DenizBank A.Ş. since December 2012.

Board of Directors

DZHANGIR DZHANGIROV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Dzhangirov was born in 1981 and graduated from M.V. Lomonosov Moscow State University, Faculty of Mathematics and Mechanics, Department of Mathematics. Between 2002 and 2004, he completed his M.A. in Mathematics at the New Economic School. He is visiting a professor at the New Economic School and the International College of Economics and Finance. Mr. Dzhangirov has more than 10 years of experience in risk management. Mr. Dzhangirov began his career at Sberbank in 2008 and was appointed as Senior Vice President in charge of risk management for the Sberbank Group in July 2018. Dzhangir Dzhangirov was appointed as a Member of the Board of Directors at DenizBank A.Ş. as of October 2018.



TIMUR KOZINTSEV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Kozintsev was born in 1972 and received B.A., M.A. and Ph.D. in Economics from Moscow State University. He worked at Bayerische Hypo Vereinsbank as Deputy Head Representative from 1996 to 2000, then at UniCredit Bank as Head of the Corporate Customers Department between 2000 and 2007 and at UniCredit Security as Debt Capital Markets Director from 2007 until 2008. Subsequently, he served as Investment Banking Director at IFD Kapital between 2008 and 2012. Mr. Kozintsev has continued his duty at Sberbank as Senior Managing Director since April 2013. He was appointed as a Member of the Board of Directors at DenizBank A.Ş in July 2013. Timur Kozintsev has served as Board Member in charge of Credit Risk at DenizBank A.Ş. since August 2015.

IGOR KOLOMEYSKIY
MEMBER OF THE BOARD OF DIRECTORS

Mr. Kolomeyskiy was born in 1971 and received his undergraduate degree in Applied Mathematics from Moscow State Institute of Radio-Engineering Electronics and Automation. He started his banking career in 1993 at the investment firm Rinaco Plus as Head of the Derivative Instruments Department. Mr. Kolomeyskiy joined the brokerage firm Nikoil in 2001 as Head of the Sales Department. From 2001 to 2005, he worked as CEO at Uralsib Capital. Subsequently, Mr. Kolomeyskiy served as Head of the Investment Department at Russian Railways from 2006 until 2011. He then joined Blagosostoyanie, where he worked as Advisor to the Executive Director in 2011. Mr. Kolomeyskiy went on to serve as Head of the Investment Business at Alfa-Bank OJSC until 2013. Joining Sberbank in April 2017, he has served as Senior Vice-President, Head of Sberbank International. Igor Kolomeyskiy has been a Member of the Board of Directors at DenizBank A.Ş. since June 2017.

ALEXANDER MOROZOV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Morozov was born in 1969, graduated from Lomonosov Moscow State University, Department of Economics and completed his M.A. in the Advanced Management Program-Executive Education at Harvard Business School. He started his professional career as Deputy Head of the Currency Operations Department at Commercial Bank Rodina in 1992. Between 1994 and 2007, Mr. Morozov served as Head of Treasury and General Manager at International Moscow Bank (UniCredit Bank since 2007). From 2007 to 2008, he worked as Executive Vice President and CFO at Renaissance Capital Bank. Mr. Morozov joined Sberbank in 2008 as Head of Financial Affairs and became Senior Vice President in charge of Financial Affairs in 2009. Since 2013, he has served as Deputy Chairman of the Executive Board of Sberbank. Alexander Morozov has been a Member of the Board of Directors at DenizBank A.Ş. since December 2012.

PAVEL BARCHUGOV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Barchugov was born in 1973 and studied Finance at Plekhanov University of Economics in the Russian Federation. From 1995 to 1997, he worked as Finance Unit Head at Austria Aktiengesellschaft Bank-Moscow Branch; subsequently, he served as Executive Director at CJSC UniCredit Bank from 1997 until 2008. Between 2008 and 2010, Mr. Barchugov worked at JSC Swedbank. He went on to serve as Finance Director and then Executive Vice President at LLC Group Renaissance Insurance between 2010 and 2013. Mr. Barchugov joined Sberbank in 2013 as International Business Financial Planning and Control Director and he is currently serving as Senior Managing Director, International Retail Banking, Subsidiaries Strategy and Performance Measurement. Mr. Barchugov was appointed as a Member of the Board of Directors of Sberbank JSC (Kazakhstan) in April 2017. Since May 2016, Pavel Mr. Barchugov has been a Member of the Board of Directors at DenizBank A.Ş.

ALEXANDER TITOV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Titov was born in 1973 and received his Bachelor's degrees in Finance and Credit from the Russian Economic Academy. Between 1994 and 1998, he studied in the Master's program in the International Economy Department of the Institute of World Economy and International Relations at Russian Federation Academy of Sciences and received his Ph.D. in the Eurobonds-experience of Russia. Mr. Titov received an MBA from London Business School in 2017. He began his banking career at Moscow Industrial Bank as Economist in 1993. He transferred to International Moscow Bank as Officer in 1995 and served as Account Officer from 1996 to 2000. Mr. Titov worked as Senior Account Officer and Assistant Manager at Bank Austria Creditanstalt between 2000 and 2001. Subsequently, he returned to International Moscow Bank from 2001 until 2003 as Assistant Manager. Mr. Titov went on to work at Power Machines OJSC as Head of the Credit Operations and Documentary Business Department between 2003 and 2005. He served as Advisor to the General Director at Ilyushin Finance Co. until 2006. He transferred back to the banking sector, serving as Deputy to the Head of the Department, Head of the Department, Vice President and Senior Vice-President at JSC VTB Bank until 2012. Mr. Titov joined Sberbank in June 2012, where he has served as Senior Managing Director – Director of International Corporate Business. Mr. Titov has served as a Board Member at DenizBank Moscow since June 2016 and at Deniz Leasing since July 2016. In March 2017, Alexander Titov was appointed Member of Board of Directors at DenizBank A.Ş.

Executive Board

HAKAN ATEŞ
President, CEO and Member of the Board of Directors
Mr. Ateş was born in Ankara in 1959 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1981 as an Internal Auditor at İşbank. He continues to serve as Board Member, President and CEO at DenizBank, since joining the Bank in June 1997 as Founder and CEO.

DERYA KUMRU
Member of the Board of Directors
Mr. Kumru was born in 1964 and graduated from Ankara University, with a degree in Political Science; he also holds an M.A. and Ph.D. degree in Public Administration from Istanbul University. He began his banking career in 1987 and joined DenizBank in 1999.

TIMUR KOZINTSEV
Member of the Board of Directors
Mr. Kozintsev was born in 1972 and obtained B.A., M.A. and Ph.D. in Economics from Moscow State University. He began his banking career in 1996 and joined DenizBank in 2013.

WOUTER VAN ROSTE
Member of the Board of Directors
Mr. Van Roste was born in 1965 and graduated from Limburg University (Belgium), Marketing Department. He began his banking career in 1989 and joined DenizBank in 2007.

ALİ MURAT DİZDAR
Legal Affairs Group, Chief Legal Advisor
Mr. Dizdar was born in 1960 and graduated from Istanbul University, Department of Law; he holds an MA in Private Law from the same institution. He began his career in 1982 and joined DenizBank in 2002.

AYŞENUR HIÇKIRAN
Payment Systems and Non-Branch Channel Group, Executive Vice President
Ms. Hıçkıran was born in 1969 and graduated from Ege University, Faculty of Letters, Department of English Language and Literature. She began her banking career in 1996 and joined DenizBank in 2013.

BORA BÖCÜGÖZ
Treasury and Financial Institutions Group, Executive Vice President
Mr. Böcügöz was born in 1967 and graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1989. He started his banking career in 1989 and joined DenizBank in 2002.

DİLEK DUMAN
Information Technology and Support Operations Group, Executive Vice President
Ms. Duman was born in 1967 and graduated from Boğaziçi University, Department of Computer Engineering. She began her professional career in 1989 and joined DenizBank Financial Services Group in 1997. Since 2008, Ms. Duman has served as Executive Vice President of the Information Technology and Support Operations Group.

RUSLAN ABİL
Financial Affairs Group, Executive Vice President
Mr. Abil was born in 1975 and graduated from Middle East Technical University, Department of International Relations. He began his professional career in 1997 and joined DenizBank in 2013.

SARUHAN ÖZEL
Economic Research, Strategy and Program Management Office Group, Executive Vice President
Mr. Özel was born in 1967 and graduated from Boğaziçi University, Department of Business Administration. He later obtained an M.A. in Finance and a Ph.D. in Economics from Virginia Tech. Mr. Özel began his professional career in 1996 and joined DenizBank in 1997.

TANJU KAYA
Administrative Services and Investment Group, Executive Vice President
Mr. Kaya was born in 1964 and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He began his banking career in 1986 and joined DenizBank in 1997.

BURAK KOÇAK
Agricultural Banking Group, Executive Vice President
Mr. Koçak was born in 1970 and graduated from Dokuz Eylül University, Department of Econometrics. He started his professional career in 1996 and joined DenizBank in 2006.

CEM DEMİRAĞ
Internal Control Center and Compliance Group, Head of Internal Control and Compliance
Mr. Demirağ was born in 1968 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Public Administration. He began his professional career in 1991 and joined DenizBank in 2010.

CEMİL CEM ÖNENÇ
Private Banking and Investment Group, Executive Vice President
Mr. Önenç was born in 1971 and graduated from Yıldız Technical University, Department of Mechanical Engineering. He holds an MBA from New York's Pace University and a Ph.D. in Banking from Marmara University. He began his professional career in 1997 at DenizBank.

EDİP KÜRŞAD BAŞER
Credit Policies and Retail, SME, Agricultural Banking Credits Allocation Group, Executive Vice President
Mr. Başer was born in 1967 and graduated from Middle East Technical University, Department of Electrical-Electronics Engineering. He began his banking career in 1990 and joined DenizBank in 2004.

HAYRİ CANSEVER
Secretary General Sberbank Coordination and Foreign Susidiaries Group Executive Vice President
Mr. Cansever was born in 1974 and graduated from Istanbul Technical University, Department of Mechanical Engineering; he also holds an M.A. in Banking and Finance from Yeditepe University. He began his banking career in 1998 at DenizBank Financial Services Group. Mr. Cansever was nominated as Secretary General and Sberbank Coordination Group Executive Vice President at Denizbank A.Ş. as of January, 2017. Lastly, as of February 2018 he acts as Secretary General, Sberbank Coordination and Foreign Subsidiaries Group Executive Vice President.

İBRAHİM ŞEN
Credits Follow-up and Risk Monitoring Group, Executive Vice President
Mr. Şen was born in 1967 and graduated from Middle East Technical University, Department of Industrial Engineering. He began his banking career in 1993 and joined DenizBank Financial Services Group in 2007.

MEHMET AYDOĞDU
Corporate and Commercial Banking Group, Executive Vice President
Mr. Aydoğdu was born in 1968 and graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences. He began his banking career in 1996 and joined DenizBank Financial Services Group in 2002.

MURAT KULAKSIZ
SME Banking Group, Executive Vice President
Mr. Kulaksız was born in 1972 and graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1996 and joined DenizBank in 2003.

Executive Board Members

Standing (Left to right): Oğuz Yalçın, Hayri Cansever, Oğuzhan Özark, Sinan Yılmaz, Umut Özdoğan, Selim Efe Teoman, Hüseyin Melih Akosman, Kahraman Günaydın, Edip Kürşad Başer, İbrahim Şen, Murat Kulaksız, Verda Beril Yüzer Oğuz, Cemil Cem Önenç, Fatih Arabacıoğlu, Burak Koçak, Alper Tunga Emecan, Murat Çıtak, Yavuz Elkin, Ömer Uyar, Ramazan Işık, Ahmet Mesut Ersoy

Seated (Left to right): Mehmet Aydoğdu, Mehmet Çitil, Saruhan Özel, Ali Murat Dizdar, Bora Böcügöz, Dilek Duman, Derya Kumru, Wouter Van Roste, Hakan Ateş, Timur Kozintsev, Tanju Kaya, Ruslan Abil, Ayşenur Hıçkıran, Mustafa Özel, Cem Demirağ

Executive Board

MURAT ÇITAK
IT Security and Digital – Card Payment Operations Group, Executive Vice President
Mr. Çıtak was born in 1969 and graduated from Middle East Technical University, Department of Computer Engineering. He began his professional career in 1992 and joined DenizBank in 1998.

MUSTAFA ÖZEL
Branch and Central Operations Group, Executive Vice President
Mr. Özel was born in 1966 and graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He began his banking career in 1988 and joined DenizBank in 1997.

OĞUZHAN ÖZARK
Retail Banking Sales Group, Executive Vice President
Mr. Özark was born in 1976 and graduated from Istanbul Technical University, Department of Mathematical Engineering. He began his banking career in 1997 and joined DenizBank in 2004.

RAMAZAN IŞIK
Internal Audit Group, Head of Internal Audit
Mr. Işık was born in 1977 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. He began his career in 1999 and joined DenizBank in 2013.

SELİM EFE TEOMAN
Corporate and Commercial Credits Group, Executive Vice President
Mr. Teoman was born in 1970 and graduated from Hacettepe University, Faculty of Economic and Administrative Sciences, Department of Economics. He began his banking career in 1994 and joined DenizBank in 2003.

SİNAN YILMAZ
Risk Management Group, Head of Risk Management
Mr. Yılmaz was born in 1974 and graduated from Istanbul Technical University, Department of Management Engineering. He began his banking career in 1998 at DenizBank.

UMUT ÖZDOĞAN
Digital Transformation, CRM and Change Management Group, Executive Vice President
Mr. Özdoğan was born in 1976 and graduated from Marmara University, Business Administration in English; he also holds an MBA from Yeditepe University. He began his banking career in 1999 at DenizBank.

VERDA BERİL YÜZER OĞUZ
Financial Institutions Group, Executive Vice President
Ms. Oğuz was born in 1975 and graduated from Marmara University, Department of International Relations. She began her banking career in 1997 and joined DenizBank in 2010.

YAVUZ ELKİN
Human Resources and Deniz Academy, Executive Vice President
Mr. Elkin was born in 1971 and graduated from Marmara University, Department of Business Administration in English. He started his banking career in 1993 and joined DenizBank in 2004.

AHMET MESUT ERSOY
DenizBank AG, General Manager
Mr. Ersoy was born in 1973 and graduated from Istanbul University, Faculty of Business Administration; he also received an MBA from Bahrain University. He began his banking career in 1995 and joined DenizBank Financial Services Group in 2002. Mr. Ersoy has served as General Manager at DenizBank AG since 2011.

ALPER TUNGA EMECAN
DenizFactoring, General Manager
Mr. Emecan was born in 1971 and graduated from Istanbul University, Faculty of Economics and Administrative Sciences, Department of International Relations. He began his professional career in 1994 and joined DenizBank in 1998. Mr. Emecan has served as General Manager at DenizFactoring since 2015.

FATİH ARABACIOĞLU
DenizAsset Management, General Manager
Mr. Arabacıoğlu was born in 1971 and graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration; he also holds an MBA from Edinburgh Heriot-Watt University in Banking and Finance. He began his professional career in 1988 and joined DenizInvest Securities in 1999. Mr. Arabacıoğlu has served as General Manager of DenizAsset Management since 2004.

HÜSEYİN MELİH AKOSMAN
DenizInvest Securities, General Manager and Board Member
Mr. Akosman was born in 1971 and graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration; he also holds an MBA from Loyola University, Faculty of Economics and Administrative Sciences. He began his professional career in 1991 and joined DenizBank Financial Services Group in 2004.

KAHRAMAN GÜNAYDIN
DenizLeasing, General Manager
Mr. Günaydın was born in 1966 and graduated from Middle East Technical University, Department of Geological Engineering; he also holds an MBA from Bilkent University. He began his professional career in 1990 and joined DenizBank in 2002. Mr. Günaydın has worked as General Manager at DenizLeasing since February 2011.

MEHMET ÇİTİL
Deniz Real Estate Investment Trust, General Manager
Mr. Çitil was born in 1966 and graduated from Istanbul Technical University, Department of Architecture; he also holds an MBA from Istanbul University, Faculty of Economics and Administrative Sciences. He began his banking career in 1988 and joined DenizBank in 1997. Mr. Çitil has served as General Manager at Deniz Real Estate Investment Trust since January 2014.

OĞUZ YALÇIN
JSC DenizBank Moscow, General Manager
Mr. Yalçın was born in 1975 and graduated from Boğaziçi University, Faculty of Economic and Administrative Sciences, Department of Political Sciences and International Relations. He began his banking career in 1998 and joined DenizBank in 2002. Mr. Yalçın has served as General Manager at JSC DenizBank Moscow since 2013.

ÖMER UYAR
Intertech, General Manager
Mr. Uyar was born in 1977 and graduated from Istanbul Technical University, Department of Electrical and Electronic-Computer Engineering. He began his professional career in 1996 and joined DenizBank Financial Services Group in 2000. Mr. Uyar has served as General Manager at Intertech since 2012.

Executive Management

Title	Name Surname	Duty	Education	Professional Experience (Years)
CEO	Hakan Ateş	CEO	Bachelor's Degree	37
Executive Vice Presidents	Ali Murat Dizdar	Chief Legal Advisor	Master's Degree	27
	Ayşenur Hıçkıran	Payment Systems and Non-Branch Channel Group – EVP	Bachelor's Degree	22
	Bora Böcügöz	Treasury and Financial Institutions Group – EVP	Bachelor's Degree	29
	Dilek Duman	Information Technology and Support Operations Group – EVP, COO	Bachelor's Degree	29
	Ruslan Abil	Financial Affairs Group – EVP, CFO	Bachelor's Degree	22
	Saruhan Özel	Economic Research, Strategy and Program Management Office Group – EVP	Ph.D.	22
	Tanju Kaya	Administrative Services and Investment Group – EVP	Bachelor's Degree	32
	Burak Koçak	Agricultural Group – EVP	Bachelor's Degree	22
	Cemil Cem Önenç	Private Banking and Investment Group – EVP	Ph.D.	21
	Edip Kürşad Başer	Credit Policies and Retail-SME, Agricultural Banking Credits Allocation Group – EVP	Bachelor's Degree	28
	İbrahim Şen	Credit Following and Risk Monitoring Group – EVP	Bachelor's Degree	25
	Mehmet Aydoğdu	Corporate and Commercial Banking Group – EVP	Bachelor's Degree	23
	Murat Kulaksız	SME Banking Group – EVP	Bachelor's Degree	22
	Murat Çıtak	IT Security and Digital – Card Payment Operations Group – EVP	Bachelor's Degree	20
	Mustafa Özel	Branch and Central Operations Group – EVP	Bachelor's Degree	30
	Oğuzhan Özark	Retail Banking Sales Management Group – EVP	Bachelor's Degree	21
	Selim Efe Teoman	Corporate and Commercial Credits Group – EVP	Bachelor's Degree	24
	Umut Özdoğan	Digital Transformation, CRM and Change Management Group – EVP	Master's Degree	19
	Verda Beril Yüzer Oğuz	Financial Institutions Group – EVP	Bachelor's Degree	21
	Yavuz Elkin	Human Resources and Deniz Academy Group – EVP	Bachelor's Degree	25
Secretary General	Hayri Cansever	Secretary General, Sberbank Coordination and Foreign Subsidiaries Group – EVP	Master's Degree	20
Internal Systems	Ramazan Işık	Head of Internal Audit	Master's Degree	19
	Cem Demirağ	Head of Internal Control Unit and Compliance	Bachelor's Degree	27
	Sinan Yılmaz	Head of Risk Management	Bachelor's Degree	20

Committees

Committee	Name Surname	Title	Education	Professional Experience (Years)
Audit Committee	Nihat Sevinç	Member	Bachelor's Degree	32
	Wouter G.M. Van Roste	Member	Bachelor's Degree	29
	Pavel Barchugov	Member	Bachelor's Degree	23
Corporate Governance and Nomination Committee	Deniz Ülke Arıboğan	Member	Ph.D.	32
	Alexander Titov	Member	Ph.D.	25
	Tanju Kaya	Member	Bachelor's Degree	32
	Yeliz Koraşlı Özdemir	Member	Master's Degree	18
Remuneration Committee	Nihat Sevinç	Member	Bachelor's Degree	32
	Igor Kolomeyskiy	Member	Bachelor's Degree	25
Credit Committee	Hakan Ateş	Member	Bachelor's Degree	37
	Derya Kumru	Member	Ph.D.	26
	Timur Kozintsev	Member	Ph.D.	19
	Alexander Titov	Associate Member	Ph.D.	25
	Dzhangir Dzhangirov	Associate Member	Master's Degree	13

Committee Meetings

Committee members fully and regularly attended all meetings held during the reporting period.

Other Committees*

Management Board
Executive Committee
Assets and Liabilities Committee
Executive Credit Risk Committee
Disciplinary Committee
Compliance Committee
Operational and Information Risk Committee
Rating Committee

**Details appear in the Corporate Governance Principles Compliance Report – Item 5.3.*

Summary Report of the Board of Directors to the General Assembly

Dear Shareholders,
DenizBank has achieved successful financial and operational results higher than the sector average in 2018 in the guidance of our robust corporate culture of more than 20 years.

DenizBank recorded consolidated net profit of TL 2,204 million and non-consolidated net profit of TL 2,183 million in 2018. Despite the increased funding costs sector-wide, DenizBank's consolidated net interest income rose 12% while unconsolidated net interest income went up 3% over the prior year. In the same period, the Bank's fees, commissions and banking services revenues increased 39% on both a consolidated and an unconsolidated basis, higher than sector averages. DenizBank's consolidated and unconsolidated total operating revenue went up 25% and 17%, respectively.

DenizBank, the fifth largest Turkish private bank by consolidated asset size, continued its operations along the vision of contributing to Turkey's economic and social development in 2018. The Bank expanded its assets, loans, deposits and shareholder equity with a growth above the sector average.

As of year-end 2018, DenizBank reported consolidated and unconsolidated assets of TL 197,311 million and TL 137,658 million, up 23% and 14%, respectively, compared to the prior year. DenizBank's consolidated shareholders' equity, including subordinated loans, grew 20% to TL 21,780 million, while the Bank's consolidated capital adequacy ratio stood at 14.93%. Unconsolidated shareholders' equity, including subordinated loans, rose to TL 21,719 million, with an unconsolidated capital adequacy ratio of 19.49%.

As part of its social responsibility approach, DenizBank, as the only private bank to participate in the Nefes Loan Programme - aiming for SMEs to access low-cost funding once more in 2018, financed more than 20 thousand SMEs—key in the path of development in Turkish economy —in two years. DenizBank provide all kind of support over 1.2 million customers to produce more efficiently under more comfortable conditions and access financial resources easily in agricultural banking as the sector leader.

During the year, extending new financing facilities to numerous sectors, together with agriculture and mainly such as tourism, energy, construction, infrastructure, healthcare, municipalities, sports clubs and education, DenizBank succeeded in expanding its consolidated loan portfolio by 21% over 2017 to TL 139,057 million. The Bank also maintained its market leading position in turning deposits into loans, with a loan/deposit ratio of 101%. Meanwhile, on an unconsolidated basis, DenizBank's loan volume increased 15% to TL 87,176 million.

In line with the Bank's core principles of providing unconditional and sustainable customer satisfaction, at year-end 2018. DenizBank operated a branch network with 754 locations, employed a workforce about 14 thousand and served almost 12.7 million customers, up 10% over the prior year. Additionally, the Bank's consolidated customer deposits soared 28% to TL 137,264 million. Meanwhile, on an unconsolidated basis, customer deposits grew 18% to TL 81,271 million.

As a reflection of these positive financial results, DenizBank compensated DFSG personnel with performance based premium payment of an average 3 monthly salaries. Placing great importance in its target to make society meet quality arts and hand down the cultural heritance to future generations, DenizBank has continued its support to Istanbul State Symphony Orchestra DenizBank Concerts in 2018-2019 season. In addition, DenizBank also supported the 4th International Ankara Puppet Fest hosting puppet theatres from nine different countries and the 4th Black Week event bringing the leading names of crime fiction and crime fiction readers together.

DenizBank continued to make a difference with its innovative products and services in 2018 by receiving numerous international and local awards. Its "Ambassadors of Digital Change" project which DenizBank initiated to support the integration of the agricultural sector with technology and encourage young population who do not wish to continue agricultural activities received second prize in EFMA DMI Awards 2018 in "Corporate Social Responsibility – Social, Sustainable, Responsible Banking" category. Our "Credit X", which is a new perspective in targeted advertising earned "Innovation in Marketing Award" at BAI Global Innovation Awards while "Send Cheques to Deniz", which is our mobile application carrying factoring transactions into mobile phones received a Bronze Effie.

We would like to take this opportunity to extend our gratitude to our customers, shareholders, business partners and employees for their unwavering support during the operating year 2018, and to our esteemed shareholders and stakeholders for gracing our General Assembly with their presence.

Board of Directors

Donations Made in 2018

INSTITUTION NAME	Amount (TL)
TÜRK EĞİTİM DERNEĞİ	578,500
LAODIKEIA ANTİK KENTİ KAZISI	411,784
GS SPOR KULÜBÜ DERNEĞİ	50,000
TÜRKİYE KORUNMAYA MUHTAÇ ÇOCUKLAR VAKFI	30,000
MEHMETÇİK VAKFI	10,000
OTHER	1,755
TOTAL	1,082,039

Related Party Transactions

Please see Notes to the Independently Audited Financial Statements, Section Five – VII

Human Resources

DFSG is committed to offering equal opportunities to its employees, cultivating the future's managers from within its ranks, and giving preference to current staff members when filling vacancies.

DenizBank's nearly 14 thousand employees served customers at a total of 754 domestic and international branches in 2018. As a result of meticulous workforce planning, DenizBank boasts one of the lowest number of employees per branch location among Turkey's banks.

Human Resources continued to focus on digital transformation, candidate and employee experience. This approach is based on fact that the number of generation Y employees is on the rise (70% generation Y) and generation Z will soon be entering the workforce.

To conclude processes more efficiently and rapidly, the Recruitment and Career Management functions under the Human Resources Recruitment, Career and Talent Management Department have been separated since December 2017.

Committed to being the preferred bank of jobseekers, DenizBank actively uses accounts named "Career at Deniz" on Instagram, LinkedIn, Facebook (DenizBank Human Resources), Twitter (@denizbankik) and YouTube, with increases in follower numbers. The kariyer@denizbank.com page receives more than 150,000 unique visitors annually. In 2018, the page incorporated a chatbot to further improve candidate experience. With this innovation, DenizBank can respond to questions from job candidates round-the-clock. In 2018, DenizBank Human Resources social media accounts received the top prize for a second time in the "Career" category at Social Media Awards Turkey, held by BoomSonar and Marketing Türkiye, in recognition of their creative content.

Since university events and social media promotions are important in shaping student preferences, DenizBank participated in a total of 51 events in 2018, 22 of which were at universities. In addition to university events, online interviews were held with more than 1,000 students during the Online Virtual Career Fair. A popular website for university students (anlatsın.com) shared videos where DenizBank employees told about their experience at the Bank. The videos were viewed by more than 30,000 students. Four different internship programs aiming to facilitate the Bank's recruitment of university students provided internship opportunities to more than 1,500 university and vocational high school students in 2018. To that end, over 400 students passed the evaluation for the Pearls of Deniz internship, and completed their internship with success at branch locations or the Head Office. The Pearls of Deniz – Plus long term internship program for university students offered 6-month internships to 41 senior-year students. The interns who graduated and completed the program with success were recruited for various staff positions. Over 400 vocational high school students attended the vocational high school internship program called "Deniz'de İlk Adım (First Step in the Sea)." In 2018, 700 students participated in the "Deniz Aşırı (Overseas)" Online Internship Program, the first of its kind in Turkey. According to the results of the Universum youth perception survey, the Bank increased its ranking in the employer choices of students.

Once again, the Smart Recruitment strategy focused on digitalization and recruitment analytics in recruitment processes at the Bank this year. In 2018, a total of 2,589 persons were recruited for employment at the Bank. As a bank training new professionals for the industry, new graduates composed 60% of the staff recruited in 2018. About 20,000 people participated in online exams in 2018. Fifty percent of 8,000 job interviews during the year were conducted online. The experience of candidates and managers in recruitment processes were measured by the Bank. The satisfaction rate was 80%.

This year marked another first, the Data Science Program, yet another milestone in an innovation-oriented corporate culture. The program is a first in Turkey and is expected to shed light on the Turkish banking industry. A total of 46 data scientists comprising new graduates as well as experienced employees were assigned to the program. 20 new recruits – a combination of experienced professionals and new graduates – in addition to 26 existing employees were selected from among 2,500 applicants to attend the training program by Deniz Academy. In 2018, the Bank continued to collaborate with İŞKUR for the On-the-job Training Program. Over 300 course participants attended the On-the-Job Training program for various positions in 2018.

Corporate MBA and Executive MBA Programs continued at Bahçeşehir University and Sabancı University, which have graduated 134 Bank employees to date, for staff development at DenizBank. The Bank is committed to training the managers of today and tomorrow. Five employees were selected to attend the "A New Leader" program, which was held for the first time this year.

The Bank continued its assessment process called Development Center, attended by employees at the Vice President level. 150 Vice Presidents from the Bank attended the Development Center.

In 2018, the "FikriNNe (What Do You Think)" platform was launched, where questionnaires are sent periodically to candidates and employees. This effort is designed to measure satisfaction among both candidates and employees and proactively take the necessary action according to the results. The Head Office practice of a casual dress code on Fridays was extended to include Thursdays in an attempt to boost employee satisfaction.

Career Opportunities

All employees receive consultancy services on their career paths in order to contribute to their performance, competencies and personal development. All efforts maintained a focus on an awareness related to the new generation leadership style, generational differences and story diversity. The Bank's top priorities include providing an environment where employees can engage in self-development. In 2018, a total of 1,390 Bank personnel received job promotions. Some 85% of manager appointments during the year were current staff members.

In line with the importance placed on continuous communications with employees, one-on-one and online interviews were held with 2,456 personnel in 2018. Equal horizontal and vertical opportunities are provided for all staff members in line with their career maps. In 2018, the positions of 2,540 employees were changed.

FORA Team Leadership launched in 2014 for employees in the Non-Branch Channels Group (Mobile Sales, Call Center, Telemarketing and Collection). FORA included staff members in the evaluation process in line with the emerging needs for Team Leaders, with successful employees pursuing a career as a Team Leader. In 2018, 23 employees at the Bank were appointed as Team Leaders.

PRUVA, another innovative program, aims to prepare employees for their new job roles. This effort helps staff by benefiting from the knowledge, wisdom and experience of their guides within the branch through the one-month training and appraisal program. Relevant employees attend PRUVA for a transfer to branch sales positions. To that end, 43 successful employees at the Bank were appointed to their new roles in 2018.

Human Resources continued to focus on digital transformation, candidate and employee experience based on fact that the number of generation Y employees is on the rise (70% generation Y) and generation Z will soon be entering the workforce.

Training

Deniz Academy

Deniz Academy structures the personal and professional development of all DFSG employees in a planned way. The training needs of all personnel are analyzed in line with the importance of training to effect professional improvement. Deniz Academy prepares training maps for field employees according to their level, and structures their development throughout their career with compulsory and elective courses. This approach allows the staff in the field to enjoy a faster moving and more satisfying career path.

Deniz Academy sees rapidly transforming beginners into "sailors" and the training of managers as a mission guiding the corporate culture. The Academy develops training projects spread over a period of time by using different teaching methods to make learning by practice more stimulating. Deniz Academy has the capacity to provide training to 1,500 persons simultaneously. The Academy organizes seminars, hobby workshops and many other activities in addition to employee training, while also playing host to many DFSG events.

In 2018, Deniz Academy helped DFSG increase and improve its investment in human resources – the Group's most valuable asset. Throughout the year, Deniz Academy reached out to every employee at DenizBank. The Academy became one of the top institutions in the sector by organizing an average of 10.2 days of training per employee, some 950,000 hours in total.

In 2018, Deniz Academy prepared and assigned training courses to employees at the Sales Faculty for field teams and at the Qualifications Faculty for Head Office employees and field teams.

Sales Faculty is a video learning journey that includes the trainings that operational and field sales employees need to attend based on their job titles. The videos on Deniz TV, as filmed by internal and external trainers, aim to provide employees with all the information they need from a technical and qualifications point of view.

The Qualifications Faculty was established based on the results from Deniz'de Gelecek Diyaloğu, which was completed in 2017. Specifically focused on qualifications that managers requested for their employees, the Qualifications Faculty commenced in May 2018. A diverse range of content – videos, articles, quotes, book recommendations, and the like – is prepared in line with personal development areas. Relevant content is assigned to employees at the Bank weekly.

In 2018, new learning trajectories were designed and aligned with the strategic goals of all business lines, such as Retail, Private, SME, Agriculture, Commercial and Corporate Banking. A new model was taken up in relation to such design. These designs shifted to a new model, where exams are organized to measure an individual employee's competence. New training programs are then created in line with the competence level. These programs focus on case studies and simulations, ensuring a more intensive learning experience. To that end, exams were held on the topics of Deposits and Loans in order to identify the required training subjects on a personal basis and form training content in 2018. Exams on Deposits and Loans were attended by 4,776 and 2,210 employees (709 Branch Managers and 1,401 Branch Employees), respectively.

The Bank developed and launched a Credit Wiki application in June 2018. This effort aimed to complement classroom training in addition to training events held after the exams.

The Credit Wiki application allows DenizBank staff to use their mobile phones to instantly access a diverse set of subjects. These topics range from general loan information to what needs to be done during company visits, and sector-specific information to tips on financial statement analysis.

In fourth quarter 2018, the "3D – Dalgalı Denizlerin Denizcisi (Sailor on Rough Seas)" training was introduced to help establish a common way of doing business within the Bank on Collection and Risk Management, Deposits and Cross-Sales. The Bank is planning for SME-Agricultural-Retail Sales Managers and Regional Operational Department Heads to deliver the training to their teams in their own regions within a single day. The training program is designed to provide branch personnel with the information they need in parallel with the economic developments of the period. To that end, the content of the training program was enriched based on the comments and suggestions from all business lines. At the end of the program, an exam will be administered to measure the level of learning.

The Development Center continued to identify the strengths and any improvable areas in the role of Vice Presidents during the year. Vice Presidents who attended this program furthered their personal development by participation in the Vice President Development Program. The program consists of three modules over six days. It is divided into two separate sub-programs designed for branch managers and departmental managers. The target audience for these programs is the Vice Presidents. Other programs are designed for Branch Managers and Department Heads who were promoted internally. The New Captains Club (YKK) program consists of three modules: "I Am a Leader," "We Are a Team" and "The Customer Is Our Priority." This program is designed to help managers improve their banking know-how and managerial skills. It lasts a total of 13 days for Branch Managers and nine days for Department Managers.

Employees gain practical experience on speaking, reading and writing at a total of five English training groups.

In addition to classroom training programs, DenizBank added virtual instruction to its alternative learning portfolio. These include practical screen simulations and reinforcement, e-learning, mobile learning and Deniz TV. With this approach, Deniz Academy has implemented a multifaceted training model and provides an average of 37 hours of training per employee. The Academy also extends support via mobile applications before, during and after training. The development follow-up system (Assignment Module) ensures that people participate in training programs with proper preparation.

In 2018, simulation programs provided a key experience to participants before the training, preparing them for the actual training. Exams are administered before and after the training events over the reinforcement application to ensure that learning concepts are retained.

In 2018, students from various Turkish universities participated in online internship programs under the Pearls of Deniz and Overseas at denizakademi.com.

During the 21st Captains' Meeting in October, the topics of customer experience, efficient use of data to boost customer experience and the Bank's vision for the coming period were shared with attendees. Key messages from the meeting were compiled by Deniz Academy for use by all Sailors, leading to the Captains Training Sailors training program. Key messages were shared with all Bank employees under the guidance of Captains.

Support Services

SUPPORT SERVICES PROVIDERS	BUSINESS LINE
ACTİVE BİLGİSAYAR HİZ. VE TİC. LTD. ŞTİ.	IT SYSTEMS
ANLI DAYANIKLI TÜKETİM MALLARI TİCARET LTD.ŞTİ.(VESTEL)	OPERATIONAL SERVICES
ARILAR KUYUMCULUK VETUR.TIC.LTD.STI.	OPERATIONAL SERVICES
ARVATO TELEKOMÜNİKASYON HİZMETLERİ A.Ş.	CALL CENTER/MARKETING
AUSTRIA CARD TURKEY KART OPERASYONLARI A.Ş.	OPERATIONAL SERVICES
AVİ GAYRİMENKUL YATIRIM DEĞERLEME VE DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
AVRUPA OKULLARI K12 EĞİTİM TİC. A.Ş.	OPERATIONAL SERVICES
AYDINOĞULLARI EĞİTİM KURUMLARI (MODERN EĞİTİM)	OPERATIONAL SERVICES
BANTAŞ NAKİT VE KIYMETLİ MAL TAŞIMA VE GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
BBS DANIŞMANLIK GAYRİMENKUL VE EĞİTİM A.Ş.	OPERATIONAL SERVICES
BİLGİFEN EĞİTİM ÖĞRETİM YAYINCILIK HİZMETLERİ TİC. LTD.ŞTİ.	OPERATIONAL SERVICES
BİLGİKENT BİLİŞİM TEKNOLOJİLERİ TİC. A.Ş.	IT SYSTEMS
BİLİN YAZILIM VE BİLİŞİM DANIŞMANLIĞII A.Ş	IT SYSTEMS
BRİNK'S GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
CANKURT İŞ SAĞLIĞI VE GÜVENLİĞİ HİZMETLERİ ORTAK SAĞLIK VE GÜVENLİK TİCARET LTD. ŞTİ.	OPERATIONAL SERVICES
COLLECTÜRK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	CALL CENTER /COLLECTION MANAGEMENT
COLLECTÜRK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	CALL CENTER/COLLECTION MANAGEMENT
CPP SİGORTA ARACILIK HİZMETLERİ A.Ş.	CALL CENTER/MARKETING
DİBA EĞİTİM HİZMETLERİ	OPERATIONAL SERVICES
DİGİTAL ÖDEME BİLİŞİM HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
DİRENÇ DEMİR VE İNŞAAT MALZEMELERİ TİC. VE SAN. A.Ş.	OPERATIONAL SERVICES
E-KART ELEKTRONİK KART SİSTEMLERİ SAN. VE TİC. A.Ş.	OPERATIONAL SERVICES
EKOL GRUP KORUMA GÜVENLİK EĞİTİM HİZMETLERİ LTD. ŞTİ.	SECURITY
ENİS ALAGÖZ EĞİTİM HİZMETLERİ VE TİC. A.Ş.	OPERATIONAL SERVICES
ETCBASE YAZILIM VE BİLİŞİM TEKNOLOJİLERİ A.Ş.	IT SYSTEMS
ETİSAN PROJE BİLGİ VE YAZILIM TEKNOLOJİLERİ SAN.TİC.A.Ş.	OPERATIONAL SERVICES
ETTS ELEKTRONİK TİC. TAH. SİS. SAN. VE TİC. LTD. ŞTİ.	MARKETING
FEN EĞİTİM KURUMLARI A.Ş.	OPERATIONAL SERVICES
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ TİC. A.Ş.	IT SYSTEMS
FU GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
GLOBAL BİLGİ PAZARLAMA DANIŞMA VE ÇAĞRI SERVİSİ HİZMETLERİ A.Ş.	CALL CENTER/COLLECTION MANAGEMENT
GNY TANITIM İLETİŞİM HİZMETLERİ VE DIŞ TİC. A.Ş.	OPERATIONAL SERVICES
GÖKBERK EĞİTİM VE DANIŞMANLIK HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
HEKİMLER ÖZEL EĞİTİM LTD. ŞTİ.	OPERATIONAL SERVICES
HİLAL İNŞ.TURİZM SAN.VE TİC.LTD.ŞTİ.	OPERATIONAL SERVICES
HOBİM DİGİTAL ELEKTRONİK HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
HUGİN YAZILIM TEKNOLOJİLERİ A.Ş.	IT SYSTEMS/OPERATIONAL SERVICES
INGENİCO ÖDEME SİS. ÇÖZÜMLERİ A.Ş.	IT SYSTEMS/OPERATIONAL SERVICES
INTERPOSTA DAĞITIM VE LOJİSTİK HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
INTERTECH BİLGİ İŞLEM VE PAZARLAMA TİCARET A.Ş.	IT SYSTEMS
IRON MOUNTAIN ARŞİVLEME HİZMETLERİ A.Ş.	ARCHIVE
İNFİNA YAZILIM A.Ş.	IT SYSTEMS
İPOTEKA GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
İSTANBUL ALTIN RAFİNERİSİ A.Ş.	OPERATIONAL SERVICES
İSTANBUL VADİ EĞİTİM ÖĞRETİM YAYINCILIK HİZMETLERİ TİC. VE LTD.ŞTİ.	OPERATIONAL SERVICES
İSTİNYE OKULLARI EĞİTİM HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
KAĞITHANE UĞUR DERSHANESİ İZZET SAKIN	OPERATIONAL SERVICES
KARBİL YAZILIM VE BİLİŞİM TEKN. TİC. A.Ş.	IT SYSTEMS/OPERATIONAL SERVICES
KEKOVA ELEKTRİK ELEKTRONİK İLETİŞİM SİSTEMLERİ DIŞ. TİC. LTD. ŞTİ.	SECURITY
KOKULU MÜCEVHER SANAYI VE TICARET ANONIM SIRKETI	OPERATIONAL SERVICES
KONFİDES BİLGİ TEKNOLOJİLERİ TİC.A.Ş.	OPERATIONAL SERVICES
KURYE-NET MOTORLU KURYECİLİK VE DAĞITIM HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
LOOMİS GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
MNG KARGO YURTİÇİ VE YURTDIŞI TAŞIMACILIK A.Ş.	OPERATIONAL SERVICES
MT BİLGİ TEKNOLOJİLERİ VE DIŞ TİC.A.Ş	IT SYSTEMS/OPERATIONAL SERVICES
MTM HOLOGRAFİ GÜVENLİKLİ BASIM VE BİLİŞİM TEKNOLOJİLERİ SAN. VE TİC. A.Ş	OPERATIONAL SERVICES
ODC İŞ ÇÖZÜMLERİ DANIŞMANLIK TİC. A.Ş.	IT SYSTEMS
OĞUZKAAN EĞİTİM HİZMETLERİ VE TİC. A.Ş.	OPERATIONAL SERVICES
OKYANUS EĞİTİM KURUMLARI A.Ş.	OPERATIONAL SERVICES
ÖZEL ADAPAZARI FİNAL DERGİSİ DERSANESİ EĞİTİM VE YAYINCILIK LTD.ŞTİ.	OPERATIONAL SERVICES
ÖZEL AKADEMİ ANAOKULU İŞLETMECİLİĞİ LTD. ŞTİ.	OPERATIONAL SERVICES
ÖZEL EKSEN EĞİTİM HİZMETLERİ KIRTASİYE TAŞIMACILIK TİC. LTD. ŞTİ.	OPERATIONAL SERVICES
PLASTİK KART AKILLI KART İLETİŞİM SİS. SAN. VE TİC. A.Ş.	OPERATIONAL SERVICES
POSTA VE TELGRAF TEŞKİLATI A.Ş.	MARKETING
QAPEL BİLİŞİM TEKNOLOJİLERİ A.Ş.	MARKETING
R2 SERVİS ELEKTRİK ELEKTRONİK VE BİLGİSAYAR TEKNOLOJİLERİ SAN.VE TİC. AŞ.	IT SYSTEMS/OPERATIONAL SERVICES
RETRO BILISIM HIZMETLERI SANAYI VE DIS TIC.LTD.STI.	OPERATIONAL SERVICES
SATPA İLETİŞİM HİZMETLERİ PAZARLAMA TİC.LTD.ŞTİ.	OPERATIONAL SERVICES
SİSTEM KURYE HİZMETLERİ TAŞIMACILIK TİC. LTD. ŞTİ.	OPERATIONAL SERVICES
SUPERONLINE İLETİŞİM HİZMETLERİ A.Ş.	IT SYSTEMS
TAGAR TAPU GARANTİ HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
TEMPO ÇAĞRI MERKEZİ VE İŞ SÜREÇLERİ DIŞ KAYNAK HİZM. TİC. A.Ş.	CALL CENTER/MARKETING
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	SECURITY
VERİFONE ELEKTRONİK VE DANIŞMANLIK LTD. ŞTİ.	IT SYSTEMS
VİZYON KOLEJİ YAY.EĞT.HİZ. A.Ş. (MERKEZ - ESENYURT KAMPÜSÜ)	MARKETING
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER/MARKETING
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER/COLLECTION MANAGEMENT
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER/MARKETING
YILMAZ KUYUMCULUK TURIZM INSAAT GIDA SAN.VE TIC.LTD.STI.	OPERATIONAL SERVICES
ZETA İNSAN KAYNAKLARI VE KURUMSAL ÇÖZÜMLER LTD. ŞTİ.	OPERATIONAL SERVICES
ZETA İNSAN KAYNAKLARI VE KURUMSAL ÇÖZÜMLER LTD. ŞTİ.	MARKETING
ŞEN APA GIDA HAYVANCILIK NAKLİYE SANAYİ VE TİC.LTD.ŞTİ	OPERATIONAL SERVICES
135 TRACTOR DEALERS	OPERATIONAL SERVICES

DenizBank Corporate Governance Principles Compliance Report

PART I: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Prior to its IPO, DenizBank voluntarily conducted studies for compliance with the Capital Markets Board's (CMB) Corporate Governance Principles in line with international principles and sectorial practices; the "Corporate Governance Report" was published which was firstly approved at the Board of Directors Meeting dated September 16, 2004. DenizBank views Corporate Governance Principles as a dynamic field open to further improvement and works to enhance its operations in this spirit.

DenizBank operates with a management approach built on the principles of transparency, equality, responsibility and accountability, and exercises maximum care to comply with the corporate governance provisions outlined in the Banking Legislation, Capital Market Legislation, Turkish Commercial Law and other related regulations as regards the management of relations with shareholders, as well as the determination of the duties, authorities and responsibilities of the Board of Directors and the management tiers that report to the Board. Mandatory principles of the annex to BRSA's "Regulation on Corporate Governance Principles" (Regulation) and CMB's Corporate Governance Communiqué (Communiqué) no II-17.1 are complied.

The Bank complies with the majority of the non-mandatory principles and continues the full compliance studies. The main principles that have not yet been fully complied are as follows and this info is also included under the related subjects in this report.

- Article 1.5.2: the use of minority rights to whose own less than one twenthieth of the outstanding shares was not extended by The › Articles of Association and minority rights are provided under the general provisions of the regulations.
- Article 4.3.9: We do not have a policy regarding the ratio of women members.
- Article 4.5.5: Only one Board Member is also an associate member of another committee.
- Article 4.6.5: The payments made to the Board Members and the executives with administrative responsibility are publicly disclosed in parallel with the general practice in the Ordinary General Assembly and Independent Audit Reports.

As for the compliance with the non-mandatory provisions, the differences between the CMB Corporate Governance Principles and the Bank applications are outlined under the relevant sections of this report.

DenizBank updates the annual report, website and other information channels to comply with the related principles and shares them with all the stakeholders. Shareholders are able to access to comprehensive information through these channels and keep themselves informed about the latest developments and activities.

According to the Capital Markets Board's decision Nr. 2/49 dated 10 January 2019, it was decided that the companies should be made their Corporate Governance Compliance Reporting in accordance with Nr. II-17.1 "Corporate Governance Communiqué (Communiqué) by using the Corporate Governance Compliance Report (URF) and the Corporate Governance Information Form (KYBF) templates through KAP. Within the framework of compliance with this decision, our Bank announced the URF and KYBF forms at KAP on the date of 27.02.2019. The forms are accessable at https://www.kap.org.tr/tr/sirket-bilgileri/ozet/2415-denizbank-a-s

PART II: SHAREHOLDERS

2.1 Investor Relations Department

Established in 2004 with the aim of taking necessary measures to comply with the existing legislation, the Articles of Association, and other in-house regulations regarding the protection and exercising of shareholders' rights, and the right to obtain and review information in particular, the Department has been carrying out its activities with name of Investor Relations and Financial Communication Department within the structure of Financial Affairs Group, under the supervision of Financial Affairs Group- EVP, CFO. The tasks of Investor Relations Department within the 5th Clause of the 11th Article of the Communiqué are carried out in coordination with the Investor Relations and Financial Communication, Secretary General, Corporate Compliance, Financial Performance Evaluation and Analysis and Treasury and Financial Institutions departments. Names and contact info regarding the staff members of the Department are given below. Due to the fact that the portion of shares in public float is 0.15%, the number of inquiries made by investors within the period was limited, and thus all inquiries were answered verbally or in writing.

Yeliz Koraşlı Özdemir - Department Head - Corporate Governance Rating License, Capital Market Activities Level 3 License
yeliz.korasliozdemir@denizbank.com
Tel: +90 212 348 59 95

Simay Ağaçdiken – Assistant Specialist
simay.agacdiken@denizbank.com
Tel: + 90 212 348 59 91

Department Fax: +90 212 336 61 86
+90 212 336 30 80

Due to the fact that most of the tasks specified in the 11th Article of the Communiqué are carried out by our Bank's Investor Relations and Financial Communication Department the Department Manager Yeliz Koraşlı Özdemir was appointed as the "Director of Investor Relations Department" upon the Board of Directors decision dated June 20, 2014. Furthermore, within the scope of the 1st Clause of the 11th Article of the Communiqué she was appointed as a member to the Corporate Governance and Nomination Committee.

Activities during the Period

› Material event disclosures,
› Preparation of the annual reports, interim activity reports sections of financial reports, and press releases on financial data,
› Updating relevant information on the Bank's website,
› Examination of sector data and preparation of market share reports,
› Responding to questions received by email and telephone,
› Organization of Ordinary/Extraordinary General Assembly Meeting,
› Preparation of documents within the scope of the issuance of bonds/bills, making necessary announcements and disclosures,
› Coordinating the practices developed in the Bank within the scope of Corporate Governance Practices.

The report regarding the activities carried out within the scope of the Communiqué was prepared in coordination for 2018 and planned to be submitted to the Board of Directors in March 2019.

2.2 Exercise of Shareholders' Right to Information

The Investor Relations and Financial Communication Department treats all shareholders equally. All shareholder and other stakeholders' inquiries were first assessed to determine whether or not they concerned trade secrets, and then answered accordingly either in written form, or else verbally. Queries made to the Investor Relations and Financial Communication Department concerned the following topics:

› The Bank's financial statements,
› Activities in business lines,
› General Assembly Meetings,
› Dividend Distribution,
› Share Price Info,
› Main shareholder change,
› Bonds/bills issued.

DenizBank exercises maximum care to release information that may impact the exercising of shareholders' rights and the decisions of investors, in the most rapid and effective manner. Disclosures are considered within the scope of the CMB's Communiqué and Guide on Principles Regarding Public Disclosure of Material Events, announced via the Public Disclosure Platform and also published on the Bank's website. The Bank's website is itself used actively to provide shareholders, investors and other stakeholders' easy access to information. The information published on our website is explained in detail under "Part III/3.1 Company Website and Contents."

Request for the Appointment of a Special Auditor

Our Bank applies the provisions of the Turkish Commercial Code regarding the appointment of a special auditor; therefore, no special regulation is included under the Articles of Association about this issue. During the period, no request from shareholders, who have such a right according to internal and legal regulations, for the appointment of a special auditor was received.

2.3 General Assembly Meetings

Invitation to and Information about the General Assembly

DenizBank issues the invitation to the Annual General Assembly at least 3 (three) weeks before the meeting date, as stated in Articles 10 of the Articles of Association. The announcement/invitation on/to the General Assembly is published in the Trade Registry Gazette, on the Central Registry Agency's (MKK) Electronic General Meeting System (e-GEM), Public Disclosure Platform (PDP) as well as on the DenizBank website. The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics. Furthermore, the agenda items, proxy forms, Annual Report, Articles of Association, financial statements and their footnotes, old and new versions of the Articles of Association in case of any amendments, information stated on principles on Board Members and candidate Members in case the agenda items include the dismissal, replacement or election of Board Members, any requests from the shareholders to add items to the agenda, and Information Document including all other documents regarding the agenda and other documentation are submitted for shareholder scrutiny at the Bank's Head Office and on the Bank website as of the date of the announcement.

Documents regarding the agenda items are also published via MKK's portals including the e-GEM. Proxy voters do not have to be shareholders. It is no longer necessary to place voting shares under participator's blockage in the General Assembly Meeting. Shareholders can now register to participate in the meeting via the e-GEM, until 00:00 hours the day before the meeting. All shareholders whose names are included on the Shareholders List obtained from the e-GEM prior to the meeting can participate in person.

Although not stipulated in the Articles of Association, DenizBank's Board of Directors can decide to open General Assembly meetings to the wider public, including stakeholders and the press, although the latter do not have the right to take the floor. The meeting minutes of the General Assembly and the Attendance List are published on the e-GEM, Public Disclosure Platform (PDP) and the Bank's website. In 2018, DenizBank held an Ordinary General Assembly Meeting.

Date: 29.03.2018
General Assembly: 2017-Ordinary
Participants: Shareholders, Representatives of Legal Authorities and Independent Auditors
Participation Rate: 99.85%
Form of Invitation: Trade Registry Gazette, and announcement on the e-GEM, PDP and the Bank website.

In 2018, there is no transaction conducted by insiders with privileged information on their behalf within the scope of the Bank's activities, so there is no need to provide information at the general assembly.

Shareholders' Right to Add Items to the Agenda and Ask Questions

As indicated in Article 10 of the Articles of Association, shareholders representing at least one twentieth of the paid-in capital may add items to the agenda through notary public or written request submitted to the BoD and request the Board of Directors to call an Extraordinary General Assembly via justifiable written requests.

As per Article 15 of the Articles of Association, all shareholders have the right to express their opinions and ask questions during General Assemblies. Questions directed at the Board of Directors shall be answered immediately and verbally, if possible. Otherwise, these will be answered in written form within 15 (fifteen) days of the General Assembly. In line with recent amendments to the Communiqué, questions posed during General Assembly meetings and their answers are published in 30 (thirty) days on the Bank's website.

DenizBank Corporate Governance Principles Compliance Report

The Bank makes donations and gives aid in line with the Donation Policy and relevant procedures defined by the Social Responsibility Policy. The sum of donations made during the period and the benefactors of these donations are listed in the Annual Report and presented to the shareholders at the General Assembly as a separate agenda item with the policy changes if existed.

2.4 Voting Rights and Minority Rights

DenizBank shares do not have any preferential rights. As per Article 14 of the Articles of Association, each share carries one vote. Obstructions to the exercising of voting rights are avoided. Shareholders can be represented at the General Assembly by other shareholders, or an external proxy.

The Bank does not have any cross-shareholding relationships with any company. As stipulated by the Article 29 of the Capital Market Law No. 6362, minority rights shall be exercised by shareholders representing at least one-twentieth of the paid-in capital as per Article 411 of the Turkish Commercial Code, and this condition is met by Article 10 of the Articles of Association.

2.5 Dividend Rights

The Bank's dividend distribution policy is outlined in Article 32 of the Articles of Association and published on the website. Prior to being presented by the Board of Directors to the General Assembly, the dividend distribution proposal is announced as a material event disclosure to shareholders and published on the Bank's website and e-GEM. The dividend distribution policy and the dividend distribution proposal for the relevant year are published in the Annual Report. There are no privileges concerning the distribution of dividends. Pursuant to the decision of the General Assembly held in March, no dividend is being paid for the year 2017.

2.6 Transfer of Shares

There is no provision in the Bank's Articles of Association restricting the transfer of shares. According to Article 8 of the Articles of Association, the transfer of shares is allowed in accordance with Turkish Commercial Code, Banking Law no.5411, Capital Market Law and the Articles of Association.

PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Information Policy

The Information Policy has been prepared in line with relevant laws, the regulations of Banking Regulation and Supervision Agency (BRSA) and Capital Market Board (CMB) and Corporate Governance Principles and announced to public on the website upon approval of the Board of Directors. Establishment, execution and supervision of the information policy are under the responsibility of the Board of Directors. Coordination and fulfillment of the information function are carried out by the General Manager, Executive Board Members, employees of Financial Affairs Department, Management Services Department, Internal Control and Compliance Department and the Secretary General as well as the related managers of all business lines in terms of access to internal information. The information policy aims to ensure timely, accurate, complete, comprehensible, easily and affordably accessible and uniform delivery of information that does not constitute trade secret and disclosure of which is not against laws to stakeholders and beneficiaries. Forward looking information can be disclosed to public in written or verbal form. Forward looking information about the Bank's financial situation and operations are stated in activity reports, press releases and other informative documents. Forward looking information should be consistent with the Bank's current financial situation and activity results as well as other information disclosed to public and should not contain groundless, exaggerated or misguiding projections.

3.2 Corporate Website and Contents

In accordance with the public disclosure and transparency principles of the Corporate Governance Principles, DenizBank has created an effective website which is updated periodically to provide timely, accurate, complete, comprehensible, easy to analyze, low-cost and accessible information. The Bank's web address is www.denizbank.com.

The majority of the information specified in the CMB's Corporate Governance Principles has also been submitted in English in our Corporate Internet Site and important sections are also available in Russian. The website, available in Turkish and English, contains all the information stipulated in CMB's Corporate Governance Principles. The following information is available on the website:

- Trade Registry and share information, shareholding and management structure,
- The latest version of the Bank's Articles of Association, information about the changes,
- Material event disclosures,
- Press releases,
- Annual reports and financial reports,
- Documents concerning securities issued,
- General Assembly forms,
- Information on the internal control system and risk management,
- Curricula Vitae of the Board of Directors and the Executive Management team,
- Policies,
- Corporate Governance Principles Compliance Report,
- List of social responsibility activities.

3.3 Annual Report

The Annual Report is published in sufficient detail to provide complete and accurate information about the Bank's operations, and in accordance with BRSA and CMB regulations. The Annual Report features all topics listed in the relevant regulations. Following its release on the Public Disclosure Platform, it is also published on the Bank's website.

PART IV: STAKEHOLDERS

4.1 Informing Stakeholders

The rights earned through legislation and the reciprocal contracts of DenizBank's stakeholders (employees, clients, correspondent banks, entities participating in syndication loans, public agencies, borrowers, lenders, credit rating agencies, suppliers, the social environment, and other interest groups the Bank is in contact with) are protected by DenizBank. If these rights are violated, the injured party is compensated. Relationships with all stakeholders are maintained with respect to the Code of Ethics. Employee rights have been determined through the Bank's approach, and through its human resources policy, remuneration policy, employee, disciplinary, and other regulations. In the internal portal established for informing the employees, all the related procedures, notifications and announcements are published. It is ensured that such information is accessed from different points in the most efficient way. Stakeholders are provided with information related to the Bank within the framework of the disclosure policy and other in-house regulations. Stakeholders are regularly informed through General Assembly minutes; material event disclosures; press releases; internal bulletins; in-house announcements; "Team Spirit" magazine; emails to clients; announcements via SMS, the call center, web platforms and social media channels; annual reports; financial reports; and all notifications made via the Bank website.

In addition, information is provided via meetings organized upon request and in written statements. Easy access to up-to-date information is facilitated by posting all the aforementioned information on the Bank's website.

Several mechanisms have been set up by which stakeholders can share complaints and suggestions regarding the Bank's activities and transactions with the management. While employees can use the suggestion system to share their wishes, requests, suggestions and complaints with the executive management, other stakeholders can share their requests and complaints with the Bank's management via the customer satisfaction system. Furthermore, within the scope of the "Anti-Corruption Policy" and "Corporate Responsibility Communication Procedure", our Bank has "Ethical Notification" channels which can be reached by the employees via phone, e-mail and portal and which is for notifying the transactions which may lead to financial loss, conflict of interests and damage of our Bank's prestige, such as embezzle, abuse, bribery, fraud and misuse.

4.2 Stakeholder Participation in Management

To ensure optimum satisfaction while preserving the balance between customers, employees, shareholders and other stakeholders, the Bank strives to improve its product and service quality, and to fulfil the expectations of domestic and foreign customers. To this end, DenizBank acts in accordance with the "collective wisdom" concept and gears its systems towards continuous improvement.

Within the framework of the customer-oriented approach of the Bank, dialogues and surveys, which are performed by the Customer Satisfaction and CRM Departments with the customers for getting to know the customer and understanding their expectations regarding our products and services, help a lot while determining the new product and service strategies of the Bank.

Stakeholders can participate in the Bank's management by attending various committee meetings and the General Assembly, as well as by using the suggestion system and by exercising their right (as stated in Article 20 of the Articles of Association) to demand from the Chairman in writing the placing of an item on the agenda of the General Assembly meeting.

Furthermore, as per Article 10 of the Articles of Association, minority shareholders may request in written form that the Board of Directors add an item to the agenda of the General Assembly through justifiable written requests prior to the creation of said agenda. Moreover, shareholders may request the Board of Directors to call for an Extraordinary General Assembly through justifiable written requests and create the agenda for discussion. Below is a list of systems that facilitate employee, customer and shareholder participation in management. The output of these systems is presented to the Executive Management after being analyzed by related departments.

Employees
- Committees
- Suggestion System

Customers
- Customer Satisfaction System
- Suggestion System

Shareholders
- General Assembly
- Board of Directors
- Management Meetings

4.3 Human Resources Policy

General human resources policies designed for the Bank and its subsidiaries to perform their functions in the most effective fashion are based on the principles summarized below. These principles are posted as related procedures and processes on the Bank's website and intranet portal "DenizPortal" and are accessible by all members of staff.

Respect for Individuals: Recognizing that the first criterion for success is respect for the individual, and providing all employees, without discrimination, with the harmonious Professional environment and physical means necessary for them to fully utilize and improve their abilities and skills.

Transparency in Management: Facilitating new ideas within the framework of mutual trust understanding and communication; and problem solving through collective wisdom. Establishing and developing user-friendly technological systems that give employees the opportunity to communicate their demands, suggestions and opinions by further informing them on the applications that concern them.

Opportunity for Training and Development: Keeping in mind that the Bank's most valuable investment is the development of employees using every available training tool, as well as managing their careers in accordance with their accomplishments and competencies, and aiming to select the managers and directors of the future from among Bank employees.

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Fair and Reliable Remuneration Management: Implementing a compensation management system that provides fair and reliable salaries and benefits that encourage and reward success and excellence in line with market and prevailing conditions.

Practices and attitudes related to matters such as hiring criteria, salaries, training and health, in accordance with the general approach adopted within the framework of the human resources policy, are documented through guidelines, procedures and policies, all of which are available to employees.

All kinds of decisions that affect the employees are available in the regulations that are accessible in the common platforms and are announced with general announcements. There are no trade union activities in our Bank based on the Law No. 6356 on Trade Unions and Collective Labor Agreements. Our Bank respects the constitutional rights of our employees.

"Future at Deniz Dialogue" which focus on the improvement of employee performance and development of their competencies is performed twice a year. It is aimed at increasing the number of feedbacks that each employee is received and creating guidance steps in the middle of the process.

Announcements that are of interest to Bank employees are communicated over the intranet (DenizPortal), mobile application "Denizde" and by email. Suggestion systems have been developed where the employees can share any suggestions and opinions. In order to focus on the candidate and employee experience and measure the satisfaction level at these areas and to be able to take the necessary actions proactively depending on the results obtained, the platform **"FikriNNe" (What'sYourIdea)** which contains periodic surveys has been started to be used.

Suggestions submitted through "I Have an Idea" on DenizPortal are evaluated and pre-assessed by the Organization Department. Suggestions deemed viable are evaluated at the Suggestions Committee and rewarded accordingly. Furthermore, all employee concerns and problems regarding working practices are evaluated by their supervisors and brought to the attention of the Executive Management, where necessary.

As a learning organization, DenizBank allows three different generations to learn from each other and to grow based on the differences between them. Within this scope, the second leg of the mentorship program called "Bilakis" has been launched which enables different generations to learn from each other. With this program, employees, interns and also university students who were included in the program this year that are born no earlier than 1990 are acting as mentors about the expectations of the young generations and about up-to-date issues, primarily being the social media developments, to the senior management members.

There have been no complaints from employees regarding discrimination in the workplace.

We believe that development is the most important factor of our human resource policy, and we support the personal development and career path of every DenizBank Financial Services Group employee with a policy of equal opportunity. All related programs are carried out at Deniz Academy, with training needs analyzed. Modern training tools and methods like e-Deniz Academy, Deniz TV, mobile training and social media are used in training projects.

The Bank's employee remuneration policy was designed to establish the principles governing payroll and social benefits. The Remuneration Committee was established to audit and monitor pay policies and practices on behalf of the Board of Directors. Salaries, factors significant in determining increase rates, the performance based pay system and criteria used in assessments have been identified within the scope of the policy. The policy has been made available to employees via the website and DenizPortal.

4.4 Code of Ethics and Social Responsibility

DenizBank carries out its activities within the framework of the Banking Code of Ethics it has adapted and published on its corporate website. Taking and implementing management decisions necessary for compliance with "Ethical Principles Policy" published by The Banks Association of Turkey, constitute the basis of the activities. Furthermore, the Bank published the "DenizBank Compliance and Integrity Policy" in order to establish respect for laws and regulations, ensure trust among customers, employees and shareholders, and prevent misconduct and fraud.

In addition to contributing to the national economy through its financial activities, DenizBank supports projects designed to raise public awareness, mainly in the fields of education, culture and the arts and sports, in line with its social responsibility approach. DenizBank Financial Services Group's Corporate Social Responsibility has also been published on the website.

As part of its social responsibility activities, the Bank makes donations, supports projects, organizes cultural events and publishes Works via DenizKültür.

The list of activities conducted to this end is presented on the Bank's website.

PART V: BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

The Annual Report includes the names and short biographies of the Bank's executive, non-executive and independent Board Members. The formation, duties, and responsibilities of the Bank's Board of Directors, as well as its meeting format, are described in detail in Articles 16, 17, 18, 19, and 20 of the Articles of Association. The Board of Directors consists of 12 members, four independent members of which three are also the Members of the Audit Committee (as per Articles 6-(3) of the CMB Communique on Corporate Governance) 9 are non-executive and three are executive members. In line with Article 17 of the Articles of Association, the duties of Chairman and CEO are performed by different individuals. The term of office for all members of the Board of Directors is defined within the scope of Article 18 of the Articles of Association as three years. A member whose term of office expires can be re-elected. There are no quantitative limits as to the Board Members'

taking office in the Bank's subsidiaries. In order to ensure efficient management, in principle, Board Members are asked not to take up more than three duties beyond the Bank's subsidiaries. A Directors and Officers liability insurance has been subscribed covering less than 25% of the capital.

A "Statement of Independence" has been received from the independent members pursuant to Articles 4.3.6 of the CMB's Corporate Governance Principles to fulfil the criteria of independence.

Investigating the independence of the independent Board Members and identifying any conflicts of interests are among the duties and responsibilities of the Corporate Governance and Nomination Committee. Within the framework of the principles in force during the period of activity, there were no circumstances which could compromise the independence of the Board Members. In line with the revision of Communiqué criteria, the statements from independent Board Members were renewed in 2018 according to CMB principles as follows:

I hereby declare that;

I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or have not established a significant commercial relation between the Bank, companies on which the Bank hold control of management or significant effect and shareholders who hold control of management of the Bank or have significant effect in the Bank and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

I have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the Bank purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the Bank, during the time period when the Bank purchases or sells services or goods.

I have professional education, knowledge and experience required to duly fulfill the duties assigned for being an independent board member.

I am not a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.

I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

I am capable of contributing positively to the operations of the Bank and maintaining my objectivity in conflicts of interests between the Bank and the shareholders, and have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

I will allocate time for the Bank's business in order to follow up the activities of the Bank and duly fulfill the allocated duties.

I have not conducted membership of board of directors for more than a term of six years within the last ten years.

I am not an independent member of the board of directors in more than three of the companies whose control is held by the Bank or the shareholders of the Bank and in more than five companies in total which are admitted to the trading on the exchange.

One of the Bank's 12 Board members is female. According to the objective set by CMB's Corporate Governance Principles, Article 4.3.9, at least 25% of the members need to be female, which corresponds to four women in DenizBank's case. Women account for 34% of the Bank's managers; the Bank is keen on attaining this objective concerning the Board of Directors.

5.2 Operating Principles of the Board of Directors

Principles and quorum for Board of Directors meetings have been established in Article 20 of the Articles of Association. Although the Articles of Association state that the Board of Directors should meet at least four times per year, the Board meets as frequently as required to fulfil its duties effectively. The Board of Directors is convened by the Chairman of the Board or by the Vice Chairman if the Chairman is not present. The agenda of the Board of Directors meetings consists of items arising from the duties and responsibilities of Board Members as stipulated in Article 19 of the Articles of Association, as well as members' requests, matters discussed at the weekly Executive Committee meetings and Committee resolutions. In line with shareholder rights, minority and majority shareholders and stakeholders may demand that a certain subject be addressed at the Board of Directors meeting through a written request to the Chairman, and have it added to the agenda.

In the year 2018, the Board of Directors made 140 decisions.

It is essential that Board Members attend the meetings in person, although attendance is also permitted via any means of remote conferencing. Each Board Member has one vote, all votes are equal and no member or Chairman has the privileged or weighted power to vote or veto.

Corporate Governance Principles are applied on related party transactions.

The Chairman of the Board does his utmost to enable the participation of non-executive members at the meetings. The Chairman is responsible for ensuring that Board meeting invitations and discussions are conducted in accordance with procedures, and that decisions are recorded in the meeting minutes.

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During the Board of Directors meetings, members who cast dissenting votes are required to sign the minutes along with a statement explaining the reason for their votes. Minutes of the meetings and documents related to the meetings are duly included into the resolution book, archived and kept under the supervision of the Chairman. The manner in which the Board of Directors meetings are held is determined by in-house regulations. Information and documents related to the items on the agenda of the Board of Directors meetings are presented to Board Members for scrutiny by the Board Secretariat prior to the meeting in order to establish equal information flow. The compliance of the Bank's meeting minutes with legislation is ensured by the Board Secretariat, and a report is presented to authorized parties upon request. The duties of the Board Secretariat have been passed onto the Secretary General upon resolution of the Board of Directors. Decisions of the Board of Directors that are significant to stakeholders are made public via material event disclosures.

5.3 Number, Structure and Independence of Board Committees

The Board of Directors shall form the committees, by virtue of law and/or at its discretion, in order to execute its duties and responsibilities professionally, effectively, efficiently, and being informed in the best possible way. The Audit Committee and the Corporate Governance and Nomination Committee were established in 2004 within the scope of CMB Corporate Governance Principles. In addition, in 2011, the Board of Directors established the Remuneration Committee to monitor and inspect remuneration practices on behalf of the Board of Directors in accordance with the "Regulation on the Banks' Corporate Governance Principles" of the Banking Regulation and Supervision Agency. The Committees (excepting the Credit Committee) are composed of at least two committee members. Only one Board Member is also an associate member of another committee. The duties and operating principles of committees are posted on the Bank's website. Information about the committees reporting to the Board of Directors and on the executive committees providing information flow to the management is presented below.

Committees Reporting to the Board of Directors

Corporate Governance and Nomination Committee

The Committee determine application of the corporate governance principles and detect the reasons and negative consequences of failure to apply them comprehensively, as well as suggest the measures for improvement; form a transparent system of selection, determination, evaluation, and traineeship of the candidates for top management; and investigate the matters of independence and conflicts of interests. The Committee is composed of four members. Due to the fact that most of the tasks specified in the 11th Article of the Communiqué are carried out by our Bank's Investor Relations and Financial Communication Department; the Department Manager was appointed as the "Director of Investor Relations Department" and as a member to the Corporate Governance and Nomination Committee upon the Board of Directors decision dated June 20, 2014.

The qualifications of committee members are presented in the "Management" section of the report.

The Corporate Governance and Nomination Committee convene at least three times a year. It also convenes whenever else required in the performance of its duties. The procedures related to the structure, duties, authorities and responsibilities of the Corporate Governance and Nomination Committee have been determined, and its main activities are posted on the Bank's website. In 2018, Corporate Governance and Nomination Committee made 6 decisions to recommend candidates to the Board of Directors as regards the appointment of executives. The nominated executives were appointed in line with the recommendations presented to the Board of Directors. The Committee has reviewed its operating principles during the meetings and made an effort to improve these through suggestions to the Board.

Audit Committee

The Audit Committee is in charge of the supervision of the Bank's accounting system, public disclosure of the financial information, independent auditing, the operation and efficiency of internal control, internal audit and risk management systems. The Committee consists of three members. The qualifications of committee members are presented in the "Management" section of the report.

The Audit Committee convenes at least once every three months - at least four times a year. In addition, the Committee meets with the independent auditors of the Bank, separate from the executive units, at least four times a year to discuss issues regarding internal control, financial statements, internal audit and other important items that need to be discussed. Minutes of Audit Committee Meetings are reported to the Board of Directors. The procedures regarding the structure, duties, authorities and responsibilities of the Audit Committee have been defined and its main activities are posted on the Bank's website. The Audit Committee's activities during the year 2018 can be found in the section entitled "Assessments of the Audit Committee" in the Annual Report.

Remuneration Committee

A Remuneration Committee was established on December 7, 2011, to monitor and inspect remuneration practices on behalf of the Board of Directors in accordance with the Regulation on the Banks' Corporate Governance Principles issued by the Banking Regulation and Supervision Agency.

The Committee evaluates remuneration policies and practices within the framework of risk management and reports its recommendations annually to the Board of Directors. The qualifications of the members of the Committee are presented in the section of "Management" of the report.

Credit Committee

The Credit Committee is authorized to decide on credits and loans, which are under consideration to be granted to the individuals or corporations in accordance with the Banking Law, the regulations of the BRSA, and the internal rules of the Bank. The Committee convenes every week, assesses these proposals or applications, and approves, or rejects those within its limits of authority. The Committee submits those proposals or applications beyond its authority to the Board of Directors. The Committee consists of three full and two alternate members. The qualifications of the members of the Committee presented in the "Management" section of the report.

Other Committees

Management Board

The DFSG Management Board is a committee operating under the authority of the CEO with powers delegated by the Board of Directors. The Management Board meets once a week under the chairmanship of the CEO. Secretariat General and Sberbank Coordination Group EVP is a natural member of the Management Board without voting rights. The Management Board was established to prepare and provide information to the Board of Directors, and to evaluate, conclude and exchange ideas regarding certain strategic decisions. Upon accepting recommendations regarding subjects within the authorization limits of the CEO, the CEO along with the EVP of the relevant unit, or the GM of the relevant subsidiary proceeds to enact the change. Recommendations related to subjects within the authorization limits of the Board of Directors are presented to the Board of Directors by the CEO, and the decisions made are executed under the responsibility of the Board of Directors.

Committee Members

Hakan Ateş (CEO), Wouter Van Roste (Board Member in charge of Internal Systems), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Derya Kumru (Board Member), Ali Murat Dizdar (Chief Legal Advisor), Ayşenur Hıçkıran (Payment Systems and Non-Branch Channel Group EVP), Bora Böcügöz (Treasury and Financial Institutions Group EVP), Dilek Duman (Information Technology and Support Operations Group EVP), Mustafa Saruhan Özel (Economic Research, Strategy and Program Management Office Group EVP), Ruslan Abil (Financial Affairs Group EVP), Tanju Kaya (Administrative Services and Investment Group EVP)

Executive Committee

DFSG Executive Committee is a consultation body that operates within the framework of the responsibilities delegated to the CEO by the Board of Directors. The Executive Committee, in principle, meets at least once a month under the chairmanship of the CEO. The Executive Committee aims to make timely and reliable decisions in accordance with the "collective wisdom" principle.

Committee Members

Hakan Ateş (CEO), Wouter Van Roste (Board Member in charge of Internal Systems), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Derya Kumru (Board Member), Bank's EVPs, Ahmet Mesut Ersoy (DenizBank AG GM), Oğuz Yalçın (DenizBank Moscow GM), Kahraman Günaydın (DenizLeasing GM), Alper Tunga Emecan (DenizFaktoring GM), Fatih Arabacıoğlu (DenizAsset Management GM), Hüseyin Melih Akosman (DenizInvest Securities GM and Board Member), Mehmet Çitil (Deniz Real Estate Investment Trust GM)

Assets and Liabilities Committee

The Assets and Liabilities Committee meets every week under the chairmanship of the CEO and with the participation of the Bank's Chief Economist and the managers of groups which conduct activities that can impact the balance sheet. The meeting agenda consists of the balance sheet of the Bank, activities of the business lines, general economic data and evaluation of current political and economic developments, along with the determination of the weekly assets and liabilities strategy.

Committee Members

Hakan Ateş (CEO), Saruhan Özel (Economic Research, Strategy and Program Management Office Group EVP), EVPs and SVPs involved in activities affecting balance sheet

Executive Credit Risk Committee

Executive Credit Risk Committee is responsible for reviewing the market and economic conditions and evaluating the issues that might cause negative effect on the credit portfolio of the Bank and subsidiaries, monitoring the economic developments that might lead to deterioration of the credit worthiness of customers and changes in other conditions, monitoring our Bank's legal follow up collections, evaluating the credit provision budget and convenes on a quarterly basis.

Committee Members

Hakan Ateş (CEO), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Wouter Van Roste (Board Member in charge of Internal Systems), Derya Kumru (Board Member), Ruslan Abil (Financial Affairs Group EVP), Ali Murat Dizdar (Chief Legal Advisor), İbrahim Şen (Credits Follow-up and Risk Monitoring Group EVP), Selim Efe Teoman (Corporate and Commercial Credits Group EVP), Hakan Turan Pala (Corporate, Commercial and Medium Enterprises Credits Administrative Follow up Group EVP), Edip Kürşad Başer (Credit Policies and Retail, SME, Agricultural Banking Credit Allocation Group EVP)

Disciplinary Committee

The Disciplinary Committee identifies operations and behavior punishable under the Bank's regulations and disciplinary code, as well as the perpetrators, their degrees of fault, and the potential damages. The meetings are chaired by the EVP in charge of Administration Services and Investment Group. The Disciplinary Committee meets at least six times a year and whenever required, depending on the meeting call and creates its own agenda.

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Committee Members
Wouter Van Roste (Board Member in charge of Internal Systems), Tanju Kaya (Administrative Services and Investment Group EVP), Ramazan Işık (Head of Internal Audit), Cem Demirağ(Head of Internal Control and Compliance), Ali Murat Dizdar (Chief Legal Advisor), Mustafa Özel (Branches and Central Operations Group EVP) Yavuz Elkin (Human Resources and Deniz Academy Group EVP), Internal Audit SVP, EVP or Company GM to whom the head office/ subsidiary employee reports to HR recruitment, career and remuneration management SVP

Compliance Committee
Compliance Committee gives advice related with the Bank's in-house compliance regulations. Committee convenes 4 times a year under the chairmanship of the Board Member responsible for the internal systems.

Committee Members
Wouter Van Roste (Board Member in charge of Internal Systems), Cem Demirağ (Head of Internal Control and Compliance), Tanju Kaya(Administrative Services and Investment Group EVP), Mustafa Özel (Branches and Central Operations Group EVP), Ali Murat Dizdar (Chief Legal Advisor), Ramazan Işık (Head of Internal Audit), Yavuz Elkin (Human Resources and Deniz Academy Group EVP)

Innovation Committee
Under the coordination of the Head of Innovation Committee and Innovation Committee Management, the Committee was founded for managing the innovation processes of the current and new products of the bank, initiating and following up the process for new innovative products, and conducting necessary actions for establishing a widespread innovation culture within the bank.

The Committee convenes every three months for evaluating the innovation suggestions of the bank employees about the products, services and processes, for enabling the necessary coordination for the realization of the selected products and following up the process, and for rewarding the owners of successful ideas.

Committee Members
Umut Özdoğan (Digital Transformation, CRM and Change Management Group EVP), Gürhan Çam (Digital Transformation, CRM and Change Management Group Digital Banking SVP), Innovation Management Department

Operational and Information Risk Committee
To discuss operational losses arising from inadequate and erroneous IT processes and corresponding actions. The committee convenes at least six times per year under the chairmanship of Board Member in charge of Internal Systems.

Committee Members
Wouter Van Roste (Board Member in charge of Internal Systems), Dilek Duman (Information Technology and Support Operations Group EVP), Ömer Uyar (Intertech GM), Ramazan Işık (Head of Internal Audit), Cem Demirağ (Head of Internal Control and Compliance),Murat ÇITAK (IT Security and Digital-Card. Payment Operations Group EVP), Intertech Infrastructure and Systems Management Assistant GM, Intertech PMO, Test, Document and Quality Management Assistant GM, Head office control units SVP, IT Audit SVP, IT Audit Department Head, Control Assessment and IT Control Department Head, Operational Risk Manager, Intertech IT Governance and KEP Management Architectural Consultant

Rating Committee
The Committee convenes every three months under the chairmanship of the Board Member in charge of Credits: To give final decision about ratings of companies that are carried to the Committee to follow up the functioning of rating processes.

Committee Members
Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Selim Efe Teoman (Corporate and Commercial Credits Group EVP), Wouter Van Roste (Board Member in Charge of İnternal Systems), Sinan Yılmaz (Head of Risk Management Center), Credit policies and risk monitoring SVP, Corporate and Commercial Allocation SVPs, Risk Reporting and Credit Risk Control and Risk modelling validation

Reputation Risk Committee
The Committee is established to manage the reputation risk management centrally. It manages the processes of identification, assessment, monitoring and reporting process of reputation risk taking into account all activities under the DFHD framework. Ensures preparation and implementation of internal documents on reputation risk and evaluates their efficiency. Approves internal documents accordingly. Manages reputation risk crises.

Committee Members
Wouter Van Roste (Board Member in charge of Internal Systems), Tanju Kaya (Administrative Services and Investment Group EVP), Cem Demirağ (Head of Internal Control and Compliance) and Ali Murat Dizdar (Chief Legal Advisor)

5.4 Risk Management and Internal Control Mechanism

The Board of Directors has established the risk management and internal control systems designed to minimize the risks that could affect shareholders and stakeholders; and the Annual Report includes detailed information on the functioning, management, authority, responsibilities and efficiency of the system. The Bank's Internal Control mechanism is managed by the Internal Control Center and Compliance Department, and by the Internal Audit Department. The Board of Directors monitors the efficiency of risk management and internal control systems via quarterly analyses and reports prepared by the Audit Committee. The Annual Report's section on the assessment of the Audit Committee provides further

5.5 The Company's Strategic Objectives

The Board of Directors administers and represents the Company by making strategic decisions that prioritize the long term interests of the Company, through a rational and prudent risk management approach designed to strike the optimum balance between the Bank's risk, growth and returns. To this end, the Board of Directors sets the Bank's strategic objectives, identifies the human and financial resources it will necessitate, monitors the planning of the organization and operations geared towards this goal, and audits the management's performance in line with defined targets. During the implementation of the strategy, the Board oversees the compliance of the Bank's operations with legislation, the Articles of Association, in-house regulations and policies.

The Company's Strategic Objectives have been approved by the Board of Directors. The strategic objectives and the actual degree of completion of the business plans and budgets designed to meet these objectives are periodically monitored and reported through a robust infrastructural system.

5.6 Remuneration

DenizBank publishes on the corporate website its Remuneration Policy, approved by the Board of Directors and established to set the principles of payroll and social benefits. Principles regarding the performance-based evaluation and remuneration of members of the Board of Directors, executive managers, the second-level managers of DenizBank, and second-level managers of subsidiaries are defined in the Remuneration Policy. Members of the Management Board (Executive Members of the Board of Directors and Vice Presidents) receive bonuses based on performance. The Chairman, Vice Chairman, and Board Members are paid an attendance fee determined by the General Assembly. Each Board member residing in Turkey were paid a gross monthly sum of TL 10,000 in 2018. As part of managers' bonus payments GM Premiums and the PUPA Premium system, performance based premium payment of approximately 3 monthly salaries were made to DFSG personnel in 2018. The loans to be extended by the Bank to the Board Members and the managers are restricted by a specific framework in Article 50 of the Banking Law. Transactions in 2018 are within the legal limits. The details of the transactions with the risk group are disclosed in Note VII of Section 5 of the Consolidated Financial Statements as of 31 December 2018.

DenizBank - URF (CRF - Corporate Governance Compliance Report)

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Although not stipulated in the Articles of Association, Bank's Board of Directors can decide to open General Assembly meetings to the wider public, including stakeholders and the press, although the latter do not have the right to take the floor.

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	There is no company with which The Bank has cross-ownership, in case such cross-ownership provides management control.
1.5. MINORITY RIGHTS						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twenthieth of the outstanding shares, and expand the scope of the minority rights.			X			The ratio specified in Article 411 of TCC is considered sufficient.
1.6. DIVIDEND RIGHT						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				The majority of the information on our Corporate website is also prepared in English. Important sections are also available in Russian.

DenizBank - URF (CRF - Corporate Governance Compliance Report)

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				All kinds of decisions that affect the employees are available in the regulations that are accessible in the common platforms and are announced with general announcements. There are no trade union activities in our Bank based on the Law No. 6356 on Trade Unions and Collective Labor Agreements.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.		X				Our Bank respects the constitutional rights of our employees.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					

DenizBank - URF (CRF - Corporate Governance Compliance Report)

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				A Directors and Officers liability insurance has been subscribed covering less than 25% of the capital.

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			The structure of the Board of Directors has been established in accordance with the Banking Law and the compliance of the structure with the relevant regulations is reviewed periodically. We do not have a written policy regarding the structure of the Board of Directors and the ratio of women members. We always pay attention to the presence of female member representatives in our Board of Directors.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4-Each member of the board has one vote.	X					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	X					
4.5. BOARD COMMITTEES						
4.5.5-Board members serve in only one of the Board's committees.		X				Only one Board Member is also an associate member of another committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					

DenizBank - URF (CRF - Corporate Governance Compliance Report)

	Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no external consultancy service used.
4.5.8-Minutes of all committee meetings are kept and reported to board members.		X				Minutes of Audit Committee are reported to the Board of Directors.
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.		X				Some members of the Board of Directors are paid an equal amount of attendance fee in the minutes of the General Assembly Meeting. The amounts paid to the executive board members are disclosed in the Independent Auditor Reports.

DenizBank KYBF (CGIF - Corporate Governance Information Form)

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	Not organized.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.denizbank.com/en/investor-relations/generaly-assembly/information-notes.aspx https://www.denizbank.com/en/about-us/corporate-governance/articles-of-association.aspx
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Great majority of the documents are also published in English on the website but not at PDP.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no transaction that is not approved by the majority of independent Board Members or by unanimous votes of present board members.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no transaction under Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	There is no transaction under Article 10.
The name of the section on the corporate website that demonstrates the donation policy of the company	About us / Corporate Governance / Policies / Corporate Social Responsibility Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/269460
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	The Articles of Association contain no articles on this subject.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Except from shareholders, the Statutory Authority Representatives and Independent Auditors particpated in the meeting.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	YES: NO: X
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	There is no shares that carry privileged voting rights
The percentage of ownership of the largest shareholder	99.85%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	YES: NO: X
If yes, specify the relevant provision of the articles of association	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	About us / Corporate Governance / Policies / Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	https://www.denizbank.com/en/investor-relations/generaly-assembly/resolution.aspx
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/671345

DenizBank KYBF (CGIF - Corporate Governance Information Form)

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
29.03.2018	0	99.85%	99.85%	-	Investor Relations / Generaly Assembly/ Resolution	Responded during the meeting: Investor Relations / Generaly Assembly/ Resolution Responded after the meeting: Investor Relations / Generaly Assembly/ Information Note	-	132	https://www.kap.org.tr/tr/Bildirim/662855

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations/Share Information About us / Corporate Governance / Articles of Association Investor Relations / Announcements Investor Relations / Financial Information Investor Relations / Annual Reports Investor Relations / Bonds&Bills Issuance Investor Relations / General Assembly About us / Corporate Governance / Policies PathFinder
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Shareholder Structure
List of languages for which the website is available	Turkish / English / Russian (Some key subjects)

2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	SECTION II / Board of Directors SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.1 Structure and Formation of the Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.3 Number, Structure and Independence of Board Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.2 Operating Principles of the Board of Directors
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	SECTION III / Assessment of The Audit Committee & SECTION IV Independent Audit Reports, Financial Statements and Notes
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	SECTION IV Independent Audit Reports, Financial Statements and Notes
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	SECTION III / Assessment of The Audit Committee
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	SECTION IV Independent Audit Reports, Financial Statements and Notes
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART IV: STAKEHOLDERS / 4.3 Human Resources Policy & 4.4 Code of Ethics and Social Responsibility
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	-
The number of definitive convictions the company was subject to in relation to breach of employee rights	Our Bank performs its operations in accordance with the Labor Law No. 4857 and the related legislation and there is no definitive convictions against us in relation to breach of employee rights.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Head of Internal Control and Compliance(Compliance Officer)
The contact detail of the company alert mechanism.	1. Ethics (Declaration) Line is accessed on Deniz Portal via menu called "How Can I Help You? 2. E-mail : ETIKBILDIRIM@denizbank.com 3. Telephone: + 90 212 348 6055
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	About us / Corporate Governance/ Corporate Governance Report
Corporate bodies where employees are actually represented	Employee Surveys, Suggestion System, Innovation Committee, "I Have an Idea" Platform

DenizBank KYBF (CGIF - Corporate Governance Information Form)

3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors is exclusively authorized for the appointment and dismissal of key executives, and the plans are made within the framework of the general policy and related procedures.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	About us / Corporate Governance / Policies
Whether the company provides an employee stock ownership programme	There is employee stock ownership programme: There is no employee stock ownership programme: X
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	About us / Corporate Governance / Policies Respect for Individuals Recognizing that the first criterion for success is respect for the individual, and providing all employees, without discrimination, with the harmonious professional environment and physical means necessary for them to fully utilize and improve their abilities and skills.
The number of definitive convictions the company is subject to in relation to health and safety measures	1
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	About us / Corporate Governance/ Ethical Principles
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	About us / Corporate Governance/ Ethical Principles
Any measures combating any kind of corruption including embezzlement and bribery	About us / Corporate Governance / Policies / Anti-Corruption Policy

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	December '18
Whether the board evaluation was externally facilitated	YES: NO: X
Whether all board members released from their duties at the GSM	YES: X NO:
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Wouter Van Roste - Board Member in charge of Internal Systems Timur Kozintsev-Board Member in charge of Credit Risk- CRO Derya Kumru - Board Member in charge of Wholesale Banking
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	SECTION III FINANCIAL INFORMATION AND RISK MANAGEMENT / Internal Audit, Internal Control, Compliance and Risk Management Systems & Assessment of The Audit Committee
Name of the Chairman	Herman Gref
Name of the CEO	Hakan Ateş

If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	The CEO and Chair functions are not combined.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	A Directors and Officers liability insurance has been subscribed covering less than 25% of the capital. There is no PDP notification.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	There is 1 female Board Member. The ratio is %8.

Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification That Includes the Independency Declaration	Whether the Independent Director Considered by The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/ Or Finance Or Not
Herman Gref	Non-executive	Not Independent Member	BoD Decision: 28.09.2012	-	-	Not	YES
Hakan Ateş	Executive	Not Independent Member	11.06.1997	-	-	Not	YES
Deniz Ülke Arıboğan	Non-executive	Independent Member	27.12.2012	-	-	Not	Not
Nihat Sevinç	Non-executive	Independent Member	27.12.2012	-	-	Not	YES
Wouter Van Roste	Non-executive	Not Independent Member	26.03.2010	-	-	Not	YES
Derya Kumru	Executive	Not Independent Member	26.03.2010	-	-	Not	YES
Timur Kozintsev	Executive	Not Independent Member	27.03.2014	-	-	Not	YES
Igor Kolomeyskiy	Non-executive	Not Independent Member	29.03.2018	-	-	Not	YES
Alexander Morozov	Non-executive	Not Independent Member	27.12.2012	-	-	Not	YES
Pavel Barchugov	Non-executive	Not Independent Member	29.03.2017	-	-	Not	YES
Alexander Titov	Non-executive	Not Independent Member	29.03.2017	-	-	Not	YES
Dzhangir Dzhangirov	Non-executive	Not Independent Member	BoD Decision: 02.10.2018	-	-	Not	YES

DenizBank KYBF (CGIF - Corporate Governance Information Form)

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	3
Director average attendance rate at board meetings	0.75
Whether the board uses an electronic portal to support its work or not	YES: X NO:
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Documents and information related to the agenda are submitted to the Board members at least seven (7) days in advance. Where it is not possible to comply with the said timing, utmost attention is paid to ensure equal information flow to each member of the Board of Directors.
The name of the section on the corporate website that demonstrates information about the board charter	About us / Corporate Governance/ Articles of Association
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Within the scope of our Anti-Corruption Policy, Bank / Group member employees are prohibited from participating, whether directly or not, in the authorised capitals (with the exception of any entities whose shares are outstanding on an organised securities market and such participation does not exceed 2% of the authorised capital) of or from serving or holding offices at any competing entities without the consent from the relevant Compliance Department / Compliance Committee or any other authorised body of the Bank / Group member respectively.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.3 Number, Structure and Independence of Board Committees
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/660374 https://www.kap.org.tr/tr/Bildirim/671562 https://www.kap.org.tr/tr/Bildirim/713117

Composition of Board Committees-I			
Names of The Board Committees	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
1-Audit Committee	Nihat Sevinç Wouter Van Roste Pavel Barchugov	Not Not Not	Board member Board member Board member
2-Corporate Governance Committee(Nomination Committee)	Deniz Ülke Arıboğan Alexander Titov Tanju Kaya Yeliz Koraşlı Özdemir	Not Not Not Not	Board member Board member Not board member Not board member
5-Remuneration Committee	Nihat Sevinç Igor Kolomeyskiy	Not Not	Board member Board member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report: SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.3 Number, Structure and Independence of Board Committees Website: About us / Corporate Governance/ Management
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report: SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.3 Number, Structure and Independence of Board Committees Website: About us / Corporate Governance/ Management
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report: SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.3 Number, Structure and Independence of Board Committees Website: About us / Corporate Governance/ Management
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Banks are exempted from this committee.
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.3 Number, Structure and Independence of Board Committees Website: About us / Corporate Governance/ Management
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	SECTION I / Introduction & SECTION II / Summary Report of The Board of Directors to The General Assembly
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	About us / Corporate Governance / Policies / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	SECTION II / DenizBank Corporate Governance Principles Compliance Report / PART V: BOARD OF DIRECTORS / 5.6 Remuneration

Composition of Board Committees-II				
Names of The Board Committees	The Percentage of Non-executive Directors	The Percentage of Independent Directors in The Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
1-Audit Committee	100%	33%	4	4
2-Corporate Governance Committee(Nomination Committee)	50%	25%	6	6
5-Remuneration Committee	100%	50%	8	1

Internal Audit, Internal Control, Compliance and Risk Management Systems

At DenizBank, the activities, duties, and responsibilities of the internal audit, internal control, compliance and risk management functions have been separated. The Internal Audit Department, Internal Control Center and Compliance Department, and Risk Management Group perform these respective activities under the supervision of a Member of the Board of Directors, who is also a member of the Audit Committee. These activities are conducted pursuant to internationally accepted audit standards, domestic laws, rules and regulations, as well as the needs of the Bank and the Group.

Internal Control Center and Compliance Department

Reporting directly to the Board of Directors and Audit Committee, the Internal Control Center and Compliance Department is charged with making sure that the Group's activities are conducted efficiently and productively in compliance with national laws and in-house regulations. The Department is also responsible for reducing operational and other risks; and ensuring the reliability and integration of accounting, financial reporting and IT systems.

Internal control and compliance efforts consist of control and reporting related activities performed independently at specified intervals by internal control and compliance employees at the Head Office and/or at branches. The aim is to assess the compliance, adequacy and efficiency of the Bank's operations.

The units are also responsible for ensuring coordination with domestic and foreign subsidiaries regarding internal control and compliance and routine report flow.

The Internal Control Center and Compliance Department has two SVPs who report to the Head of the Department, and 92 staff members across nine units as of end-2018, pursuant to national laws, rules, regulations, communiqués, as well as in-house bylaws. Once every three months, the Audit Committee is informed about the activities, agenda and organization of the Internal Control Center and Compliance Department.

Internal Control Activities

The Financial and Official Control Department conducts the analysis and control of activities that have an impact on the Bank's balance-sheet and profits/losses, pursuant to legal and regulatory requirements, accounting, transaction and customer. Additionally, the Department controls the reports prepared by various departments to be sent to public agencies. These include the Banking Regulation and Supervision Agency, the Central Bank of Turkey and the Savings Deposit Insurance Fund.

The Branches Internal Control Department produces 6-monthly control plans and carries out control efforts across the branch network. Via both branch visits and from the center, the Branches Internal Control Department controls the compliance of transactions with applicable laws, procedures and in-house regulations. The Department also searches for any deficiencies in the internal control function, shares its findings with the relevant branches and business lines, and follows up future developments.

The Corporate Compliance Department organizes the processes of reporting and coordination inside the Internal Control Center and Compliance Department.
In addition, the Department performs administrative and organizational duties, manages the Bank's support services processes and assists the Consumer Affairs Coordinating Officer.

The Central Controls Department conducts regular centralized controls on the basis of scenarios created over the ACL.

The Fund Management Internal Control Department is charged with controlling transactions conducted by Fund Management and relevant operational departments, in financial and operational terms.

The Control Assessment and IT Control Department conducts information technology controls over IT activities that support the Bank's operations, communication channels, IT systems, and IT security policies. The Department also oversees the harmony between IT security policies, standards and guides in line with the COBIT framework.

The Loans and Credit Cards Control Department performs periodic controls to ensure that the loan and credit card payment transactions undertaken by the Bank comply with applicable laws, rules, regulations and the Bank's internal procedures.

Compliance Activities

In 2018, the Compliance Group fulfilled its duties via the following departments:

- Corporate Compliance Department and
- Anti-Money Laundering Department.

The Corporate Compliance Department is responsible for setting basic compliance rules; overseeing the coordination of compliance risk management; ensuring compliance with Group standards and local rules and regulations; organizing compliance-related information flow and reporting procedures among the subsidiaries.

Pursuant to Law No. 5549 on the Prevention of Laundering Proceeds of Crime and Law No. 6415 and related regulations on the Prevention of Financing of Terrorism, the Anti-Money Laundering Department's duties include formulating and updating the Bank's policies and procedures; evaluating the Bank's risks and taking the necessary measures; providing continuous

information to the senior management; monitoring and controlling risk-bearing customer transactions; giving opinion on or approval for transactions concerning risk-bearing customers, sectors and countries; controlling correspondent banks; identifying and monitoring suspicious transactions; reporting suspicious transactions to the public authorities; and organizing classroom, e-learning and Deniz TV seminars among Bank personnel on the Prevention of Laundering Proceeds of Crime and Financing of Terrorism. Annual training plans are drawn up and followed up, and visits are made to branches and regions. Control points are established to adapt to changes in legislation, and to identify any new money laundering methods. Measures and upgrades are designed to monitor, control and mitigate risks.

Internal Audit Department

The auditors of the Internal Audit Department inspect the level of compliance of the Bank's operations with legal requirements, the Articles of Association, in-house regulations and banking principles. The promotion of auditors is based on examination results and job performance. Recruited after a very rigorous selection process followed by an intensive training program, internal auditors conduct their work in an impartial, independent and meticulous fashion, in line with their professional code of ethics. Additionally, the Internal Audit Department actively informs and trains Bank personnel. In 2018, the Internal Audit Department staff administered 740 hours of training to 2,641 employees. As of year-end 2018, Internal Audit Department operates with 109 staff members. The Internal Audit Department performs its functions under the following five organizational categories:

1- Audits of Head Office Processes and Subsidiaries

The Department audits the processes of Head Office units, and the processes and activities of domestic and foreign subsidiaries in accordance with applicable laws, rules and regulations. In addition, the Department monitors its findings in line with an action plan, and analyzes relevant processes. Forty-six such audits were performed in 2018.

2- Branch Audits

The Department conducts risk assessments of the branches, prepares annual branch audit plans, audits branch activities, and shares the findings with relevant branches and Head Office departments. In 2018, 350 branches and five regional offices were audited in accordance with the audit plan.

3- Investigations and Inquiries

The Department makes investigations and inquiries in accordance with Internal Audit regulations, prospectus, the Bank's internal rules and legal requirements; prepares reports; and monitors the cases. Additionally, the Department provides training for employees in the early detection and prevention of misconduct. In 2018, 1,328 Bank employees received 308 hours of training in this area.

4- Audit of Information Systems Processes

The Department conducts audits to ensure that DFSG's IT systems processes are structured to support the Bank's policies, and are managed in compliance with applicable laws, rules and regulations. Sixteen such audits were performed in 2018.

5- Audit Management Office

The Department's activities include making necessary plans and arrangements regarding all DFSG internal audit activities; contributing to the identification of the best audit tools and methods; generating relevant reports; preparing operational procedures; and updating existing procedures under the supervision of the Head of Internal Audit.

Risk Management Group

The Risk Management Group carries out comprehensive risk management efforts which play a critical role in the formulation of DenizBank's operational strategies. The Group is responsible for creating, auditing and reporting necessary policies and procedures to identify, measure, analyze and monitor risks, which are primarily real, or potential risks including the risk/return ratio of cash flows. These policies and procedures follow the principles set by the Bank's executive management and Risk Management Group and are approved by the Board of Directors. The Group is also responsible for coordinating efforts in line with the risk appetite statement.

Depending on the type and necessity of the process involved, the Risk Management Group submits reports to the Audit Committee, Assets and Liabilities Committee, Credit Committee and Risk Committee. The Group also works in collaboration with the Internal Control Center and Compliance Department, and the Internal Audit Department regarding both policies and practices.

- The Risk Management Group periodically reports risk analyses to the Audit Committee and the Assets and Liabilities Committee to provide guidance in setting and monitoring risk limits and developing risk management strategies.
- Credit risk management is performed through a holistic approach that incorporates modeling, validation, analysis, evaluation and monitoring processes. Credit risk-related processes are managed with the participation of the Corporate and Commercial Loans Group, Credit Policies, and Retail, SME, Agricultural Loan Allocation Group, Credit Follow-Up and Risk Monitoring Group, Risk Management, Credit Committee, and Executive Credit Risk Committee.
- While each business unit is responsible for managing its own operational risk, the Risk Management Group sets policies and monitors and reports activities in coordination with the Internal Control Center and Compliance Department, and the Internal Audit Department. Assessments are performed by the Risk Committee and the Audit Committee.

Risk management policies consist of risk identification measurement and management processes. DenizBank conducts its banking activities by strictly adhering to risk management policies that aim to analyze risks and manage them within acceptable limits. Adopting this approach as a core operating principle across the organization, the Bank also develops systems that comply with Basel Banking Supervision Committee regulations, and other guiding international risk management principles.

Internal Audit, Internal Control, Compliance and Risk Management Systems

Risk management operations are conducted in line with the principles set forth in the following risk policies:

- Credit Risk Policy
- Concentration Risk Policy
- Model Risk Policy
- Liquidity Risk Policy
- Structural Interest Rate Risk Policy
- Market Risk Policy
- Exchange Rate Risk Policy
- Operational Risk Policy
- Reputation Risk Policy
- Country Risk Policy
- Compliance Risk Policy
- Tax Risk Policy

In its Risk Appetite Statement, DenizBank specifies its risk limit setting, monitoring and reporting processes. The Risk Appetite Statement includes the phased risk limit list, the action plans to be pursued specifically for each phase when limits are exceeded, and explanations on decision-making departments and individuals. The document is normally reviewed at least once a year and comes into force upon the approval of the Board of Directors. Actual values regarding the metrics included in the Risk Appetite Statement are monitored at various intervals and reported monthly depending on the relevant risk.

Market Risk

The Bank conducts activities in the money and capital markets in accordance with its risk policies and limits. DenizBank measures market risk using the internationally accepted Value at Risk (VaR) method, which is known for its dynamic structure that adapts easily to changing market conditions. VaR quantifies the loss of value that the portfolio of the Bank and its financial subsidiaries might sustain at a given time and confidence interval as a result of fluctuations in risk factors. VaR analyses are supported by scenario analyses and stress tests. This method allows for adaptation to changing market conditions when the risk level is determined. The reliability of the model used in calculating VaR is periodically validated through back testing.

Credit Risk

In line with BRSA's regulations on Basel II, the Risk Management Group performs the calculation of legal credit risk weighted assets in Pillar I. With regard to Pillar II, the Bank calculates the annual general stress test in accordance with its plans and scenarios. Meanwhile, the Internal Capital Assessment Process Report is prepared by Bank management in coordination with other departments. To ensure compliance with Basel II credit risk internal assessment methods, the Group participates in the development of the necessary credit risk models and coordinates efforts on data systems infrastructure and data integration. The Group is also charged with validating, controlling and reporting credit levels yielded by the internal credit assessment models.

Liquidity Risk

Liquidity adequacy is monitored within the limits defined by the Board of Directors to ensure that the Bank has sufficient liquidity and reserves under any conditions. The adequacy of existing liquidity and reserve opportunities are tested against worst-case scenarios. While analyzing liquidity adequacy, any negative developments that may arise as a result of a change in market conditions or customer behavior are taken into account. The measures to be taken and procedures to be followed under stress conditions in order to preserve liquidity were put down in writing. Scenario assumptions and measures in relation to liquidity stress testing are reviewed at least once a year. The analyses are repeated monthly on the basis of the scenarios adopted.

Operational Risk

All events that bear operational risk for the Bank and its subsidiaries; and the causes, effects of these event are recorded. Measures are taken to prevent their repeat occurrence. Events that are frequent or significant are discussed by the Internal Control Center, the Internal Audit Department and the relevant department. Corrective/preventive measures are put into practice. Potential operational risk is assessed by the Risk and Control Self-Assessment. The adequacy of current measures is reviewed during this study. New measures are implemented when deemed necessary. Additionally, coordination of the Business Continuity Program is kept up to date. Testing of the BCP is undertaken periodically to ensure its effectiveness.

Structural Interest Rate Risk

DenizBank monitors structural interest rate risk exposure due to the Bank's balance sheet structure by using advanced models. The Bank also controls assumed risks through the limits defined by the Board of Directors. The Bank conducts interest sensitivity analyses to measure the impact of the Bank's maturity mismatch on net present value and income.

Assessment of the Audit Committee

Reporting to the Board of Directors, the Bank's Audit Committee functions in accordance with Banking Law No. 5411 and the Bank's regulation on Internal Systems and Internal Capital Adequacy Evaluation Process. The Audit Committee meets periodically on behalf of the Board of Directors and sets the Bank's audit policies.

The Audit Committee's responsibilities include:

- ensuring that the Bank's internal audit, internal control and risk management systems are efficient and sufficient, and that these systems and the accounting and reporting systems operate within the relevant legal and regulatory framework of relevant legal and regulatory, and that the produced data remains integral,
- conducting primary assessment for the Board of Directors to choose independent audit agencies and rating, valuation and support service providers,
- regularly monitoring the activities of the above-mentioned agencies and service providers chosen and contracted by the Board of Directors,
- coordinating and ensuring that the internal audit activities of the partners subject to consolidation are carried out in a consolidated manner,
- overseeing that the audit and control process is created in order to provide the necessary assurance for the adequacy and accuracy of İSEDES (Internal Capital Adequacy Assessment Process),
- ensuring that the Bank's activities are conducted in a complete and reliable manner and in compliance with relevant legal and regulatory requirements as well as internal procedures.

The Audit Committee receives end-of-period reports from the control units (i.e. internal audit, internal control and compliance, risk management) in order to evaluate the adequacy of the methods for identifying, controlling and monitoring risks that the Bank is exposed to. The Committee reports its findings to the Board of Directors. Furthermore, the Audit Committee submits its opinions and recommendations on significant matters to the Board of Directors.

In line with the four meetings it held in 2018 and the activities it conducted as part of its responsibilities, the Audit Committee took the following actions:

The Audit Committee audited the Bank's financial statements and notes for year-end 2017 and the first, second and third quarters of 2018 for compliance with the Bank's accounting principles and international accounting standards, as well as to confirm the accuracy of the information used. The results were reported to the Board of Directors along with the Audit Committee's own assessments. The Committee reviewed the Internal Audit Plan for 2018 and submitted it to the Board of Directors for approval. The Audit Committee assessed and approved the quarterly reports which include important issues, findings and legislative amendments related to the period of the quarters and were received from the Internal Audit, Internal Control and Compliance, and Risk Management units.

In addition, the Committee inspected the performance and objectivity of the independent external auditors and monitored their work at all stages.

The Audit Committee performed a risk assessment related to support services to be received by the Bank. The Committee submitted its assessments and risk management program in a report to the Board of Directors, complete with a list of these service providers.

The 2018 activities of the groups that report to the Audit Committee are indicated below.

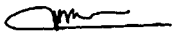
Internal Audit Department

Reporting directly to the Board of Directors, the Internal Audit Department ensures that internal audit activities are in line with applicable laws, rules and regulations and the Bank's strategies, policies, principles and targets. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems. The Department also makes a risk assessment of the operations of the Bank and its subsidiaries. Efforts to efficiently manage operational risk account for a large portion of the audit activity. In 2018, the Internal Audit Department also successfully audited the financial and IT systems of the Bank's entire domestic and overseas business lines and subsidiaries, both from the Head Office and on-site.

Operating with a 109 member staff, DenizBank's Internal Audit Department operates in an impartial and independent manner, and reports its findings to the Audit Committee. Aiming to establish a proactive audit structure, the Internal Audit Department runs its audit operations largely based on the results of risk assessments. The Department completed all the activities listed in the 2018 Annual Audit Plan as scheduled. In addition to pre-planned audit activities, in 2018 the Department also conducted investigations and inquiries, participated in various projects and provided a range of consultancy services requested by the Bank's executive management, when deemed necessary.

Assessment of the Audit Committee

NİHAT SEVİNÇ
Board Member and Audit Committee Member



WOUTER VAN ROSTE
Board Member and Audit Committee Member

PAVEL BARCHUGOV
Board Member and Audit Committee Member

Internal Control Center and Compliance Department

Reporting directly to the Audit Committee, the Internal Control Center and Compliance Department conducted its 2018 activities with a staff of 92 employees. The Internal Control Center and the Board of Compliance performed central and on-site controls of the branches, Head Office units and subsidiaries through the Bank's own internal control and reporting software. Subsequently, the Center shared the findings of these controls with the relevant business lines and managers, and monitored the actions taken. Classroom and web-based training seminars (including examinations) were held for all employees of the Bank and its subsidiaries on the prevention of money laundering and the financing of terrorism, ethical principles, fight against corruption, prevention of conflicts of interest, reinforcement of the compliance culture and IT security.

Using the Bank's internal tracking software, the Department performed controls pertaining to the laundering proceeds of crime and financing of terrorism, monitored relevant national and international legislation and regulations, and took measures necessary for compliance.

In line with relevant BRSA regulations, the Department monitored, updated and tested processes related to the Management Declaration.

Work on the reviews of projects by the Bank and its affiliates as project stakeholder was carried out during the year. Opinions and approvals were provided on scope documents related to the new products and processes.

Risk Management Group

The Risk Management Group is responsible for identifying and measuring risks; creating and implementing risk policies and procedures; analyzing, monitoring, reporting, investigating, confirming and auditing risks; and coordinating efforts under the risk appetite statement, in line with the principles set jointly by the Bank's executive management and the Risk Management Group, and approved by the Board of Directors.

The Risk Management Group had 18 staff members as of December 31, 2018.

The Risk Management Group's Market and Interest Rate Risk Department measures market risk, interest risk and liquidity risk, continually upgrades the analyses and methods used, and oversees compliance with risk tolerance as defined by the Board of Directors. The Department also reports to the relevant units, executive management and the Audit Committee.

While analyzing the possible effects of market fluctuations on the Bank's balance sheet and income statement, and setting in-house risk policies, the Risk Management Group takes into account legally prescribed limits and regulations, best practices, and the Bank's own requirements. Each year, the Board of Directors reviews the risk limits determined for the risk types in question.

The Credit Risk Control and Risk Models Validation Department coordinates the Bank's compliance with relevant legal regulations on credit risk and capital requirements as well as the reporting process. The Department also controls the Bank's internal credit risk models and validates all risk models. The Department coordinates the processes related to the calculations on internal capital assessment and stress tests in conjunction with the Bank's strategic plan.

The Operational Risk Department coordinates the business continuity plan developed against any business interruption risk of the Bank. Business continuity plans are regularly updated, tested and preventive measures are taken as needed. Certain regulations and policies are developed at DenizBank in accordance with Sberbank Group standards: operational risk policy, internal regulation on data loss recovery, scenario analysis and self-assessment regulations. The Bank's Business Continuity Program is coordinated to cover potentially significant operational risks.

Independent Auditor Report on the Annual Report

Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Denizbank A.Ş.

1) Opinion

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

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

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

3) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed an unqualified opinion in our auditor's reports dated 21 February 2019 on the full set consolidated and unconsolidated financial statements of the Group and the Bank for the period of 1 January 2018 - 31 December 2018.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

Independent Auditor Report on the Annual Report

Building a better working world

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ey.com
Ticaret Sicil No : 479920

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006 , "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Partner

27 February 2019
Istanbul, Türkiye

Five-Year Summary Financial Highlights

Summary Consolidated Financial Highlights (TL millions)					
Balance Sheet	**2018**	**2017**	**2016**	**2015**	**2014**
Securities[1]	14,344	12,464	12,760	13,381	11,664
Net Loans[2]	139,057	114,829	95,023	77,705	64,564
Banks	34,760	25,730	18,588	15,634	12,853
Total Assets	197,311	160,423	135,554	112,886	94,403
Customer Deposits[3]	137,264	107,429	90,621	71,204	61,831
Time	107,075	84,539	71,734	56,949	50,462
Demand	30,188	22,890	18,887	14,255	11,369
Borrowings[4]	16,362	14,680	11,259	11,257	7,889
Securities Issued[4]	3,988	3,673	3,491	3,086	3,393
Sub-ordinated Loans	6,274	5,262	5,484	4,846	3,923
Shareholders' Equity	15,505	12,853	10,590	8,294	7,161
Paid-in Capital	3,316	3,316	3,316	1,816	716
Non-cash Loans	33,678	28,371	28,782	24,444	20,452

Income Statements	**2018**	**2017**	**2016**	**2015**	**2014**
Interest Income	17,877	12,824	10,087	8,387	7,080
Interest Expense	-10,842	-6,543	-4,985	-4,311	-3,453
Net Interest Income after Provisions	4,136	4,337	3,299	2,715	2,675
Non-interest Income	3,172	1,885	1,865	1,439	1,276
Non-interest Expense	-4,609	-3,730	-3,339	-3,013	-2,736
Net Income	2,204	1,902	1,401	859	939

Other Highlights	**2018**	**2017**	**2016**	**2015**	**2014**
Number of Branches[5]	754	740	737	735	758
Number of Employees	13,822	14,136	14,832	14,853	14,979
Number of ATMs	2,917	3,055	2,660	2,271	2.070
Number of POS Terminals	126,063	171,117	200,756	200,020	191,148
Number of Credit Cards	4,431,557	3,999,068	3,572,969	3,284,266	3,098,579

All financial figures presented in this table are extracts from the audited consolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards. 2018 figures were prepared according to IFRS 9 and other years' figures were prepared according to valid regulations before IFRS 9.

[1] It is the sum of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.
[2] Includes factoring and leasing receivables.
[3] Excludes bank deposits
[4] Securities issued by Special Purpose Entity DFS Funding Corp. are reported under Securities Issued
[5] Includes subsidiaries' branches

Five-Year Summary Financial Highlights

Summary Unconsolidated Financial Highlights (TL millions)					
Balance Sheet	**2018**	**2017**	**2016**	**2015**	**2014**
Securities[1]	13,878	11,999	11,561	11,790	9,822
Net Loans	87,176	76,105	61,820	51,349	43,096
Banks	18,085	25,721	18,579	15,630	12,848
Total Assets	137,658	121,048	103,159	84,221	70,931
Customer Deposits[2]	81,271	69,163	59,525	45,117	41,552
Time	66,237	56,661	47,716	36,751	34,188
Demand	15,034	12,502	11,809	8,366	7,364
Borrowings	15,213	13,884	10,751	10,699	7,508
Securities Issued	1,792	1,465	1,153	1,259	1,622
Sub-ordinated Loans	6,274	5,262	5,484	4,846	3,923
Shareholders' Equity	15,445	12,813	10,562	8,269	7,139
Paid-in Capital	3,316	3,316	3,316	1,816	716
Non-cash Loans	32,296	27,778	28,522	24,275	20,422

Income Statements	**2018**	**2017**	**2016**	**2015**	**2014**
Interest Income	14,657	10,592	8,338	6,805	5,744
Interest Expense	-9,659	-5,733	-4,285	-3,651	-2,838
Net Interest Income after Provisions	2,181	2,972	2,308	1,936	2,019
Non-interest Income	2,754	1,646	1,640	1,122	1,072
Non-interest Expense	-4,084	-3,343	-3,000	-2,715	-2,509
Profit from Investments accounted under equity method	1,440	952	699	528	550
Net Income	2,183	1,880	1,409	763	989

Other Highlights	**2018**	**2017**	**2016**	**2015**	**2014**
Number of Branches	711	697	694	692	716
Number of Employees	11,786	12,257	12,938	12,923	13,187
Number of ATMs	2,917	3,055	2,660	2,271	2,070
Number of POS Terminals	126,063	171,117	200,756	200,020	191,148
Number of Credit Cards	4,431,557	3,999,068	3,572,969	3,284,266	3,098,579

All financial figures presented in this table are extracts from the audited unconsolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards. 2018 figures were prepared according to IFRS 9 and other years' figures were prepared according to valid regulations before IFRS 9.

[1] It is the sum of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.
[2] Excludes bank deposits

Assessment of Financial Position

	Consolidated			Unconsolidated		
Shareholders' Equity and Capital Adequacy (TL millions)	2018	2017	2016	2018	2017	2016
Capital Adequacy Ratio (%)	14.93	15.30	14.17	19.49	19.50	17.52
Shareholders' Equity	15,505	12,853	10,590	15,445	12,813	10,562
Return on Average Equity (%)	15.4	16.2	14.8	15.3	16.1	15.0

	Consolidated			Unconsolidated		
Asset Quality	2018	2017	2016	2018	2017	2016
Non-performing Loans/ Total Cash Loans Ratio (%)	4.6	3.4	3.7	6.4	4.6	5.1
Cost of Risk (%)	1.9	1.4	1.6	2.6	2.1	2.4

Capital Market Instruments Issued by DFSG

DenizBank

ISIN	Type	Amount- TL	Maturity	Issue Date	Maturity Date
TRFDZBK11928	Bill	350,000,000	91 days	12.10.2018	11.01.2019
TRFDZBK11936	Bill	135,000,000	77 days	26.10.2018	11.01.2019
TRFDZBK11910	Bill	15,000,000	175 days	03.08.2018	25.01.2019
TRFDZBK11944	Bill	113,000,000	63 days	23.11.2018	25.01.2019
TRFDZBK31942	Bill	377,000,000	84 days	14.12.2018	08.03.2019
TRFDZBK31918	Bill	10,000,000	364 days	23.03.2018	22.03.2019
TRFDZBK31926	Bill	5,000,000	350 days	06.04.2018	22.03.2019
TRFDZBK31934	Bill	168,000,000	119 days	23.11.2018	22.03.2019
TRFDZBK31959	Bill	505,000,000	91 days	21.12.2018	22.03.2019
TRFDZBK41917	Bill	50,000,000	364 days	27.04.2018	26.04.2019
TRFDZBK41925	Bill	60,000,000	119 days	28.12.2018	26.04.2019
TRFDZBK51924	Bill	58,000,000	147 days	14.12.2018	10.05.2019
TRFDZBK51932	Bill	20,000,000	140 days	21.12.2018	10.05.2019
TOTAL TL-Bills		1,866,000,000			

DenizFaktoring

ISIN	Type	Amount- TL	Maturity	Issue Date	Maturity Date
TRFDZFK21910	Bill	11,800,000	175 days	10.08.2018	01.02.2019
TRFDZFK31919	Bill	22,500,000	364 days	16.03.2018	15.03.2019
TRFDZFK31927	Bill	123,000,000	105 days	30.11.2018	15.03.2019
TRFDZFK51917	Bill	32,000,000	175 days	09.11.2018	03.05.2019
TRFDZFK51925	Bill	100,000,000	119 days	04.01.2019	03.05.2019
TOTAL TL-Bills		289,300,000			

DenizLeasing

ISIN	Type	Amount- TL	Maturity	Issue Date	Maturity Date
TRFDNFK11917	Bill	200,000,000	182 days	20.07.2018	18.01.2019
TRFDNFK11925	Bill	85,000,000	105 days	05.10.2018	18.01.2019
TRSDNFK21919	Bill	7,000,000	728 days	24.02.2017	22.02.2019
TRFDNFK31915	Bill	20.000.000	168 days	28.09.2018	15.03.2019
TRFDNFK31923	Bill	230,000,000	91 days	28.12.2018	29.03.2019
TRFDNFK41922	Bill	206,000,000	119 days	07.12.2018	05.04.2019
TRFDNFK41914	Bill	59,000,000	364 days	20.04.2018	19.04.2019
TRFDNFK71911	Bill	25,000,000	364 days	20.07.2018	19.07.2019
TOTAL TL-Bills		832,000,000			

DenizREIT

ISIN	Type	Amount- TL	Maturity	Issue Date	Maturity Date
TRFDZYO21913	Bill	100,000,000	84 days	16.11.2018	08.02.2019
TOTAL TL-Bills		100,000,000			

DenizBank Ratings by International Rating Agencies

Moody's*	
Outlook	Negative
Long Term Foreign Currency Deposits	B2
Short Term Foreign Currency Deposits	Not Prime
Long Term Local Currency Deposits	B2
Short Term Local Currency Deposits	Not Prime
Baseline Credit Assessment (BCA)	b3

**As of 28.08.2018*

Fitch Ratings**	
Outlook	Negative
Long Term Foreign Currency IDR	BB-
Short Term Foreign Currency IDR	B
Long Term Local Currency IDR	BB
Short Term Local Currency IDR	B
Viability	b+
Support	3
National	AA(tur)(stable)

IDR: Issuer Default Rating
***As of 01.10.2018*

Independent Auditor's Reports, Unconsolidated & Consolidated Financial Statements and Notes For The Year Ended 31 December 2018

Independent Auditor's Reports, Unconsolidated and Consolidated Financial Statements and Notes for the year ended 31 December 2018 can be accessed at the following address:

https://www.denizbank.com/en/investor-relations/financial-information/financial-figures.aspx

(Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish See Note 3.I.c)

DENİZBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED 31 DECEMBER 2018

I. Independent Auditor's Report
II. Publicly Disclosed Unconsolidated Financial Report

Güney Bağımsız Denetim ve
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Convenience Translation of the Auditor's Report Originally Issued in Turkish (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Denizbank Anonim Şirketi:

A) Audit of Unconsolidated Financial Statements

1) Opinion

We have audited the accompanying unconsolidated financial statements of Denizbank A.Ş. (the "Bank") which comprise the statement of financial position as at December 31, 2018, and the unconsolidated statement of income, unconsolidated statement of income and expenses recognized under shareholders' equity, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and notes to the unconsolidated financial statements and a summary of significant accounting policies and other explanatory information.

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

2) Basis for Opinion

Our audit was conducted in accordance with "Regulation on Independent Audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("InAS") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of transition to TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
As disclosed in footnote XXIV of Section 3; as of 1 January 2018, the Bank adopted the TFRS 9 "Financial Instruments" standart began to recognize expected credit losses for financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since; • Amount of on and off balance sheet items that are subject to TFRS 9 expected credit loss calculation is material to the financial statements. • The effect of TFRS 9 transition on the Bank's equity is %2 • There are complex and comprehensive requirements of TFRS 9 • The classification of financial instruments is based on the Bank's business models and the characteristics of contractual cash flows in line with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments • The Bank determines the fair value of financial assets presented at fair value with respect to its relevant business model category and determines the financial inputs that are not-observable in the fair value measurement as Level 3 due to the existence of significant estimates and assumptions • Policies implemented by the Bank management include compliance risk to the regulations and other practices • New or re-structured processes of TFRS 9 are advanced and complex • Estimations and assumptions used in expected credit losses are new, important and complex. • Complex and comprehensive disclosure requirements of TFRS 9.	Our audit procedures included among other procedures include: • Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices • Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists • Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices • Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank's business model • Analysis of the Bank's financial instruments classification and measurement models (financial instruments identified as fair value hierarchy level 3) and comparison with the requirements of the TFRS 9 standard • Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regutations and Bank's past performance. Evaluating the compliance of those forward looking parameters to Bank's internal processes where applicable • Assessing of the accuracy and completeness of information used during the calculation of expected credit losses • Testing the mathematical accuracy of expected credit loss calculation on sample basis • Evaluating the judgments and estimates used for the individually assessed financial assets. • Evaluating the accuracy and the necessity of post-model adjustments • Auditing of disclosures related to TFRS 9.

Derivative Financial Instruments	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.b.3.and Note II.b. Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Bank management fair value calculations of the selected derivative financial instruments and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.

4) Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's and its subsidiaries 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 and its subsidiaries 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

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and InAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' 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 and its subsidiaries' 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 auditor's report. However, future events or conditions may cause the Bank and its subsidiaries' 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to 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) Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2018 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Partner

21 February 2019
İstanbul, Türkiye

DENİZBANK A.Ş.
UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2018

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The unconsolidated financial report package prepared in accordance with the statement "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

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

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the "Regulation on Accounting Principles and Documentations", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in Thousands of Turkish Lira.

21 February 2019

HAKAN ELVERDİ
Senior Vice President
Financial Reporting
And Accounting

RUSLAN ABİL
Executive Vice President
Financial Affairs

HAKAN ATEŞ
Member of Board of Directors
and President and Chief
Executive Officer

HERMAN GREF
Chairman of Board of
Directors

PAVEL BARCHUGOV
Member of Board of Directors
and Audit Committee

WOUTER G.M VAN ROSTE
Member of Board of Directors
and Audit Committee

NİHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:
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DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

SECTION ONE
GENERAL INFORMATION

I. Bank's date of establishment, beginning statute, its history including changes in its statute

Denizbank A.Ş. ("the Bank") was established as a public bank to provide financing services to the marine sector in 1938. In 1992, as a result of the resolution of the Government to merge some public banks, the Bank was merged to Emlakbank. Following the resolution of the High Council of Privatization numbered 97/5 and dated 20 March 1997 to privatize 100% of shares of Denizbank A.Ş., share sale agreement between Zorlu Holding A.Ş. and the Privatization Administration was signed on 29 May 1997 and the Bank started its activities on 25 August 1997 upon obtaining a permission to operate. Bank's shares have been quoted on Borsa Istanbul ("BIST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 31 December 2018.

Dexia Participation Belgique SA, owned 100% directly and indirectly by Dexia SA/NV, acquired 75% of the outstanding shares of the Bank from Zorlu Holding A.Ş. on 17 October 2006, and subsequent to the transfer of shares, Dexia Participation Belgique's ownership rate increased to 99,85%.

Dexia has transferred 99,85% of shares of the Bank to Sberbank with a total consideration of TL 6.469.140.728(*) (Euro 2.790 million) which is the Preliminary Purchase Price determined as per the sale and purchase agreement as of 28 September 2012. Following the completion of the adjustment process of the Preliminary Purchase Price to Purchase Price in accordance with the terms in the Share Purchase Agreement, an additional amount of Euro 185 million which is equivalent of TL 430.947.685(*) was paid on 27 December 2012. Ultimately the process was completed with a total Purchase Price of TL 6.900.088.413(*) (Euro 2.975 million).

(*) Amounts are reflected as in full TL.

II. Capital structure, shareholders controlling the management and supervision of the Bank directly or indirectly, and if exists, changes on these issues and the Group that the Bank belongs to

Current Period

Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
Total	3.316.100.000	100,00

Prior Period

Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
Total	3.316.100.000	100,00

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and shares of the Bank they possess and their areas of responsibility

Name	Title	Shares owned (%)
Chairman of the Board of Directors		
Herman Gref	Chairman	--
Board of Directors		
Nihat Sevinç	Deputy Chairman	--
Hakan Ateş	Member, President and CEO	0,000002
Dzhangir Dzhangirov[1]	Member	--
Deniz Ülke Arıboğan	Member	--
Wouter G.M. Van Roste	Member	--
Timur Kozintsev	Member	--
Derya Kumru	Member	--
Alexander Morozov	Member	--
Pavel Barchugov	Member	--
Alexander Titov	Member	--
Igor Kolomeyskiy	Member	--
Audit Committee		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Pavel Barchugov	Member	--
Executive Vice Presidents [2]		
Bora Böcügöz	Treasury and Financial Institutions	--
Ruslan Abil	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services and Investment Group	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu	Corporate and Commercial Banking	--
Mustafa Saruhan Özel	Economic Research, Strategy and Program Management	--
Cem Demirağ	Head of Internal Control Unit and Compliance	--
Ali Murat Dizdar	Chief Legal Advisor	--
Ayşenur Hıçkıran	Payment Systems and Non-Branch Channels	--
Selim Efe Teoman	Corporate and Commercial Credits	--
Ramazan Işık	Head of Internal Audit	--
Murat Kulaksız	SME Banking	
Necip Yavuz Elkin	Human Resources and Deniz Academy	--
Burak Koçak	Agricultural Banking	--
Oğuzhan Özark	Retail Banking	--
Cemil Cem Önenç	Private Banking and Investment Group	--
Sinan Yılmaz	Head of Risk Management Group	--
Edip Kürşad Başer	Credit Policy and Retail, SME, Agricultural Banking Credits Allocation	--
Murat Çıtak	IT Security and Digital–Card Payment Operations	--
Verda Beril Yüzer Oğuz	Financial Institutions	--
Hayri Cansever	Secretariat General and Sberbank Coordination	--
Umut Özdoğan	Digital Transformation and Process Management	--

[1] As of October 1, 2018, it was decided to appoint Dzhangir Dzhangirov with the decision of the Board of Directors dated October 2, 2018 instead of Alexander Vedyakhin, who resigned from his duty as a member of the Board of Directors.

[2] Hakan Turan Pala, who has been serving as the Executive Vice President in charge of Corporate, Commercial and OBI Loans, has resigned from his duty as of September 30, 2018.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

IV. Explanations regarding the real person and corporate qualified shareholders at the Bank

Commercial Title	Share Amounts	Share Percentages	Paid-in Capital	Unpaid Capital
Sberbank of Russia	3.311.211	99,85%	3.311.211	--

Sberbank is the controlling party of the Bank's capital having both direct and indirect qualified shares.

As of 31 December 2018 the capital structure of Sberbank is as follows:

Shareholders	Share Percentages
Central Bank of Russia	50,00 %
Publicly traded	50,00 %
Total	**100,00 %**

Central Bank of the Russian Federation holds 50%+1 share within 22.586.948.000 ordinary and preferred shares in total in Sberbank of Russia (the rate in 21.586.948.000 ordinary shares corresponds to 52,32%).

V. Type of services provided and the areas of operations of the Bank

The Bank is a private sector deposit bank which provides banking services to its customers through 710 domestic and 1 foreign branch as of 31 December 2018.

Activities of the Bank as stated in the 3rd clause of the Articles of Association are as follows:

In accordance with the Banking Law and regulations;

- Performing all kinds of banking activities,
- Dealing with transactions on all kinds of capital market instruments within the limits set by the related regulations and Capital Market Law regulations,
- Establishing domestic and/or foreign entities and participating in existing entities. Entering into loan and intelligence agreements with domestic and international financial institutions. Participating in consortiums and syndications,
- Incorporating insurance companies, operating insurance agencies, participating in insurance companies which are existing or planned to be founded.

Apart from the above-mentioned activities, in case different activities deemed advantageous and necessary for the company are to be undertaken in the future, they will be submitted to approval of the General Assembly based on Board of Director's decision and the company will be able to implement activities after the relevant decision is made by General Assembly.

VI. Existing or potential, actual or legal obstacles to immediate transfer of capital between Bank and its subsidiaries and repayment of debts.

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

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VII. Unconsolidated Profit Distribution Tables

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS OF 31 DECEMBER 2018

(Currency: Thousands of TRY - Turkish Lira.)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	ASSETS	Footnote	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	FINANCIAL ASSETS (Net)		13.607.394	20.384.241	33.991.635
1.1	Cash and Cash Equivalents		2.631.124	15.454.302	18.085.426
1.1.1	Cash and Balances at Central Bank	(5.I.a)	2.374.092	11.538.778	13.912.870
1.1.2	Banks	(5.I.c)	257.032	3.915.524	4.172.556
1.1.3	Due from Money Markets		-	-	-
1.2	Financial Assets at Fair Value through Profit or Loss	(5.I.b)	81.498	97.612	179.110
1.2.1	Public Debt Securities		81.498	1.767	83.265
1.2.2	Equity Instruments		-	95.845	95.845
1.2.3	Other Financial Assets		-	-	-
1.3	Financial Assets at Fair Value through Other Comprehensive Income	(5.I.d)	5.838.928	1.784.320	7.623.248
1.3.1	Public Debt Securities		5.838.150	1.516.476	7.354.626
1.3.2	Equity Instruments		778	-	778
1.3.3	Other Financial Assets		-	267.844	267.844
1.4	Financial Assets Measured at Amortized Cost	(5.I.f)	3.779.643	2.295.527	6.075.170
1.4.1	Public Debt Securities		3.779.643	2.295.527	6.075.170
1.4.2	Other Financial Assets		-	-	-
1.5	Derivative Financial Assets		1.277.129	752.480	2.029.609
1.5.1	Portion of Derivative Financial Assets Reflected to Profit or Loss	(5.I.b)	1.277.129	752.480	2.029.609
1.5.2	Portion of Derivative Financial Assets Reflected to Other Comprehensive Income	(5.I.k)	-	-	-
1.6	Non-Performing Financial Assets		-	-	-
1.7	Expected Credit Losses (-)		928	-	928
II.	LOANS (Net)		61.115.248	26.060.632	87.175.880
2.1	Loans	(5.I.e)	61.043.612	26.060.632	87.104.244
2.1.1	Measured at Amortized Cost		61.043.612	25.737.005	86.780.617
2.1.2	Measured at Fair Value through Profit or Loss		-	323.627	323.627
2.1.3	Measured at Fair Value through Other Comprehensive Income		-	-	-
2.2	Lease Receivables	(5.I.j)	-	-	-
2.2.1	Financial Lease Receivables		-	-	-
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	Factoring Receivables		-	-	-
2.3.1	Measured at Amortized Cost		-	-	-
2.3.2	Measured at Fair Value through Profit or Loss		-	-	-
2.3.3	Measured at Fair Value through Other Comprehensive Income		-	-	-
2.4	Non-Performing Loans	(5.I.e)	5.909.053	-	5.909.053
2.5	Expected Credit Losses (-)	(5.I.e)	5.837.417	-	5.837.417
2.5.1	12-Month Expected Credit Losses (Stage 1)		758.141	-	758.141
2.5.2	Significant Increase in Credit Risk (Stage 2)		1.500.502	-	1.500.502
2.5.3	Credit-Impaired (Stage 3)		3.578.774	-	3.578.774
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND FROM DISCONTINUED OPERATIONS (Net)	(5.I.p)	-	-	-
3.1	Held for Sale		-	-	-
3.2	Held from Discontinued Operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1.933.705	9.468.953	11.402.658
4.1	Investments in Associates (Net)	(5.I.g)	9.340	-	9.340
4.1.1	Accounted by Using Equity Method		-	-	-
4.1.2	Non-Consolidated Associates		9.340	-	9.340
4.2	Investments in Subsidiaries (Net)	(5.I.h)	1.921.565	9.468.953	11.390.518
4.2.1	Unconsolidated Financial Subsidiaries		1.124.587	9.468.953	10.593.540
4.2.2	Unconsolidated Non-Financial Subsidiaries		796.978	-	796.978
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	(5.I.i)	2.800	-	2.800
4.3.1	Accounted by Using Equity Method		-	-	-
4.3.2	Non-Consolidated Associates		2.800	-	2.800
V.	TANGIBLE ASSETS (Net)	(5.I.l)	437.903	19	437.922
VI.	INTANGIBLE ASSETS (Net)	(5.I.m)	230.632	-	230.632
6.1	Goodwill		-	-	-
6.2	Other		230.632	-	230.632
VII.	INVESTMENT PROPERTY (Net)	(5.I.n)	-	-	-
VIII.	CURRENT TAX ASSETS		-	-	-
IX.	DEFERRED TAX ASSETS	(5.I.o)	956.687	-	956.687
X.	OTHER ASSETS	(5.I.q)	1.626.861	1.835.674	3.462.535
	TOTAL ASSETS		79.908.430	57.749.519	137.657.949

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	ASSETS	Footnote	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(5.I.a)	3.066.781	13.799.762	16.866.543
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.I.b)	546.654	328.495	875.149
2.1	Financial Assets Held For Trading		546.654	328.495	875.149
2.1.1	Public Sector Debt Securities		68.435	4.479	72.914
2.1.2	Share Certificates		-	-	-
2.1.3	Positive Value of Trading Purpose Derivatives		477.479	324.016	801.495
2.1.4	Other Securities		740	-	740
2.2	Financial Assets Designated at Fair Value		-	-	-
2.2.1	Public Sector Debt Securities		-	-	-
2.2.2	Share Certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Securities		-	-	-
III.	BANKS	(5.I.c)	214.756	3.791.373	4.006.129
IV.	DUE FROM MONEY MARKETS		750.786	-	750.786
4.1	Interbank Money Market		-	-	-
4.2	Istanbul Stock Exchange		-	-	-
4.3	Reverse Repurchase Agreements		750.786	-	750.786
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.I.d)	5.760.627	952.083	6.712.710
5.1	Share Certificates		3.956	59.159	63.115
5.2	Public Sector Debt Securities		5.756.671	657.574	6.414.245
5.3	Other Securities		-	235.350	235.350
VI.	LOANS AND RECEIVABLES	(5.I.e)	60.817.690	15.287.608	76.105.298
6.1	Loans and Receivables		60.004.033	15.287.608	75.291.641
6.1.1	Loans Utilized to the Bank's Risk Group		879.555	127.060	1.006.615
6.1.2	Public Sector Debt Securities		-	-	-
6.1.3	Others		59.124.478	15.160.548	74.285.026
6.2	Loans under Follow-Up		3.625.484	-	3.625.484
6.3	Specific Provisions (-)		2.811.827	-	2.811.827
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	INVESTMENT HELD TO MATURITY (Net)	(5.I.f)	3.555.857	1.656.779	5.212.636
8.1	Public Sector Debt Securities		3.555.857	1.656.779	5.212.636
8.2	Other Securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(5.I.g)	9.340	-	9.340
9.1	Associates accounted for Under Equity Method		-	-	-
9.2	Unconsolidated Associates		9.340	-	9.340
9.2.1	Financial Associates		15	-	15
9.2.2	Non-Financial Associates		9.325	-	9.325
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(5.I.h)	953.436	6.505.866	7.459.302
10.1	Unconsolidated Financial Subsidiaries		937.011	6.505.866	7.442.877
10.2	Unconsolidated Non-Financial Subsidiaries		16.425	-	16.425
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.I.i)	2.800	-	2.800
11.1	Joint Ventures accounted for Under Equity Method		-	-	-
11.2	Unconsolidated Joint Ventures		2.800	-	2.800
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		2.800	-	2.800
XII.	LEASE RECEIVABLES (Net)	(5.I.j)	-	-	-
12.1	Financial Lease Receivables		-	-	-
12.2	Operational Lease Receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	HEDGING PURPOSE DERIVATIVES	(5.I.k)	-	-	-
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
XIV.	TANGIBLE ASSETS (Net)	(5.I.l)	440.538	21	440.559
XV.	INTANGIBLE ASSETS (Net)	(5.I.m)	168.711	-	168.711
15.1	Goodwill		869	-	869
15.2	Others		167.842	-	167.842
XVI.	INVESTMENT PROPERTIES (Net)	(5.I.n)	-	-	-
XVII.	TAX ASSETS	(5.I.o)	171.853	-	171.853
17.1	Current Tax Assets		-	-	-
17.2	Deferred Tax Assets		171.853	-	171.853
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.I.p)	-	-	-
18.1	Held For Sale		-	-	-
18.2	Discontinued Operations		-	-	-
XIX.	OTHER ASSETS	(5.I.q)	1.276.787	989.681	2.266.468
	TOTAL ASSETS		77.736.616	43.311.668	121.048.284

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnote	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	DEPOSITS	(5.II.a)	47.681.466	36.447.314	84.128.780
II.	FUNDS BORROWED	(5.II.c)	233.809	14.979.345	15.213.154
III.	DUE TO MONEY MARKETS		1.385.878	-	1.385.878
IV.	SECURITIES ISSUED (Net)	(5.II.d)	1.791.892	-	1.791.892
4.1	Bills		1.791.892	-	1.791.892
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		-	-	-
V.	FUNDS		-	-	-
5.1	Borrower Funds		-	-	-
5.2	Other		-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		954.167	971.263	1.925.430
7.1	Portion of Derivative Financial Assets Reflected to Profit or Loss	(5.II.b)	954.167	971.263	1.925.430
7.2	Portion of Derivative Financial Assets Reflected to Other Comprehensive Income	(5.II.g)	-	-	-
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES	(5.II.f)	563	9.069	9.632
9.1	Financial Lease Payables		591	9.416	10.007
9.2	Operational Lease Payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		28	347	375
X.	PROVISIONS	(5.II.h)	897.337	-	897.337
10.1	Provision for Restructuring		-	-	-
10.2	Reserves for Employee Benefits		194.723	-	194.723
10.3	Insurance Technical Reserves (Net)		-	-	-
10.4	Other Provisions		702.614	-	702.614
XI.	CURRENT TAX LIABILITIES	(5.II.i)	267.549	-	267.549
XII.	DEFERRED TAX LIABILITIES	(5.II.i)	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	(5.II.j)	-	-	-
13.1	Held for Sale		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	SUBORDINATED DEBT		-	6.274.450	6.274.450
14.1	Loans	(5.II.k)	-	6.274.450	6.274.450
14.2	Other Debt Instruments		-	-	-
XV.	OTHER LIABILITIES	(5.II.e)	3.919.586	6.399.611	10.319.197
XVI.	SHAREHOLDERS` EQUITY	(5.II.l)	15.575.393	(130.743)	15.444.650
16.1	Paid-in Capital		3.316.100	-	3.316.100
16.2	Capital Reserves		77.068	-	77.068
16.2.1	Share Premium		15	-	15
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		77.053	-	77.053
16.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss		821.947	-	821.947
16.4	Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss		172.365	(130.743)	41.622
16.5	Profit Reserves		7.760.118	-	7.760.118
16.5.1	Legal Reserves		345.806	-	345.806
16.5.2	Statutory Reserves		-	-	-
16.5.3	Extraordinary Reserves		7.414.312	-	7.414.312
16.5.4	Other Profit Reserves		-	-	-
16.6	Profit or Loss		3.427.795	-	3.427.795
16.6.1	Prior Years' Profits or Losses		1.245.272	-	1.245.272
16.6.2	Current Period Net Profit or Loss		2.182.523	-	2.182.523
	TOTAL LIABILITIES AND EQUITY		72.707.640	64.950.309	137.657.949

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnote	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	DEPOSITS	(5.II.a)	41.973.199	33.272.606	75.245.805
1.1	Deposits of the Bank's Risk Group		173.162	3.679.865	3.853.027
1.2	Others		41.800.037	29.592.741	71.392.778
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.b)	680.734	696.403	1.377.137
III.	FUNDS BORROWED	(5.II.c)	792.557	13.091.488	13.884.045
IV.	DUE TO MONEY MARKETS		3.586.064	391.047	3.977.111
4.1	Interbank Money Market		-	-	-
4.2	Istanbul Stock Exchange		-	-	-
4.3	Repurchase Agreements		3.586.064	391.047	3.977.111
V.	SECURITIES ISSUED (Net)	(5.II.d)	1.464.617	-	1.464.617
5.1	Bills		1.216.074	-	1.216.074
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		248.543	-	248.543
VI.	FUNDS		-	-	-
6.1	Borrowers Funds		-	-	-
6.2	Others		-	-	-
VII.	SUNDRY CREDITORS	(5.II.e)	1.652.822	253.006	1.905.828
VIII.	OTHER EXTERNAL RESOURCES	(5.II.e)	1.081.146	1.580.444	2.661.590
IX.	FACTORING PAYABLES		-	-	-
X.	LEASE PAYABLES (Net)	(5.II.f)	9.561	-	9.561
10.1	Financial Lease Payables		10.228	-	10.228
10.2	Operational Lease Payables		-	-	-
10.3	Others		-	-	-
10.4	Deferred Financial Leasing Expenses (-)		667	-	667
XI.	HEDGING PURPOSE DERIVATIVES	(5.II.g)	-	-	-
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		-	-	-
11.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
XII.	PROVISIONS	(5.II.h)	2.175.311	13.880	2.189.191
12.1	General Provisions		1.476.199	-	1.476.199
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Benefits		124.938	-	124.938
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		574.174	13.880	588.054
XIII.	TAX LIABILITIES	(5.II.i)	258.971	-	258.971
13.1	Current Tax Liability		258.971	-	258.971
13.2	Deferred Tax Liability		-	-	-
XIV.	LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DICSOUNTINUED OPERATIONS (Net)		-	-	-
14.1	Held For Sale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(5.II.k)	-	5.261.523	5.261.523
XVI.	SHAREHOLDERS' EQUITY	(5.II.l)	12.836.190	(23.285)	12.812.905
16.1	Paid-In Capital		3.316.100	-	3.316.100
16.2	Supplementary Capital		(1.569.407)	(23.285)	(1.592.692)
16.2.1	Share Premium		15	-	15
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Securities Revaluation Reserve		(424.114)	(23.285)	(447.399)
16.2.4	Revaluation Fund on Tangible Assets		127.181	-	127.181
16.2.5	Revaluation Fund on Intangible Assets		-	-	-
16.2.6	Revaluation Fund on Investment Properties		-	-	-
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		778	-	778
16.2.8	Hedging Funds (Effective Portion)		(1.277.553)	-	(1.277.553)
16.2.9	Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-
16.2.10	Other Supplementary Capital		4.286	-	4.286
16.3	Profit Reserves		7.653.013	-	7.653.013
16.3.1	Legal Reserves		251.816	-	251.816
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		5.628.510	-	5.628.510
16.3.4	Other Profit Reserves		1.772.687	-	1.772.687
16.4	Profit or Loss		3.436.484	-	3.436.484
16.4.1	Prior Periods' Profits / Losses		1.556.692	-	1.556.692
16.4.2	Current Period Profit / Loss		1.879.792	-	1.879.792
16.5	Minority Shares		-	-	-
	TOTAL LIABILITIES AND EQUITY		66.511.172	54.537.112	121.048.284

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		Footnote	CURRENT PERIOD (31/12/2018) TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		72.498.372	121.057.144	193.555.516
I.	GUARANTEES	(5.III.a)	10.792.249	21.503.517	32.295.766
1.1.	Letters of Guarantee		10.778.466	15.375.865	26.154.331
1.1.1.	Guarantees Subject to State Tender Law		-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		79.021	102.658	181.679
1.1.3.	Other Letters of Guarantee		10.699.445	15.273.207	25.972.652
1.2.	Bank Acceptances		7.826	215.538	223.364
1.2.1.	Import Letter of Acceptance		7.826	215.538	223.364
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letters of Credit		5.949	2.297.788	2.303.737
1.3.1.	Documentary Letters of Credit		5.949	1.842.297	1.848.246
1.3.2.	Other Letters of Credit		-	455.491	455.491
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 Related Guarantees		-	-	-
1.8.	Other Collaterals		8	3.614.326	3.614.334
1.9.	Other Sureties		-	-	-
II.	COMMITMENTS	(5.III.a)	34.851.451	9.484.126	44.335.577
2.1.	Irrevocable Commitments		33.975.230	9.484.126	43.459.356
2.1.1.	Asset Purchase and Sale Commitments		1.410.008	3.672.987	5.082.995
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4.	Loan Granting Commitments		11.210.043	-	11.210.043
2.1.5.	Securities Issuance Brokerage Commitments		-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7.	Commitments for Cheque Payments		1.815.134	-	1.815.134
2.1.8.	Tax and Fund Obligations from Export Commitments		1.584	-	1.584
2.1.9.	Commitments for Credit Card Limits		19.225.849	-	19.225.849
2.1.10.	Commitments for Promotional Operations Re-Credit Cards and Banking Services		4.592	-	4.592
2.1.11.	Receivables from "Short" Sale Commitments On Securities		-	-	-
2.1.12.	Payables for "Short" Sale Commitments On Securities		-	-	-
2.1.13.	Other Irrevocable Commitments		308.020	5.811.139	6.119.159
2.2.	Revocable Commitments		876.221	-	876.221
2.2.1.	Revocable Loan Granting Commitments		875.662	-	875.662
2.2.2.	Other Revocable Commitments		559	-	559
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.b)	26.854.672	90.069.501	116.924.173
3.1.	Hedging Purpose Derivatives		-	-	-
3.1.1.	Fair Value Hedge		-	-	-
3.1.2.	Cash Flow Hedge		-	-	-
3.1.3.	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
3.2.	Trading Purpose Derivatives		26.854.672	90.069.501	116.924.173
3.2.1.	Forward Foreign Currency Purchases/Sales		2.811.995	4.883.229	7.695.224
3.2.1.1.	Forward Foreign Currency Purchases		1.281.584	2.538.092	3.819.676
3.2.1.2.	Forward Foreign Currency Sales		1.530.411	2.345.137	3.875.548
3.2.2.	Currency and Interest Rate Swaps		16.013.976	72.188.016	88.201.992
3.2.2.1.	Currency Swaps-Purchases		2.134.614	26.371.445	28.506.059
3.2.2.2.	Currency Swaps-Sales		7.279.362	21.894.296	29.173.658
3.2.2.3.	Interest Rate Swaps-Purchases		3.300.000	11.961.138	15.261.138
3.2.2.4.	Interest Rate Swaps-Sales		3.300.000	11.961.137	15.261.137
3.2.3.	Currency, Interest Rate and Security Options		7.949.933	10.666.955	18.616.888
3.2.3.1.	Currency Options-Purchases		3.833.002	5.435.419	9.268.421
3.2.3.2.	Currency Options-Sales		4.116.931	5.099.984	9.216.915
3.2.3.3.	Interest Rate Options-Purchases		-	65.776	65.776
3.2.3.4.	Interest Rate Options-Sales		-	65.776	65.776
3.2.3.5.	Securities Options-Purchases		-	-	-
3.2.3.6.	Securities Options-Sales		-	-	-
3.2.4.	Currency Futures		78.768	72.355	151.123
3.2.4.1.	Currency Futures-Purchases		6	72.350	72.356
3.2.4.2.	Currency Futures-Sales		78.762	5	78.767
3.2.5.	Interest Rate Futures		-	-	-
3.2.5.1.	Interest Rate Futures-Purchases		-	-	-
3.2.5.2.	Interest Rate Futures-Sales		-	-	-
3.2.6.	Others		-	2.258.946	2.258.946
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		551.845.083	170.980.829	722.825.912
IV.	ITEMS HELD IN CUSTODY		76.486.218	8.199.541	84.685.759
4.1.	Customers' Securities and Portfolios Held		-	-	-
4.2.	Securities Held in Custody		75.408.835	6.886.818	82.295.653
4.3.	Checks Received for Collection		29.412	1.073.472	1.102.884
4.4.	Commercial Notes Received for Collection		1.047.971	105.892	1.153.863
4.5.	Other Assets Received for Collection		-	-	-
4.6.	Assets Received for Public Offering		-	-	-
4.7.	Other Items under Custody		-	133.359	133.359
4.8.	Custodians		-	-	-
V.	PLEDGED ITEMS		475.052.295	161.406.315	636.458.610
5.1.	Securities		3.053.832	17.164	3.070.996
5.2.	Guarantee Notes		308.386.847	65.036.537	373.423.384
5.3.	Commodities		16.082.123	9.287.813	25.369.936
5.4.	Warrants		-	-	-
5.5.	Immovables		94.269.819	60.337.842	154.607.661
5.6.	Other Pledged Items		53.259.674	26.726.959	79.986.633
5.7.	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		306.570	1.374.973	1.681.543
	TOTAL OFF BALANCE SHEET ITEMS (A+B)		624.343.455	292.037.973	916.381.428

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

DENİZBANK ANONİM ŞİRKETİ

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

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		Footnote	PRIOR PERIOD (31/12/2017) TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			76.542.953	86.758.810	163.301.763
I.	GUARANTEES	(5.III.a)	11.193.835	16.584.504	27.778.339
1.1.	Letters of Guarantee		11.178.261	11.248.307	22.426.568
1.1.1.	Guarantees Subject to State Tender Law		-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		79.021	82.929	161.950
1.1.3.	Other Letters of Guarantee		11.099.240	11.165.378	22.264.618
1.2.	Bank Acceptances		4.773	199.768	204.541
1.2.1.	Import Letter of Acceptance		4.773	199.768	204.541
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letters of Credit		-	2.644.460	2.644.460
1.3.1.	Documentary Letters of Credit		-	1.894.664	1.894.664
1.3.2.	Other Letters of Credit		-	749.796	749.796
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 Related Guarantees		-	-	-
1.8.	Other Collaterals		10.801	2.491.969	2.502.770
1.9.	Other Sureties		-	-	-
II.	COMMITMENTS	(5.III.a)	31.054.695	3.490.790	34.545.485
2.1.	Irrevocable Commitments		28.369.992	3.490.790	31.860.782
2.1.1.	Asset Purchase and Sale Commitments		530.844	1.425.282	1.956.126
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4.	Loan Granting Commitments		11.104.113	-	11.104.113
2.1.5.	Securities Issuance Brokerage Commitments		-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7.	Commitments for Cheque Payments		2.375.880	-	2.375.880
2.1.8.	Tax and Fund Obligations from Export Commitments		1.451	-	1.451
2.1.9.	Commitments for Credit Card Limits		14.216.415	-	14.216.415
2.1.10.	Commitments for Promotional Operations Re-Credit Cards and Banking Services		2.856	-	2.856
2.1.11.	Receivables from "Short" Sale Commitments On Securities		-	-	-
2.1.12.	Payables for "Short" Sale Commitments On Securities		-	-	-
2.1.13.	Other Irrevocable Commitments		138.433	2.065.508	2.203.941
2.2.	Revocable Commitments		2.684.703	-	2.684.703
2.2.1.	Revocable Loan Granting Commitments		2.684.144	-	2.684.144
2.2.2.	Other Revocable Commitments		559	-	559
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.b)	34.294.423	66.683.516	100.977.939
3.1.	Hedging Purpose Derivatives		-	-	-
3.1.1.	Fair Value Hedge		-	-	-
3.1.2.	Cash Flow Hedge		-	-	-
3.1.3.	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
3.2.	Trading Purpose Derivatives		34.294.423	66.683.516	100.977.939
3.2.1.	Forward Foreign Currency Purchases/Sales		2.494.623	5.509.202	8.003.825
3.2.1.1.	Forward Foreign Currency Purchases		1.262.919	2.750.766	4.013.685
3.2.1.2.	Forward Foreign Currency Sales		1.231.704	2.758.436	3.990.140
3.2.2.	Currency and Interest Rate Swaps		23.728.165	52.250.662	75.978.827
3.2.2.1.	Currency Swaps-Purchases		3.354.265	18.224.701	21.578.966
3.2.2.2.	Currency Swaps-Sales		11.973.900	8.621.245	20.595.145
3.2.2.3.	Interest Rate Swaps-Purchases		4.200.000	12.702.358	16.902.358
3.2.2.4.	Interest Rate Swaps-Sales		4.200.000	12.702.358	16.902.358
3.2.3.	Currency, Interest Rate and Security Options		8.071.635	6.658.244	14.729.879
3.2.3.1.	Currency Options-Purchases		2.776.904	3.662.687	6.439.591
3.2.3.2.	Currency Options-Sales		3.694.731	2.880.717	6.575.448
3.2.3.3.	Interest Rate Options-Purchases		800.000	57.420	857.420
3.2.3.4.	Interest Rate Options-Sales		800.000	57.420	857.420
3.2.3.5.	Securities Options-Purchases		-	-	-
3.2.3.6.	Securities Options-Sales		-	-	-
3.2.4.	Currency Futures		-	-	-
3.2.4.1.	Currency Futures-Purchases		-	-	-
3.2.4.2.	Currency Futures-Sales		-	-	-
3.2.5.	Interest Rate Futures		-	-	-
3.2.5.1.	Interest Rate Futures-Purchases		-	-	-
3.2.5.2.	Interest Rate Futures-Sales		-	-	-
3.2.6.	Others		-	2.265.408	2.265.408
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			475.432.585	114.565.293	589.997.878
IV.	ITEMS HELD IN CUSTODY		88.975.224	2.357.319	91.332.543
4.1.	Customers' Securities and Portfolios Held		-	-	-
4.2.	Securities Held in Custody		87.459.529	1.511.039	88.970.568
4.3.	Checks Received for Collection		439.065	656.708	1.095.773
4.4.	Commercial Notes Received for Collection		1.076.630	92.216	1.168.846
4.5.	Other Assets Received for Collection		-	-	-
4.6.	Assets Received for Public Offering		-	-	-
4.7.	Other Items under Custody		-	97.356	97.356
4.8.	Custodians		-	-	-
V.	PLEDGED ITEMS		386.183.787	110.955.604	497.139.391
5.1.	Securities		3.079.543	12.259	3.091.802
5.2.	Guarantee Notes		271.955.458	45.280.793	317.236.251
5.3.	Commodities		16.002.073	5.554.934	21.557.007
5.4.	Warrants		-	-	-
5.5.	Immovables		76.377.535	39.355.607	115.733.142
5.6.	Other Pledged Items		18.769.178	20.752.011	39.521.189
5.7.	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		273.574	1.252.370	1.525.944
	TOTAL OFF BALANCE SHEET ITEMS (A+B)		551.975.538	201.324.103	753.299.641

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF INCOME
AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	INCOME STATEMENT	Footnote	CURRENT PERIOD (01/01-31/12/2018)
I.	INTEREST INCOME	(5.IV.a)	14.656.940
1.1	Interest on loans		12.437.126
1.2	Interest received from reserve deposits		193.978
1.3	Interest received from banks		166.144
1.4	Interest received from money market transactions		8.905
1.5	Interest received from marketable securities portfolio		1.728.209
1.5.1	Financial assets at fair value through profit or loss		23.973
1.5.2	Financial assets at fair value through other comprehensive income		839.252
1.5.3	Financial assets measured at amortized cost		864.984
1.6	Financial lease income		-
1.7	Other interest income		122.578
II.	INTEREST EXPENSES	(5.IV.b)	9.659.218
2.1	Interest on deposits		7.895.319
2.2	Interest on funds borrowed		962.778
2.3	Interest on money market transactions		385.346
2.4	Interest on securities issued		358.211
2.5	Other interest expenses		57.564
III.	NET INTEREST INCOME/EXPENSE (I - II)		4.997.722
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		2.095.360
4.1	Fees and commissions received		3.004.590
4.1.1	Non-cash loans		291.565
4.1.2	Other	(5.IV.l)	2.713.025
4.2	Fees and commissions paid		909.230
4.2.1	Non-cash loans		897
4.2.2	Other	(5.IV.l)	908.333
V.	PERSONNEL EXPENSES (-)	(5.IV. g)	1.350.180
VI	DIVIDEND INCOME	(5.IV.c)	2.132
VII.	TRADING PROFIT/LOSS (Net)	(5.IV.d)	(376.768)
7.1	Profit/losses from capital market transactions		(825)
7.2	Profit/losses from derivative financial transactions		2.576.747
7.3	Foreign exchange profit/losses		(2.952.690)
VIII.	OTHER OPERATING INCOME	(5.IV.e)	124.494
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		5.492.760
X.	EXPECTED CREDIT LOSSES (-)	(5.IV.f)	2.816.243
XI.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	1.824.843
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		851.674
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		1.439.804
XV.	NET MONETORY POSITION GAIN/LOSS		-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	(5.IV.h)	2.291.478
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.IV.i)	(108.955)
17.1	Current tax provision		-
17.2	Expense effect of deferred tax (+)		(3.955.279)
17.3	Income effect of deferred tax (-)		3.846.324
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	(5.IV.j)	2.182.523
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)	(5.IV.j)	-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	(5.IV.k)	2.182.523
	Earnings / Losses per Share (Per thousand share)		0,66

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	INCOME AND EXPENSE ITEMS	Footnote	PRIOR PERIOD (01/01-31/12/2017)
I.	INTEREST INCOME	(5.IV.a)	10.591.583
1.1	Interest from Loans		9.148.814
1.2	Interest from Reserve Deposits		101.420
1.3	Interest from Banks		141.688
1.4	Interest from Money Market Transactions		18.278
1.5	Interest from Securities Portfolio		1.089.486
1.5.1	Trading Securities		16.785
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-
1.5.3	Available for Sale Securities		566.523
1.5.4	Held to Maturity Securities		506.178
1.6	Interest from Financial Leases		-
1.7	Other Interest Income		91.897
II.	INTEREST EXPENSE	(5.IV.b)	5.733.161
2.1	Interest on Deposits		4.562.911
2.2	Interest on Funds Borrowed		727.509
2.3	Interest on Money Market Transactions		186.018
2.4	Interest on Securities Issued		156.250
2.5	Other Interest Expense		100.473
III.	NET INTEREST INCOME (I - II)		4.858.422
IV.	NET FEES AND COMMISSION INCOME /EXPENSE		1.507.989
4.1	Fees and Commissions Received		2.007.952
4.1.1	Non-Cash Loans		221.762
4.1.2	Other	(5.IV.l)	1.786.190
4.2	Fees and Commissions Paid		499.963
4.2.1	Non-Cash Loans		712
4.2.2	Other	(5.IV.l)	499.251
V.	DIVIDEND INCOME	(5.IV.c)	1.084
VI.	TRADING INCOME/LOSS (Net)	(5.IV.d)	(874.629)
6.1	Profit / Loss on Securities Trading		(42.088)
6.2	Profit / Loss on Derivative Financial Transactions		(738.090)
6.3	Foreign Exchange Gains / Losses		(94.451)
VII.	OTHER OPERATING INCOME	(5.IV.e)	511.142
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		6.004.008
IX.	PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.886.159
X.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	2.843.203
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1.274.646
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII.	INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		952.410
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-
XV.	P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.h)	2.227.056
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	(347.264)
16.1	Current Tax		(221.047)
16.2	Deferred Tax		(126.217)
XVII.	NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.j)	1.879.792
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS		-
18.1	Assets Held for Sale		-
18.2	Profit on Sale of Associates, Subsidiaries and Joint Ventures		-
18.3	Other		-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1	Assets Held for Sale		-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-
19.3	Other		-
XX.	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-
21.1	Current Tax		-
21.2	Deferred Tax		-
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(5.IV.j)	-
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.879.792
23.1	Group's Profit / Loss		1.879.792
23.2	Minority Shares		-
	Earnings / Losses per Share (Per thousand share)		0,57

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		CURRENT PERIOD (01/01-31/12/2018)
I.	CURRENT PERIOD PROFIT OR LOSS	2.182.523
II.	OTHER COMPREHENSIVE INCOME	172.014
2.1	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	165.404
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	24.882
2.1.2	Gains (Losses) on Revaluation of Intangible Assets	--
2.1.3	Gains (Losses) on Remeasurements of Defined Benefit Plans	(38.531)
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	176.702
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	2.351
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	6.610
2.2.1	Exchange Differences on Translation	1.932.341
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income	(443.206)
2.2.3	Income (Loss) Related to Cash Flow Hedges	(37.704)
2.2.4	Income (Loss) Related to Hedges of Net Investments in Foreign Operations	(1.988.721)
2.2.5	Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	--
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	543.900
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	2.354.537

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		PRIOR PERIOD (01/01-31/12/2017)
I.	ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	120.648
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	31.445
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	986.796
V.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	616
VI.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	(961.055)
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(13.703)
IX.	DEFERRED TAXES OF VALUATION DIFFERENCES	205.997
X.	NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	370.744
XI.	CURRENT PERIOD PROFIT/LOSS	1.879.792
1.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(48.436)
1.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(300)
1.3	Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-
1.4	Other	1.928.528
XII.	TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.250.536

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	CHANGES IN SHAREHOLDERS' EQUITY		Paid-In Capital	Share Premium	Share Cancellation Profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss: Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and OtherAccumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss: Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves (*)	Prior Period Net Profit / (Loss)	Current Period Net Profit / (Loss)	Total Equity Except Minority Shares	Minority Shares	Total Equity
	CURRENT PERIOD 01/01-31/12/2018																	
I.	Balances at the Beginning of Period		3.316.100	15	--	77.053	50.906	(15.371)	19.657	1.772.687	(447.399)	(1.277.553)	5.880.326	1.556.692	1.879.792	12.812.905	--	12.812.905
II.	Adjustment in Accordance with TAS 8	(5.V.c)	--	--	--	--	--	--	601.351	--	(12.723)	--	--	(311.420)	--	277.208	--	277.208
2.1	Effect of Adjustment Related to Errors		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2	Effect of Changes in Accounting Policies		--	--	--	--	--	--	601.351	--	(12.723)	--	--	(311.420)	--	277.208	--	277.208
III.	New Balance (I+II)		3.316.100	15	--	77.053	50.906	(15.371)	621.008	1.772.687	(460.122)	(1.277.553)	5.880.326	1.245.272	1.879.792	13.090.113	--	13.090.113
IV.	Total Comprehensive Income	(5.V.e)	--	--	--	--	18.890	(30.188)	176.702	1.932.341	(345.120)	(1.580.611)	--	--	2.182.523	2.354.537	--	2.354.537
V.	Capital Increase in Cash	(5.V.a)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI.	Capital Increase through Internal Reserves	(5.V.a)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII.	Issued Capital Inflation Adjustment		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII.	Convertible Bonds		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX.	Subordinated Debt		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X.	Increase (Decrease) through Other Changes		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
XI.	Profit Distribution	(5.V.d)	--	--	--	--	--	--	--	--	--	--	1.879.792	--	(1.879.792)	--	--	--
11.1	Dividends Paid		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2	Transfer to Legal Reserves	(5.V.f)	--	--	--	--	--	--	--	--	--	--	1.879.792	--	(1.879.792)	--	--	--
11.3	Other		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
	Balances at the End of Period (III+IV+.....+X+XI)		3.316.100	15	--	77.053	69.796	(45.559)	797.710	3.705.028	(805.242)	(2.858.164)	7.760.118	1.245.272	2.182.523	15.444.650	--	15.444.650

(*) Includes the amounts recognized due to the associates and subsidiaries within the scope of TAS 27.

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of
Unconsolidated Financial Report
Originally Issued In Turkish,
See Note 3.I.c

	CHANGES IN SHAREHOLDERS' EQUITY		Paid-In Capital	Inflation Adjustments to Paid-In Capital (*)	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves(*)	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Securities Revaluation Reserve	Revaluation Fund of Tang./ Intang.A.	Bonus Shares Obtained from Associates	Hedging Reserves	Val.Diff. Related to Assets Held for Sale/ Disc.Opr.	Total Equity Attrib.to Equity Holders of the Parent	Minority Interest	Total Shareholders' Equity
	PRIOR PERIOD 01/01-31/12/2017																			
I.	Balances at the Beginning of Period		3.316.100	-	15	-	181.352	-	4.356.547	800.746	1.409.281	1.556.692	(555.333)	38.273	81	(542.082)	-	10.561.672	-	10.561.672
	Changes in the Period																			
II.	Increase / Decrease Related to Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation Differences of Securities		-	-	-	-	-	-	-	-	-	-	102.920	-	-	-	-	102.920	-	102.920
IV.	Hedging Transactions (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(735.471)	-	(735.471)	-	(735.471)
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	616	-	616	-	616
4.2	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	(736.087)	-	(736.087)	-	(736.087)
V.	Revaluation Fund of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	22.054	-	-	-	22.054	-	22.054
VI.	Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	697	-	-	697	-	697
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	986.796	-	-	-	-	-	-	-	986.796	-	986.796
IX.	Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	5.014	-	-	-	-	5.014	-	5.014
XII.	Capital Increase	(5.V.a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Capital Stock	(5.V.b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(10.569)	-	-	-	-	-	-	-	(10.569)	-	(10.569)
XVII.	Period Profit / Loss		-	-	-	-	-	-	-	-	1.879.792	-	-	-	-	-	-	1.879.792	-	1.879.792
XVIII.	Profit Distribution	(5.V.d)	-	-	-	-	70.464	-	1.271.963	-	(1.409.281)	-	-	66.854	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfer to Reserves	(5.V.f)	-	-	-	-	70.464	-	1.271.963	-	(1.409.281)	-	-	66.854	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the End of Period (I+II+III+...+XVI+XVII+XVIII)		3.316.100	-	15	-	251.816	-	5.628.510	1.776.973	1.879.792	1.556.692	(447.399)	127.181	778	(1.277.553)	-	12.812.905	-	12.812.905

(*) The amount stated in the column "Other Reserves" amounting to TL (15.371) relating to the "actuarial loss/profit" calculated as per TAS 19 "Employee Benefits" and its proportion at an amount of TL 19.657 related to "equity method" as a result of amendments in TAS 27 "Individual Financial Tables" Communique are stated under "Other Capital Reserves" in financial statements.

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

			CURRENT PERIOD (01/01-31/12/2018)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities (+)		(1.483.126)
1.1.1	Interest received (+)		12.848.286
1.1.2	Interest paid (-)		9.328.522
1.1.3	Dividends received (+)		2.132
1.1.4	Fees and commissions received (+)		2.933.019
1.1.5	Other income (+)		53.136
1.1.6	Collections from previously written off loans and other receivables (+)		1.267.398
1.1.7	Cash payments to personnel and service suppliers (-)		1.363.471
1.1.8	Taxes paid (-)		180.273
1.1.9	Other (+/-)	(5.VI.c)	(7.714.831)
1.2	Changes in operating assets and liabilities subject to banking operations		5.574.175
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(36.089)
1.2.2	Net increase (decrease) in due from banks (+/-)		149.511
1.2.3	Net increase (decrease) in loans		(12.031.174)
1.2.4	Net increase (decrease) in other assets (+/-)		3.219.981
1.2.5	Net increase (decrease) in bank deposits (+/-)		(3.236.003)
1.2.6	Net increase (decrease) in other deposits (+/-)		11.803.020
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 (+/-)		2.463.764
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(5.VI.c)	3.241.165
I.	Net cash provided from banking operations(+/-)		4.091.049
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities(+/-)		(1.011.541)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures (-)		303.801
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures (+)		-
2.3	Cash paid for the purchase of tangible and intangible asset (-)		303.887
2.4	Cash obtained from the sale of tangible and intangible asset (+)		128.923
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		1.690.894
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		796.593
2.7	Cash paid for the purchase of financial assets at amortized cost (-)		-
2.8	Cash obtained from sale of financial assets at amortized cost (+)		-
2.9	Other (+/-)		361.525
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flows from financing activities (+/-)		(4.226.744)
3.1	Cash obtained from funds borrowed and securities issued (+)		13.364.113
3.2	Cash outflow from funds borrowed and securities issued (-)		17.580.977
3.3	Equity instruments issued (+)		-
3.4	Dividends paid (-)		-
3.5	Payments for finance lease liabilities (-)		9.880
3.6	Other (+/-)		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents(+/-)	(5.VI.c)	2.194.889
V.	Net increase in cash and cash equivalents	(5.VI.c)	1.047.653
VI.	Cash and cash equivalents at beginning of the period (+)	(5.VI.a)	10.133.378
VII.	Cash and Cash Equivalents at the End of Period	(5.VI.a)	11.181.031

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

			PRIOR PERIOD (01/01-31/12/2017)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit before Changes in Operating Assets and Liabilities (+)		2.697.721
1.1.1	Interest Received (+)		9.815.134
1.1.2	Interest Paid (-)		5.447.722
1.1.3	Dividend Received (+)		1.084
1.1.4	Fees And Commissions Received (+)		1.914.876
1.1.5	Other Income (+)		434.048
1.1.6	Collections from Previously Written-Off Loans and Other Receivables (+)		917.432
1.1.7	Payments to Personnel and Service Suppliers (-)		1.280.988
1.1.8	Taxes Paid (-)		237.413
1.1.9	Other (+/-)	(5.VI.c)	(3.418.730)
1.2	Changes in Operating Assets and Liabilities		(4.949.851)
1.2.1	Net (Increase) Decrease in Trading Securities (+/-)		14.684
1.2.2	Net (Increase) Decrease in Financial Assets Designated at FV (+/-)		-
1.2.3	Net (Increase) Decrease in Banks (+/-)		(75.980)
1.2.4	Net (Increase) Decrease in Loans (+/-)		(15.146.666)
1.2.5	Net (Increase) Decrease in Other Assets (+/-)		(3.460.853)
1.2.6	Net Increase (Decrease) in Bank Deposits (+/-)		2.408.743
1.2.7	Net Increase (Decrease) in Other Deposits (+/-)		9.484.753
1.2.8	Net Increase (Decrease) in Funds Borrowed (+/-)		2.329.320
1.2.9	Net Increase (Decrease) in Due Payables (+/-)		-
1.2.10	Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.c)	(503.852)
I.	Net Cash (Used in)/Provided from Banking Operations (+/-)		(2.252.130)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Used in) Investing Activities (+/-)		(182.613)
2.1	Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)		209.094
2.2	Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)		-
2.3	Fixed Assets Purchases (-)		199.146
2.4	Fixed Assets Sales (+)		130.676
2.5	Cash Paid for Purchase of Investments Available for Sale (-)		816.142
2.6	Cash Obtained From Sale of Investments Available for Sale (+)		863.132
2.7	Cash Paid for Purchase of Investment Securities (-)		-
2.8	Cash Obtained from Sale of Investment Securities (+)		-
2.9	Other (+/-)		47.961
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from / (Used in) Financing Activities (+/-)		(398.204)
3.1	Cash Obtained from Funds Borrowed and Securities Issued (+)		9.297.224
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued (-)		9.684.736
3.3	Capital Increase (+)		-
3.4	Dividends Paid (-)		-
3.5	Payments for Finance Leases (-)		10.692
3.6	Other (+/-)		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	(5.VI.c)	982.577
V.	Net Increase / (Decrease) in Cash and Cash Equivalents	(5.VI.c)	(1.850.370)
VI.	Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.a)	11.983.748
VII.	Cash and Cash Equivalents at the End of Period	(5.VI.a)	10.133.378

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED PROFIT DISTRIBUTION TABLES FOR THE PERIOD ENDED 31 DECEMBER 2018 AND 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		CURRENT PERIOD [3] (01/01-31/12/2018)	PRIOR PERIOD [3] (01/01-31/12/2017)
I.	DISTRIBUTION OF CURRENT YEAR INCOME [1]		
1.1	CURRENT YEAR INCOME	2.291.478	2.227.056
1.2	TAXES AND DUTIES PAYABLE (-)	(108.955)	(347.264)
1.2.1	Corporate Tax (Income Tax)	--	(221.047)
1.2.2	Income witholding tax	--	--
1.2.3	Other taxes and duties [2]	(108.955)	(126.217)
A.	NET INCOME FOR THE YEAR (1.1-1.2)	2.182.523	1.879.792
1.3	PRIOR YEAR LOSSES (-)	--	--
1.4	FIRST LEGAL RESERVES (-)	--	93.990
1.5	OTHER STATUTORY RESERVES (-)	--	--
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	2.182.523	1.785.802
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	--
1.6.1	To owner of ordinary shares	-	--
1.6.2	To owner of preferred shares	-	--
1.6.3	To owner of preferred shares (preem private rihgts)	-	--
1.6.4	To profit sharing bonds	-	--
1.6.5	To holders of profit or 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 owner of ordinary shares	-	--
1.9.2	To owner of preferred shares	-	--
1.9.3	To owner of preferred shares (preem private rihgts)	-	--
1.9.4	To profit sharing bonds	-	--
1.9.5	To holders of profit or loss sharing certificates	-	--
1.10	SECOND LEGAL RESERVES (-)	-	--
1.11	STATUTORY RESERVES (-)	-	--
1.12	GENERAL RESERVES	-	1.785.802
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 owner of ordinary shares	-	--
2.3.2	To owner of preferred shares	-	--
2.3.3	To owner of preferred shares (preem private rihgts)	-	--
2.3.4	To profit sharing bonds	-	--
2.3.5	To holders of profit or 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	0,007	0,006
3.2	TO OWNERS OF ORDINARY SHARES (%)	0,7	0,6
3.3	TO OWNERS OF PRIVILAGED SHARES	--	--
3.4	TO OWNERS OF PRIVILAGED SHARES (%)	--	--
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES	-	--
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	--
4.3	TO OWNERS OF PRIVILAGED SHARES	-	--
4.4	TO OWNERS OF PRIVILAGED SHARES (%)	-	--

[1] Distribution of dividend has not been decided yet since the General Assembly meeting of the Bank has not been held as of the date on which the financial statements are published.
[2] BRSA scrutinize that income amounts related to deferred tax assets cannot be considered as cash or internal source and therefore cannot be included in distribution of net period profit. The Bank has a deferred tax expense of TL 108.955 as of 31 December 2018 (31 December 2017: TL 126.217).
[3] It includes impacts of TAS 27 standard.

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

DENİZBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

SECTION THREE
ACCOUNTING POLICIES

I. Basis of presentation

a. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents

Unconsolidated financial statements have been prepared in accordance with the regulations, communiqués, explanations and circulars published with respect to accounting and financial reporting principles by the Banking Regulation and Supervision Authority("BRSA") within the framework of the provisions of the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Document Keeping published in the Official Gazette no. 26333 dated 1 November 2006 in relation with the Banking Law no. 5411, as well as the Turkish Accounting Standards(TAS") and Turkish Financial Reporting Standards("TFRS") enforced by the Public Oversight Accounting and Auditing Standards Authority("POA") and the annexes and commentaries relating to these Standards(hereinafter collectively referred to as "Turkish Accounting Standards" or "TAS") if there is no specific regulations made by BRSA. The form and content of the unconsolidated financial statements which have been drawn up and which will be disclosed to public have been prepared in accordance with the "Communiqué on the financial Statements to be Disclosed to the Public by Banks and the Related Explanations and Footnotes" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" as well as the communiqués that introduce amendments and additions to this Communiqué. The shareholder Bank keeps its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Law and Turkish Tax legislation.

Financial statements have been prepared based on historical cost principle, except the financial assets and liabilities indicated at their fair values.

The amounts in the financial statements and explanations and footnotes relating to these statements have been denoted in Thousand Turkish Liras unless otherwise stated.

In the preparation of unconsolidated financial statements according to TAS, the management of the shareholder Bank should make assumptions and estimations regarding the assets and liabilities in the balance sheet. These assumptions and estimations are reviewed regularly, the necessary corrections are made and the effects of these corrections are reflected in the income statement. The assumptions and estimations used are explained in the related foot notes.

Explanations on TFRS 16 Leases Standard

"TFRS 16 Leases" Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. According to this standard, the difference between operating leases and financial leases has been eliminated and leasing transactions will be shown by the lessee on the balance sheet as the asset(utilization right) and financial debt related to lease payment.

The Bank has started its operations to comply with TFRS 16 Leases Standard effective as of January 1, 2019, and its operations are continuing as of 31 December 2018. As of 1 January 2019, no significant impact on the Bank's financial statements is expected during the transition to IFRS 16.

The Bank will apply this standard from 1 January 2019, that is the mandatory application date. The Bank plans to use the simplified migration application and not to rearrange the comparable amounts for the prior year to the first implementation.

b. Accounting policies and changes in the presentation of financial statements

Accounting policies and valuation principles used in the preparation of the 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 rules of TFRS 9, the prior period financial statements and notes are not restated and presented in Section two.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

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 year 2017 are included in Section three notes XXV. Impacts of transition to TFRS 9 and its adoption is disclosed in Section three notes XXIV.

c. Additional paragraph for convenience translation:

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards(IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying 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.

II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies

a. Strategy for the use of financial instruments

The Bank's external sources of funds are comprised of deposits with various maturity periods, and short-term borrowings. These funds are fixed rate in general and are utilized in high yield financial assets. The majority of the funds are allocated to high yield, floating rate instruments, such as Turkish Lira and foreign currency government securities and Eurobonds, and to loans provided to customers on a selective basis in order to increase revenue and support liquidity. The liquidity structure that ensures meeting all liabilities falling due, is formed by keeping sufficient levels of cash and cash equivalents by diversifying the sources of funds. The Bank assesses the maturity structure of the sources, and the maturity structure and yield of placements at market conditions and adopts a high yield policy in long-term placements.

The Bank assumes risks within pre-determined risk limits in short-term currency, interest and price movements in money and capital markets and market conditions. These positions are closely monitored by the Risk Management System of the Bank and the necessary precautions are taken if the limits are exceeded or should there be a change in the market environment. In order to avoid interest rate risk, assets and liabilities with fixed and floating interests are kept in balance, taking the maturity structure into consideration. The asset-liability balance is monitored on a daily basis in accordance with the maturity structure and foreign currency type. The risks associated with short-term positions are hedged through derivatives such as forwards, swaps and options. No risks are taken as far as possible on foreign currencies other than US Dollar and Euro. Transactions are made under the determined limits to cover the position.

b. Transactions denominated in foreign currencies

Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of the balance sheet date are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities are translated into TL by using foreign currency exchange rates of the Bank and the resulting exchange differences are recorded as foreign exchange gains and losses. The Bank's foreign currency exchange rates are as follows:

	31 December 2018	31 December 2017
US Dollar	TL 5,2810	TL 3,7719
Euro	TL 6,0422	TL 4,5155

Foreign exchange gains and losses included in the income statement

As of 31 December 2018, net foreign exchange loss included in the income statement amounts to TL 2.952.690(1 January – 31 December 2017: TL 94.451 net foreign exchange loss).

Total amount of valuation fund arising from foreign currency exchange rate differences

TL 69.078(31 December 2017: TL 46.163), consisting of conversion of Bahrain Branch's financial statements into TL in accordance with TAS 21, and TL 3.635.950(31 December 2017: TL 1.726.524), sourcing from recognizing Denizbank AG, JSC Denizbank and Eurodeniz, which are foreign currency associates of the Bank, with equity method, are recorded under "Other Comprehensive Income That Will Be Reclassified in Profit or Loss" account.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.347 million and US Dollar 7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity.

III. Explanations on investments in associates, subsidiaries and joint ventures

Financial associates are recognized in accordance with equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Joint Ventures with respect to amendment in TAS 27 Communique on Separate Financial Statements in non-consolidated financial statements.

Equity method is the accounting treatment which prescribes to increase or decrease the book value of share included in associate as quota per participant from change amount occurring in period in the shareholder's equity of the participated partnership and to deduct/set off dividends received from participated associate from the amended value of the associate.

Accordance with the TAS 27, in the unconsolidated financial statements, associates, jointly controlled entities and non-financial subsidiaries are recognized at cost, after deducting the provision for impairment, if any. However, in accordance with the "TFRS 9 Financial Instruments" standard(TFRS 9), which is effective as at 1 January 2018, the Bank has started to recognize "Intertech", its unconsolidated and non-financial subsidiary, at fair value.

IV. Explanations on forward transactions, options and derivative instruments

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

In accordance with TFRS 9, forward foreign currency purchase/sale contracts, swaps, options and futures are classified as "Derivative Financial Assets/Liabilities at Fair Value Through Profit or Loss". Derivative transactions are recorded with their fair values at contract date. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

The derivative transactions are valued at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets/Liabilities at Fair Value Through Profit or Loss" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. Gains and losses arising from a change in the fair value are recognized in the income statement. Fair values of derivatives are calculated using either discounted cash flow model or market value.

V. Explanations on interest income and expenses

Interest income and expenses are recognized by applying the effective interest method. As of 1 January 2018, the Bank has started to calculate accruals for its non-performing loans. The net book value of the non-performing loans(Gross Book Value-Expected Loss) is discounted with effective interest rate and recorded on the gross carrying amount of the non-performing loan.

VI. Explanations on fees and commissions income and expenses

Fees and commissions income and expenses are accounted for on an accrual basis or effective interest method and TFRS 15 "Revenue from Contracts with Customers" standard according to their nature excluding wage income related to certain banking transactions that are recorded as income in the period in which they are collected. Revenues provided through contracts or through services related to transactions such as the purchase or sale of assets for a third party or legal entity are recognized as income at the time of collection.

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VII. Explanations on financial assets

The Bank categorizes its financial assets as "Fair Value Through Profit or 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 recognizes 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 the 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 fair value through profit or loss

"Financial assets at fair value through profit or 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 an entity 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.

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The Bank has government securities with a maturity of 5-10 years and indexed to CPI in the 6 months real coupon ratios that remain constant throughout the maturity in the "Fair value through other comprehensive income" and "Measured at amortized cost" securities portfolios. As stated by Secretary of Treasury in CPI indexed investor guide, the reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of two months ago. The Bank predicts the inflation rate in parallel to those. The estimated inflation rate is updated as needed within the year.

VIII. Explanations on expected credit loss

The Bank allocates impairment for expected credit 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 'Financial Instruments' standard 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.

The expected credit loss provision is weighted according to the probabilities determined by taking into consideration possible results and reflects the time value of money as a unbiased amount, past events, current conditions and forecasts of future economic conditions as reasonable and supportable information that can be obtained without incurring excessive cost or effort at the reporting date.

According to TFRS 9, after each financial instrument has been recognized for the first time in the financial statements for which there is a need for an impairment assessment, if there is a significant increase in the credit risk at each reporting date.

Estimated credit loss provision is calculated to estimate the loss if the financial instrument defaulted.

Due to the deterioration in credit quality since their initial recognition, financial instruments are allocated to one of the following stages:

Stage 1: Financial instruments with 12-months expected credit loss provision calculated, no significant increase in credit risk;
Stage 2: Financial instruments with a significant increase in credit risk and where the expected credit loss provision is calculated for lifetime;
Stage 3: impaired, non-performing(defaulted) loans.

The financial instruments in Stage 1 are financial instruments that has been recognized for the first time in the financial statements or do not have a significant increase in the credit risk after the initial recognition in the financial statements. For these instruments, credit risk impairment provision is calculated as the expected credit loss provision for 12-months default risk from the reporting date.

After the initial reporting period, a significant increase is observed in the credit risk and result of the provision for credit risk impairment for the financial instruments mentioned in Stage 2 is calculated as the expected loss provision over the remaining life from the reporting date.

Financial instruments in Stage 3 are assumed to be defaulted and therefore impaired. For these assets, lifetime expected credit losses are recognized.

The expected credit loss provision is calculated as whole(collective) or seperate(individual).

Financial instruments with common credit risk characteristics are grouped for the expected loan loss provisions calculated collectively.

In the Bank, grouping of credit risks according to common characteristics was made according to 'risk segments'. The standards for the separation of credit risks by risk segments have been prepared in accordance with the Basel II recommendations for the assessment of capital adequacy based on credit risk in the context of the standard internal rating-based approach("IRB"). The purpose of classifying credit risks according to risk segments is to determine the approach for analyzing and evaluating credit risk for the relevant risk segment.

The credit risk classification is as follows:

- Segment classification for non-retail loans is made at the counterparty level to collect all the risks of the counterparty only to a risk segment based on the credit products requested by the counterparty;
- Segment classification for retail loans is based on both product level and counterparty characteristics. This means that Credit risks of the other party can be classified into different risk segments.

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The main groupings based on risk segments for the expected credit loss provision calculation are as follows:

- Corporate/Commercial loans
- OBI loans
- KBI loans
- Agricultural loans
- Consumer loans
- Mortgage loans
- Vehicle loans
- Overdraft
- Credit cards
- Loans granted to local governments
- Project financing loans
- Central administrations
- Banks

The expected loan loss provisions calculated collectively are calculated by using the components such as default amount(DA), default probability(DP), loss in default(LiD) and effective interest rate of the loan.

Default amount

The default amount is the expected economic receivable at the time of default.

In order to calculate the expected loan loss provision, the DA value of each loan is calculated by discounting the expected principal and interest payments from the future dates to the reporting date using the effective interest rate. The loan conversion rate is also applied to the DA value.

Probability of default

The probability of default indicates the probability of default of the debtor in a certain period of time.

There are two types of PD values calculated in accordance with TFRS 9 requirements:

- 12-month PD: Estimate the probability of default for 12 months after the reporting date of the financial instrument.
- Lifetime default probability: Estimated probability of default over the life of the financial instrument.

The credit ratings of the internal rating systems used by the Bank in credit allocation processes are used to classify the customers in the expected credit loss provision calculations.

Internal rating systems used for non-individual customers are mainly divided into Corporate/Commercial, OBI, CBI and Agriculture model groups. The internal ratings in the Corporate/Commercial and OBI model groups take into account quantitative characteristics such as indebtedness, liquidity and size of the customer as well as qualitative assessment elements. The internal ratings in the KBI and Agriculture model groups reflect behavioral information such as the trend in the use rate of the entire banking sector in the banking sector, the duration of use of the CBM product in the Bank, or the recent frequency of delays in loan payments.

Internal rating systems for retail consumers are differentiated at level Consumer, Mortgage, Vehicle Loans, Overdraft and Credit Card products group. In order to produce these scores, behavioral data such as the customer's trend in the limit usage rate in the Bank and the sector, the frequency of the delays in the current period, customers' ownerships of the cross products and their payment habits of the other products are used.

In the first step, the outputs of the internal rating systems are grouped on the basis of risk segments according to the common characteristics of credit risks for PD calculations in accordance with TFRS 9. Historical default data of these groups were prepared. A basket creation analysis was performed for the default data obtained for the purpose of obtaining reasonable and valid accumulated default rates.

PD curves are drawn by running regression method used by proper distribution through data obtained for the baskets. Since the PD values obtained represent PD values 'throughout the life cycle', they were converted to 'instant' PD values in accordance with TFRS 9. In the last step, macroeconomic expectations for PD value are reflected.

For credit risk groups that do not have sufficient historical default data, external default statistics or minimum PD rates in Basel documentation are used.

The internal validation of the process described above was carried out at the end of 2018.

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Loss given default

In case of default, the loss refers to the ratio of the economic loss to the debtor has defaulted.

For the purpose of calculating the expected credit loss provision, two types of LGD rate is calculated: LGD ratio for the unsecured credit risk and LGD ratio for the collateralized credit risk.

The LGD ratio for unsecured credit risk was calculated using the Bank's previous collection data and grouped on the basis of risk segments based on common characteristics of credit risks.

The following TFRS 9 requirements are taken into account for the LGD ratio calculation for unsecured credit risk:

- Long-term LGD is used(excluding regression effect)
- In the case of conservative approach it is excluded
- Excludes indirect costs in the case of existence
- The result figures are discounted by the effective interest rate

The LGD ratio for collateralized credit risk is calculated by considering the collateral structure for each loan. To calculate this ratio, the rates of consideration taken for the Bank's collateral type, the periods of cash conversion and the effective interest rate of the loan to which the collateral belongs are used. Historical data and in the case of absent of it best estimates are used to determine the relevant rates of consideration and cash-through periods.

For unsecured credit risk groups with insufficient historical collection data, the standard rate included in the Basel documentation is used.

The internal validation of the process described above was carried out at the end of 2018.

Effective interest rate

The effective interest rate is the discount rate that equals the future expected cash receipts and collections that are expected to occur over the expected life of the financial asset or liability to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

Other than the expected credit loss provisions calculated collectively, the expected credit loss provisions of the financial instruments that are subject to a coverage over a certain risk or which will be determined by the Bank management are calculated based on the seperate(individual) evaluation. In accordance with the Guideline on Calculation of Provision for Loan Losses in Accordance with TFRS 9 announced by the BRSA on 26 February 2018, the calculation was made using at least two scenarios for each financial instrument in accordance with the discounted cash flow method. The ultimate expected credit loss provision of the financial instrument is based on the fact that the expected credit loss provisions calculated for the related scenarios are weighted by the probability of realization of the scenarios.

Low credit risk

In accordance with TFRS 9, the risk of the default of the financial instrument is low, the borrower has a strong structure to meet the contractual cash flow obligations in the short term, and the negative changes in the economic conditions and operating conditions in the longer term reduce the power of the debtor to fulfill the contractual cash flow obligations. the credit risk of the financial instrument is considered to be low.

It has not been concluded that financial instruments have a low credit risk only if the risk of loss of the financial instruments is considered to be low due to the value of the collateral and if the credit risk of the related financial instrument is not evaluated as low.

Furthermore, it is not considered that the financial instruments have a low credit risk only because they have less risk than the other financial instruments of the enterprise or the credit risk of the region where the business is operating.

In the case of low risk determination of any financial instrument and also assuming that the first contact of the credit risk is not significantly increased after the financial statements, the relevant financial instrument is evaluated in Stage 1.

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Financial instruments considered to have a low credit risk under TFRS 9 are presented below:

- Receivables from CBRT.
- Risks in the case of the counterparty is the TC Treasury
- Loans to subsidiaries of the main shareholder.
- Transactions with banks with AAA rating

The Participation of Senior Management of the Bank to the IFRS 9 Process

Principles and Procedures for the Classification of Loans and Provisions to be Reserved in the Official Gazette dated June 22, 2016 and numbered 29750 within the scope of the regulations related to internal systems, risk management, corporate governance and credit classification, which are issued pursuant to the Banking Law No. 5411 In accordance with Article 20 of the By-Law, 'TFRS 9 Management Committee' has been established in accordance with the 'Guide on the Calculation of Provision for Loan Loss Expected under TFRS 9' prepared by the BRSA.

In accordance with TFRS 9, the Committee is responsible for the control of the classification and measurement of financial instruments, the approval of business models and an adequate calculation of the expected credit loss provision. The Committee is also responsible for ensuring that the Bank's existing policies and processes' control to establish and maintain in accordance with TFRS 9 and relevant good practice guidelines.

The Committee is responsible for ensuring that the expected credit loss provisions are based on reliable and robust methods, that these methods are documented, developed, updated in a timely manner and are accounted for as required.

Executive Board Member responsible for Loans, Assistant General Manager responsible for Financial Affairs, Assistant General Managers responsible for the duties of the Board member charging with loans and Assistant General Manager responsible for Risk Management are the among of members of Commitee.

IX. Explanations on offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the 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 sale and repurchase agreements and transactions related to the lending of securities

Government bonds and treasury bills sold to customers under repurchase agreements are classified according to purpose of being hold into portfolio on the assets side of the accompanying balance sheet within "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Financial assets measured at amortized cost" and are measured according to valuation principles of relating portfolio. Funds obtained from repurchase agreements are presented on the liability side of the balance sheet within the account of "Due to money markets". The accrual amounts corresponding to the period is calculated over the sell and repurchase price difference determined in repurchase agreements. Accrued interest expenses calculated for funds obtained from repurchase agreements are presented in "Due to money markets" account in liability part of the balance sheet.

Securities received with resale commitments are presented under "Due from money markets" line in the balance sheet. The accrual amounts for the corresponding part to the period of the resale and repurchase price difference determined in reverse repurchase agreements are calculated using the effective interest method. The Bank has no securities which are subject to borrowing activities.

XI. Explanations on assets held for sale and discontinued operations and related liabilities

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

A discontinued operation is a division of a bank that is either disposed or held for sale and represents a separate major line of business or geographical area of operations; or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

As at 31 December 2018 and 31 December 2017, the Bank does not have non-current assets held for sale and discontinued operations.

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XII. Explanations on goodwill and other intangible assets

a. Goodwill

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition and the "net goodwill" resulted from the acquisition of the investment and to be included in the balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles. Assets of the acquired company which are not presented on financial statements but separated from goodwill represented with fair values of tangible assets(credit card brand equity, customer portfolio etc.) and/or contingent liabilities to financial statements in process of acquisition.

In accordance with "TFRS 3 – Business Combinations", the goodwill is not amortized. It is tested yearly or if there is any indication of impairment according to "Turkish Accounting Standard 36(TAS 36)-Impairment of Assets".

b. Other intangible assets

Intangible assets are initially measured at acquisition cost and other costs which are required for activation of the financial asset in accordance with TAS 38 "Intangible Assets" standard. Intangible assets are evaluated over excess value of net cost that derived from accumulated depreciation and accumulated impairment after recognition period.

The Bank's intangible assets consist of software, license rights, data/telephone line, total values of credit cards and personal loans portfolio.

Intangible assets purchased before 1 January 2003 and after 31 December 2006 are amortized on a straight-line basis; and those purchased between the aforementioned dates are amortized by using the double-declining method. Useful life of an asset is estimated by assessment of the expected life span, technical, and technological wear outs of the asset. The amortization rates used approximate the useful lives of the assets.

Maintenance costs associated with the computer software that are in use are expensed at the period of occurrence.

XIII. Explanations on tangible assets

The Bank has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use as of 31 December 2016, while it tracks all of its remaining tangible fixed assets by cost model in accordance with TAS 16. Positive differences between property value in expertise reports prepared by licensed valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are posted to the income statement.

	Estimated Economic Life(Year)	Depreciation Rate
Movables		
-Office machinery	4 Years	10 %-50 %
-Furniture and fixtures	5 Years	10 %-50 %
-Motor vehicles	5 Years	20 %-50 %
-Other equipment	10 Years	2,50 %-50 %
Real estate	50 Years	2 %-3,03 %

Maintenance and repair costs that are routinely made on tangible assets are expensed. 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.

There is no restrictions such as pledges and mortgages on tangible assets or no purchase commitments.

XIV. Explanations on investment properties

None.

XV. Explanations on leasing activities

The maximum period of the lease contracts is mostly 4 years. Fixed assets acquired through financial leasing are recognized in tangible assets and depreciated in line with fixed assets group they relate to. The obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the liabilities. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement.

Transactions regarding operational agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Bank does not have finance lease transactions as "lessor".

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XVI. Explanations on provisions and contingent liabilities

Provisions other than specific and general provisions for loans and other receivables and free provisions for probable risks, contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by The Bank management. Whenever the amount of such obligations cannot be measured, they are regarded as "Contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can be measured reliably, a provision is recognized. If the amount of the obligation cannot be measured reliably or the possibility of an outflow of resources embodying economic benefits is remote, such liabilities are disclosed in the footnotes.

XVII. Explanations on obligations for employee benefits

Provision for employee benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

The Bank in accordance with existing legislation in Turkey, is required to make retirement and notice payments to each employee whose employment is terminated due to reasons other than resignation or misconduct. Except to the this extents, the Bank is required to make severance payment to each employee whose employment is terminated due to retirement, death, military service and to female employees following their marriage within one year leave the job of their own accords by fourteenth clause of Labour Law.

The Bank, in accordance with TAS 19 "Employee Benefits" realized provision registry under the condition of prediction of present value of possible liability in the future related to employee termination benefits. Losses and gains which occur after 1 January 2013 are adjusting under the Equity Accounts in accordance with updated TAS 19 Standard.

The Bank has recognized vacation pay liability amount which is calculated from unused vacation to financial statement as a provision.

XVIII. Explanations on taxation

a. Current taxes

By the provisional article added to Corporate Tax Law no.5520 by the Clause 91 of law no. 7061, current tax rate is declared to be 22% for corporations in 2018, 2019 and 2020 taxation periods(for accounting periods beginning from the relevant year for the institutions with special accounting period).

Companies file their corporate tax returns between the 1st and 25th days of the following four months period after to which they relate and the payments are made until the end of that month.

The provision for corporate tax for the period is reflected as the "Current Tax Liability" in the liabilities and "Current Tax Provision" in the income statement.

In accordance with the Corporate Tax Law, tax losses can be carried forward for 5 years. The tax authorities can inspect tax returns and the related accounting records back to a maximum period of five years.

Besides institutions reside in Turkey, dividends paid to the offices or the institutions earning through their permanent representatives in Turkey are not subject to withholding tax. According to the decision no. 2006/10731 of the Council of Ministers published in the Official Gazette no. 26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. In this respect, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the institutions residing in Turkey is 15%. While applying the withholding tax rates on dividend payments to the foreign based institutions and the real persons, the withholding tax rates covered in the related Avoidance of Double Taxation Treaty are taken into account. Addition of profit to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Tax effects of items that are accounted for under the shareholders' equity are also recorded under equity accounts.

b. Deferred taxes

In accordance with TAS 12 "Income Taxes", The Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities of the Bank have been offset in the unconsolidated balance sheet. As a result of offsetting, as of 31 December 2018 deferred tax assets of TL 956.687(31 December 2017: TL 171.853) have been recognized in the accompanying financial statements.

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Deferred tax liabilities are generally recognized for all taxable temporary and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset was not computed over general provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004. In addition, deferred tax assets has started to be recognized over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

c. Transfer pricing

In the framework of the provisions on "Disguised Profit Distribution Through Transfer Pricing" regulated under article 13 of Corporate Tax Law no. 5520, pursuant to the Corporate Tax Law General Communiqué no. 1, which became effective upon its promulgation in the Official Gazette dated 3 April 2007 and numbered 26482, Corporate Tax Law General Communiqué no. 3, which became effective upon its promulgation in the Official Gazette dated 20 November 2008 and numbered 27060, Council of Ministers Decree no. 2007/12888, which became effective upon its promulgation in the Official Gazette dated 6 December 2007 and numbered 26722, Council of Minister Decree no. 2008/13490, which became effective upon its promulgation in the Official Gazette dated 13 April 2008 and numbered 26846, "General Communiqué No. 1 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 18 November 2007 and numbered 26704 and "General Communiqué No. 2 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 22 April 2008 and numbered 26855, "General Communiqué No. 3 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 7 December 2017 and numbered 30263, profits shall be deemed to have been wholly or partially distributed in a disguised manner through transfer pricing if companies engage in the sales or purchases of goods or services with related parties at prices or amounts defined contrary to the arm's length principle. Buying, selling, manufacturing and construction operations and services, renting and leasing transactions, borrowing or lending money, bonuses, wages and similar payments are deemed as purchase of goods and services in any case and under any condition.

Corporate taxpayers are obliged to fill in the "The Form on Transfer Pricing, Controlled Foreign Corporation and Thin Capital" regarding the purchases or sales of goods or services they perform with related parties during a fiscal period and submit it to their tax office in the attachment of the corporate tax return.

Furthermore, the taxpayers registered in the Large Taxpayers Tax Administration(Büyük Mükellefler Vergi Dairesi Başkanlığı) must prepare the "Annual Transfer Pricing Report" in line with the designated format for their domestic and cross-border transactions performed with related parties during a fiscal period until the filing deadline of the corporate tax return, and if requested after the expiration of this period, they must submit the report to the Administration or those authorized to conduct tax inspection.

XIX. Additional explanations on borrowings

Borrowings are initially recognized at cost representing their fair value and remeasured at amortized cost based on the internal rate of return at next periods. Foreign currency borrowings have been translated using the foreign currency buying rates of the Bank at the balance sheet date. Interest expense incurred for the period has been recognized in the accompanying financial statements.

General hedging techniques are used for borrowings against liquidity and currency risks. The Bank, if required, borrows funds from domestic and foreign institutions. The Bank also borrows funds in the forms of syndication loans and securitization loans from foreign institutions.

XX. Explanations on issuance of share certificates

As at 31 December 2018 and 31 December 2017, the Bank does not have issuance of share certificates.

XXI. Explanations on acceptances

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

As of the balance sheet date, there is no acceptances recorded as liability in return for assets.

XXII. Explanations on government grants

As of the balance sheet date, the Bank does not have any government grants.

XXIII. Explanations on segment reporting

Segment reporting is presented in Note XII of Section Four.

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XXIV. Explanations on TFRS 9 financial instruments standard

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 replaced TAS 39 Financial Instruments: recognition and measurement. TFRS 9 sets out the new 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 The Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers 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, features that modify consideration for the time value of money.

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, amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Explanations of the effect of The Bank's implementation of TFRS 9 can be found below.

a. Classification and measurement of financial assets

	Before TFRS 9		In scope of TFRS 9	
	Measurement base	Book value	Measurement base	Book value
Financial assets		31 December 2017		1 January 2018
Cash and Balances with the Central Bank	Amortized cost	16.866.543	Amortized cost	16.866.543
Due from Banks and Money Markets	Amortized cost	4.756.915	Amortized cost	4.756.915
Securities	Fair value through profit or loss	73.654	Fair value through profit or loss	132.813
Securities	Fair value through other comprehensive income	6.712.710	Fair value through other comprehensive income	6.650.346
Securities	Amortized cost	5.212.636	Amortized cost	5.212.636
Derivative Financial Assets	Fair value through profit or loss	801.495	Fair value through profit or loss	801.495
Unconsolidated and Non-financial Subsidiaries	Historical cost	16.425	Fair value through other comprehensive income	620.276
Subsidiaries	TAS 27-Equity method	7.442.877	TAS 27-Equity method	6.971.187
Loans(Gross)	Amortized cost	78.917.125	Amortized cost	78.917.125

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b. Reconciliation of statement of financial position balances from TAS 39 to TFRS 9

Financial assets	Book value before TFRS 9 31 Dec. 2017	Reclassifications	Remeasurements	Book value after TFRS 9 1 Jan. 2018
Fair value through profit or loss				
Balance before reclassification(trading purpose)	73.654			
Reclassified from available for sale financial assets		59.159	-	
Balance after reclassification				132.813
Fair value through other comprehensive income				
Balance before reclassification(available for sale)	6.712.710			
Valuation difference on available for sale fin. asset		-	(3.205)	
Reclassified to fin. assets at fair value through profit or loss		(59.159)	-	
Balance after reclassification				6.650.346
Unconsolidated and non-financial subsidiaries				
Balance before TFRS 9	16.425			
Fair value difference		-	603.851	
Balance after TFRS 9				620.276
Unconsolidated and financial subsidiaries				
Previous amount	7.442.877			
TAS 27-Equity method		-	(471.690)	
Current amount				6.971.187

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.

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 59.159, 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.

Classification of financial instruments based on equity in accordance with TFRS 9 standard

The Bank has decided to measure its "Unconsolidated and non-financial subsidiary", Intertech, which is not traded in an organized market, at Fair Value Through Other Comprehensive Income, irrevocably. The accumulated fair value changes of this subsidiary will not be reclassified to profit and loss if it is disposed of.

The effects of the implementation of the TFRS 9 standard in the subsidiaries applied the TAS 27

As a result of the implementation of TFRS 9 standard by the subsidiaries that the Bank applies the TAS 27-equity method, the negative difference of TL 471.690 has been classified as "Prior Period Income/(Loss)" in shareholders' equity.

Reclassification of categorized items without a change in measurement

In addition to the statements above, since the previous categories under TAS 39 of the debt instruments below were "out of use", they 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", and
(ii) Previously classified as held-to-maturity and as of 1 January 2018 classified as "Measured at Amortized Cost".

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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	**4.506.405**	**231.760**	**4.738.165**
Stage 1	1.044.612	(208.448)	836.164
Stage 2	299.763	842.726	1.142.489
Stage 3	2.811.827	(52.315)	2.759.512
Others(*)	350.203	(350.203)	--
Financial assets(**)	**26.272**	**(21.649)**	**4.623**
Non-cash loans(***)	**204.037**	**(233)**	**203.804**
Stage 1 and Stage 2	105.552	67.044	172.596
Stage 3	98.485	(67.277)	31.208
Total	**4.736.714**	**209.878**	**4.946.592**

(*) Includes free provisions that have been booked among "12.5 Other provisions" for certain risks that could have risen in the future by The Bank at 31 December 2017.
(**) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Banks, Receivables from Money Markets and Other Assets.
(***) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12.1 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. TFRS 9 transition effects on equity

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standard, 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 TFRS 9 presented in the equity items under the scope of this article are given below.

Negative difference of TL 209.878 between the provision for impairment of the previous period of the Bank and the provision for expected credit loss that is measured in accordance with TFRS 9 as of 1 January 2018 is classified as "Prior Period Net Profit/(Loss)" while difference of TL 2.116 is classified as "Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss " 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 credit loss provisions for Stage 1 and Stage 2 loans), recognition of deferred tax assets has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 381.619 have been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior Period Net Profit/(Loss)" in shareholders' equity. For the specific provisions(TFRS 9 expected credit loss provisions for Stage 3 loans), which have been cancelled due to TFRS 9 transition, corporate tax loss amounting to TL 26.310 is also classified under "Prior Period Net Profit/(Loss)" in equity as of 1 January 2018.

Negative remeasurement difference amounting TL 2.500, after tax, for the security amounting to TL 3.205 priorly classified among available for sale securities and measured at historical cost before 1 January 2018 and reclassified to fair value through other comprehensive income after TFRS 9, is classified as "Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss" in shareholders' equity. Additionally, remeasurement difference amounting TL 14.839, after tax, for the security amounting to TL 59.159 priorly classified among available for sale securities before 1 January 2018 and reclassified to fair value through profit or loss after TFRS 9, has given way to a transition between "Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss" and "Prior Period Net Profit/(Loss)" in shareholders' equity.

Remeasurement difference amounting TL 603.851 for Intertech, the unconsolidated and non-financial subsidiary of The Bank, which was being measured at historical cost and that is reclassified to fair value through other comprehensive income after TFRS 9, is classified as "Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss" in shareholders' equity.

Due to the application of TAS 27 in the individual financial statements of the Bank for its subsidiaries and associates subject to consolidation, in these subsidiaries and associates, the effect amounting to TL 471.690 is classified as "Prior Period Income/(Loss)" which was calculated with the transition to TFRS 9.

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XXV. Explanations on prior period accounting policies not valid for the current period

TFRS 9 standard came into effect instead of TAS 39 standard as of 1 January 2018. Accounting policies that have lost their validity with the transition of TFRS 9 are given below:

Financial assets are classified and measured as; "As financial assets at fair value through profit or loss", "Financial assets available-for-sale", "Investments held-to-maturity", and "Loans and receivables" by the Bank. 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 fair value through profit or loss

Financial assets held for trading

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 aimed at short-term profit making.

Trading financial assets are recognized at their fair value in the balance sheet and remeasured at their fair value after recognition.

All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the "Uniform Chart of Accounts", favorable difference between acquisition cost of a financial asset and its discounted value are recognized in "Interest Income"; and in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account. In the case that the financial asset is sold before its maturity, consisted gains or losses are accounted with the same principals.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes.

Financial assets designed at fair value through profit or loss

The Bank does not have any securities designated as "financial assets at fair value through profit or loss".

b. Investment securities available-for-sale

Available-for-sale assets are financial assets that are not loans and receivables, held to maturity investments and financial assets at fair value through profit or loss.

After the recognition, financial assets available for sale are remeasured at fair value. Interest income arising from available for sale calculated with "Effective interest method" and dividend income from equity securities are reflected to the income statement. Unrealized gains and losses arising from the differences of fair value of securities classified as available for sale and that is representing differences between amortized cost calculated with effective interest method and fair value of financial assets are recognized under the account of "Marketable securities valuation differences" under shareholder's equity. Unrealized profits and losses are not reclassified to the income statement until these securities are sold or matured and the related fair value differences accumulated in the shareholders' equity are then transferred to the income statement.

c. Investment securities held-to-maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold 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 reflects the fair value of the those instruments and subsequently recognized at amortized cost by using effective interest rate method.

Interest income obtained from held to maturity financial assets are presented in the line of "Interest received from securities portfolio – investment securities held-to-maturity" in the unconsolidated statement of income.

There is no financial assets that are banned from being classified as investment securities held-to maturity for two years due to the violation of the tainting rule.

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The Bank has government securities with a maturity of 5-10 years and indexed to CPI in the 3 months real coupon ratios that remain constant throughout the maturity in the available for sell and held to maturity securities portfolios. As stated by Secretary of Treasury in CPI indexed investor guide, the reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of 2 months ago.

d. Loans and specific provisions

Loans and receivables are non-derivative financial assets that are not classified as either financial assets at fair value through profit or loss or financial assets available for sale, 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 to transaction costs which reflect fair value and subsequently recognized at the discounted value calculated using the "Effective interest rate method".

Foreign currency loans are subject to evaluation and currency exchange differences arising from such re-measurements are reflected in "Foreign Exchange Gains/Losses" account in the income statement. Foreign currency-indexed loans are initially recognized in their Turkish Lira equivalents; repayments are calculated with exchange rate at payment date, and currency exchange differences occurred are reflected in profit/loss accounts.

Specific and general provisions are calculated in accordance with the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside" published in the Official Gazette numbered 26333 dated 1 November 2006.

When collections are made from loans that have been provided for, they are credited to the unconsolidated income statement accounts "Provision for Loan Losses or Other Receivables" if the provision was made in the current year, otherwise such collections are credited to "Other Operating Income" account with respect to allowances made in prior years. The interest income recovered is booked in "Other Interest Income" account.

e. Explanations on impairment of financial assets

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest method" and its carrying value. Regarding available-for-sale financial assets, when there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

XXVI. Explanations on other matters

None.

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SECTION FOUR
FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations related to the shareholders' equity

Capital and capital adequacy ratio are calculated in accordance with the "Regulation on Equities of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The current period equity of the Bank is TL 22.094.627(31 December 2017: TL 17.925.043) while its capital adequacy standard ratio is 19,49% as of 31 December 2018(31 December 2017: 19,50%).

a. Components of capital

	Current Period 31 December 2018	Amount 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	3.316.100	
Share issue premiums	15	
Reserves	7.760.118	
Gains recognized in equity as per TAS[1]	2.353.280	
Profit	3.427.795	
Current Period Profit	2.182.523	
Prior Period Profit	1.245.272	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	778	
Common Equity Tier 1 Capital Before Deductions	16.858.086	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	--	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	859.971	
Improvement costs for operating leasing	90.106	
Goodwill(net of related tax liability)	--	
Other intangibles other than mortgage-servicing rights(net of related tax liability)	230.632	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences(net of related tax liability)	296.702	
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	1.477.411	
Total Common Equity Tier 1 Capital	15.380.675	

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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 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)	15.380.675
TIER II CAPITAL	
Debt instruments and share issue premiums deemed suitable by the BRSA	5.606.183
Debt instruments and share issue premiums deemed suitable by BRSA(Temporary Article 4)	--
Provisions(Article 8 of the Regulation on the Equity of Banks)	1.295.469
Tier II Capital Before Deduction	6.901.652
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital(-)	172.689
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 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(-)	--
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	172.689
Total Tier II Capital	6.728.963
Total Capital(The sum of Tier I Capital and Tier II Capital)	22.109.638
Total Risk Weighted Amounts	
Loans extended being non compliant with articles 50 and 51 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(-)	15.011
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 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	--
TOTAL CAPITAL	
Total Capital(The sum of Tier I Capital and Tier II Capital)	22.094.627
Total risk weighted amounts	113.382.325
CAPITAL ADEQUACY RATIOS	
Core Capital Adequacy Ratio(%)	13,57
Tier 1 Capital Adequacy Ratio(%)	13,57
Capital Adequacy Ratio(%)	19,49

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BUFFERS	
Total additional Common Equity Tier 1 Capital requirement ratio	2,105
Bank specific total common equity tier 1 capital ratio(%)	1,875
Capital conservation buffer requirement(%)	0,230
Systemic significant bank buffer ratio(%)	--
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets(%)	2,644
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	
General provisions for standard based receivables(before one hundred twenty five in ten thousand limitation)	2.509.597
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.295.469
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[2]	--
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--

[1] As of May 2018, the difference between the expected loan loss provisions calculated in accordance with TFRS 9 and the total provision amount calculated before the implementation of TFRS 9 has been recorded in "Prior Years' Profit and Loss" account. Therefore, in accordance with Provisional Article 5 of the "Regulation on Equity of Banks", this amount has started to be shown net in the calculation of equity by adding 80% of the portion after deduction of the tax amount resulting from the difference.

[2] There is no credits included in Tier 2 capital related to "Temporary Article 4".

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	Prior Period 31 December 2017	Amounts subject 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	3.316.100	
Share issue premiums	15	
Reserves	5.880.326	
Gains recognized in equity as per TAS	1.964.631	
Profit	3.436.484	
Current Period Profit	1.879.792	
Prior Period Profit	1.556.692	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	778	
Common Equity Tier 1 Capital Before Deductions	14.598.334	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	--	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.785.429	
Improvement costs for operating leasing	108.823	
Goodwill(net of related tax liability)	523	869
Other intangibles other than mortgage-servicing rights(net of related tax liability)	134.446	167.842
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	2.029.221	
Total Common Equity Tier 1 Capital	12.569.113	
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 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(-)	33.742	
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	33.742	
Total Additional Tier I Capital	(33.742)	
Total Tier I Capital(Tier I Capital=Common Equity+Additional Tier I Capital)	12.535.371	

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TIER II CAPITAL	
Debt instruments and share issue premiums deemed suitable by the BRSA	4.479.778
Debt instruments and share issue premiums deemed suitable by BRSA(Temporary Article 4)	--
Provisions(Article 8 of the Regulation on the Equity of Banks)	1.048.960
Tier II Capital Before Deduction	5.528.738
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 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(-)	--
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(-)	123.339
Total Deductions from Tier II Capital	123.339
Total Tier II Capital	5.405.399
Total Capital(The sum of Tier I Capital and Tier II Capital)	17.940.770
Total Risk Weighted Amounts	
Loans extended being non compliant with articles 50 and 51 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(-)	15.727
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 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	--
TOTAL CAPITAL	
Total Capital(The sum of Tier I Capital and Tier II Capital)	17.925.043
Total risk weighted amounts	91.940.335
CAPITAL ADEQUACY RATIOS	
Core Capital Adequacy Ratio(%)	13,67
Tier 1 Capital Adequacy Ratio(%)	13,63
Capital Adequacy Ratio(%)	19,50
BUFFERS	
Total additional Common Equity Tier 1 Capital requirement ratio	1,368
Bank specific total common equity tier 1 capital ratio(%)	1,250
Capital conservation buffer requirement(%)	0,118
Systemic significant bank buffer ratio(%)	--
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets(%)	0,048
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	
General provisions for standard based receivables(before one hundred twenty five in ten thousand limitation)	1.476.199
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.048.960
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	--

(*) There is no credits included in Tier 2 capital related to "Temporary Article 4".

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b. Information on debt instruments included in the calculation of equity

Issuer	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA
Unique identifier(eg CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Governing law(s) of the instrument	"Regulations on Banks' Equity " dated 5 September 2013.	"Regulations on Banks' Equity " dated 5 September 2013.	"Regulations on Banks' Equity " dated 5 September 2013.	"Regulations on Banks' Equity " dated 1 November 2006.	"Regulations on Banks' Equity " dated 1 November 2006.
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Not Deducted	Not Deducted	Not Deducted	Not Deducted	Not Deducted
Eligible at solo/group/group&solo	Eligible	Eligible	Eligible	Eligible	Eligible
Instrument type	Loan	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital(Currency in mil, as of most recent reporting date)	695	792	1.585	1.267	1.267
Par value of instrument	695	792	1.585	1.584	1.584
Accounting classification	3470102	3470102	3470102	3470102	3470102
Original date of issuance	30.09.2014	30.04.2014	31.01.2014	30.09.2013	28.06.2013
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.
Subsequent call dates, if applicable	None.	None.	None.	None.	None.
Coupons/Dividends*					
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	First five year 6,2%, after irs +5,64	First five year 7,93%, after irs +6,12	7,50%	7,49%	6,10%
Existence of a dividend stopper	None.	None.	None.	None.	None.
Fully discretionary, partially discretionary or mandatory	--	--	--	--	--
Existence of step up or other incentive to redeem	None.	None.	None.	None.	None.
Noncumulative or cumulative	--	--	--	--	--
Convertible or non-convertible					
If convertible, conversion trigger(s)	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.
If convertible, fully or partially	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.
If convertible, conversion rate	--	--	--	--	--
If convertible, mandatory or optional conversion	--	--	--	--	--
If convertible, specify instrument type convertible into	--	--	--	--	--
If convertible, specify issuer of instrument it converts into	--	--	--	--	--
Write-down feature					
If write-down, write-down trigger(s)	None.	None.	None.	None.	None.
If write-down, full or partial	--	--	--	--	--
If write-down, permanent or temporary	--	--	--	--	--
If temporary write-down, description of write-up mechanism	--	--	--	--	--
Position in subordination hierarchy in liquidation(specify instrument type immediately senior to instrument)	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	--	--	--	--	--

c. Main differences between "Equity" amount mentioned in the prior tables' equity statements and "Equity" amount in balance sheet arise from general provisions and subordinated loans. The portion of main amount to credit risk of general provision up to 1,25% and subordinated credits are considered as supplementary capital in the calculation of "Equity" amount included in equity statement as result of deductions mentioned in scope of Regulation on Equity of Banks. Additionally, Losses reflected to equity are determined through excluding losses sourcing from cash flow hedge reflected in equity in accordance with TAS which are subjects of discount from Core Capital. On the other hand, leasehold improvement costs monitored under Plant, Property and Equipment in balance sheet, intangible assets and deferred tax liabilities related to intangible assets, net carrying value of properties acquired in return for receivables and kept for over three years and certain other accounts determined by the Board are taken into consideration in the calculation as assets deducted from capital.

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d. Explanations on provisional article 5 of the regulation on the equity of banks

EQUITY COMPONENTS	T	T-1	T-2	T-3	T-4
Core Capital	15.380.675	15.380.675	15.380.675	15.380.675	15.380.675
Transition Process Unapplied Core Capital	*14.856.616*	*14.987.631*	*15.118.646*	*15.249.660*	*15.380.675*
Tier I Capital	15.380.675	15.380.675	15.380.675	15.380.675	15.380.675
Transition Process Unapplied Main Capital	*14.856.616*	*14.987.631*	*15.118.646*	*15.249.660*	*15.380.675*
Equity	22.094.627	22.094.627	22.094.627	22.094.627	22.094.627
Transition Process Unapplied Equity	*21.570.568*	*21.701.583*	*21.832.598*	*21.963.612*	*22.094.627*
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	113.382.325	113.382.325	113.382.325	113.382.325	113.382.325
CAPITAL ADEQUACY RATIO					
Core Capital Adequacy Ratio(%)	13,57	13,57	13,57	13,57	13,57
Transition Process Unapplied Core Capital Adequacy Ratio(%)	*13,10*	*13,22*	*13,33*	*13,45*	*13,57*
Main Capital Adequacy Ratio(%)	13,57	13,57	13,57	13,57	13,57
Transition Period Unapplied Main Capital Adequacy Ratio(%)	*13,10*	*13,22*	*13,33*	*13,45*	*13,57*
Capital Adequacy Ratio(%)	19,49	19,49	19,49	19,49	19,49
Transition Process Unapplied Capital Adequacy Ratio(%)	*19,02*	*19,14*	*19,26*	*19,37*	*19,49*
LEVERAGE RATIO					
Total Leverage Ratio Risk Exposure	212.944.399	212.944.399	212.944.399	212.944.399	212.944.399
Leverage Ratio	7,15	7,15	7,15	7,15	7,15
Transition Process Unapplied Leverage Ratio	*6,89*	*6,96*	*7,02*	*7,08*	*7,14*

II. Explanations related to the credit risk

a. Information on risk concentrations by debtors or group of debtors or geographical regions and sectors, basis for risk limits and the frequency of risk appraisals

Credit risk is the risk and losses likely to incur due to the counterparties of the Bank not meeting in full or in part their commitments arising from the contracts.

Credit risk limits of the customers are allocated based on the customers' financial strength and the credit requirement, within the credit authorization limits of the branches, the credit evaluation group, the regional directorates, the executive vice presidents responsible from loans, the general manager, the credit committee and the Board of Directors; on condition that they are in compliance with the related regulations.

Credit risk limits are determined for debtors or group of debtors. Credit risk limits of the debtors, group of debtors and sectors are monitored on a weekly basis.

Information on determination and distribution of risk limits for daily transactions, monitoring of risk concentrations related to off-balance sheet items per customer and dealer basis

Risk limits and allocations relating to daily transactions are monitored on a daily basis. Off-balance sheet risk concentrations are monitored by on-site and off-site investigations.

Information on periodical analysis of creditworthiness of loans and other receivables per legislation, inspection of account vouchers taken against new loans, if not inspected, the reasons for it, credit limit renewals, collaterals against loans and other receivables

The Bank targets a healthy loan portfolio and in order to meet its target there are process instructions, follow-up and control procedures, close monitoring procedures and risk classifications for loans in accordance with the banking legislation.

In order to prevent the loans becoming non-performing either due to cyclical changes or structural problems, the potential problematic customers are determined through the analysis of early warning signals, and the probable performance problems are aimed to be resolved at an early stage.

It is preferred to obtain highly liquid collaterals such as bank guarantees, real estate and ship mortgages, pledges on securities, bills of exchange and sureties of the persons and companies.

Explanations related to the definitions of the loans, which have been overdue and impaired, value adjustments and provisions

Explanation is given in Note VIII-c-4-i of Section Four.

Methods and approaches regarding valuation adjustments and provisions

Based on the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside" the Bank calculates general provision for past due loans and specific provision for impaired loans.

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types

	Risk classifications	Current Period(*)	Average(**)
1	Receivables from central governments and Central Banks	26.920.837	26.951.132
2	Receivables from regional or local governments	945.675	547.810
3	Receivables from administrative bodies and non-commercial enterprises	--	--
4	Receivables from multilateral development banks	--	--
5	Receivables from international organizations	--	--
6	Receivables from banks and brokerage houses	9.857.855	9.535.984
7	Receivables from corporate portfolio	48.231.638	43.068.337
8	Receivables from retail portfolio	46.599.455	48.459.998
9	Receivables secured by residential mortgages	4.086.962	4.314.714
10	Receivables secured by commercial mortgages	10.778.981	9.917.030
11	Past due receivables	2.387.168	1.770.548
12	Receivables defined in high risk category by BRSA	--	--
13	Securities collateralized by mortgages	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--
15	Investments similar to collective investment funds	488	3.152
16	Other receivables	3.672.546	4.545.457
17	Equity investments	11.406.641	10.262.457
18	Total	164.888.246	159.376.619

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.
(**) Arithmetical average of the quarterly reported amounts.

	Risk classifications	Prior Period(*)	Average(**)
1	Receivables from central governments and Central Banks	26.840.819	25.674.212
2	Receivables from regional or local governments	361.094	404.941
3	Receivables from administrative bodies and non-commercial enterprises	--	--
4	Receivables from multilateral development banks	--	--
5	Receivables from international organizations	--	--
6	Receivables from banks and brokerage houses	7.697.286	6.422.154
7	Receivables from corporate portfolio	37.235.871	35.282.701
8	Receivables from retail portfolio	44.290.157	41.915.667
9	Receivables secured by residential mortgages	4.489.819	4.842.066
10	Receivables secured by commercial mortgages	7.898.190	7.754.481
11	Past due receivables	852.622	926.464
12	Receivables defined in high risk category by BRSA	--	--
13	Securities collateralized by mortgages	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--
15	Investments similar to collective investment funds	219	193
16	Other receivables	3.802.591	3.814.082
17	Equity investments	7.637.911	6.569.953
18	Total	141.106.579	133.606.914

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.
(**) Arithmetical average of the quarterly reported amounts.

b. Information on the control limits of the Bank for forward transactions, options and similar contracts, management of credit risk for these instruments together with the potential risks arising from market conditions

The Bank has control limits defined for the positions arising from forward transactions, options and similar contracts. Credit risk for these instruments is managed together with those arising from market conditions.

c. Information on whether the Bank decreases the risk by liquidating its forward transactions, options and similar contracts in case of facing a significant credit risk or not

Forward transactions can be realized at maturity. However, if it is required, reverse positions of the current positions are purchased to decrease the risk.

d. Information on whether the indemnified non-cash loans are evaluated as having the same risk weight as non-performing loans or not

Indemnified non-cash loans are treated as having the same risk weight as non-performing loans.

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Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not

Loans that are renewed and rescheduled are included in a new rating group as determined by the risk management system, other than the follow-up plan defined in the banking regulations.

Long term commitments are accepted as having more risk than short term commitments which results in a diversification of risk and are monitored periodically.

e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities

There is no significant credit risk since the Bank's foreign operations and credit transactions are conducted in OECD and EU member countries in considering their economic climate.

Evaluation of the Bank's competitive credit risk as being an active participant in the international banking transactions market

Being an active participant in the international banking transactions market, the Bank does not have significant credit risk as compared to other financial institutions.

f. The Bank's

1. The share of the top 100 and 200 cash loan customers in the total cash loans portfolio

The share of the top 100 and 200 cash loan customers comprises 27% and 32% of the total cash loans portfolio(31 December 2017: 16%, 19%).

2. The share of the top 100 and 200 non-cash loan customers in the total non-cash loans portfolio

The share of the top 100 and 200 non-cash loan customers comprises 47% and 59% of the total non-cash loans portfolio(31 December 2017: 43%, 54%).

3. The share of the total cash and non-cash loan balance of the top 100 and 200 loan customers in the total assets and off-balance sheet items

The share of the total cash and non-cash loans from its top 100 and 200 loan customers comprise 19% and 24% of the total assets and off-balance sheet items(31 December 2017: 13%, 17%).

g. The Bank's general loan provision for its loans

As at 31 December 2018, the Bank's first and second stage expected loss provisions amounts to TL 2.258.643.

As at 31 December 2017, the Bank's general loan provision amounts to TL 1.476.199.

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h. Information on loans and expected loss provisions

Current Period:31 December 2018	Balance	Provision
Loans	**93.013.297**	**5.837.417**
Stage 1	69.141.046	758.141
Stage 2	17.639.571	1.500.502
Stage 3	5.909.053	3.578.774
Financial assets at fair value through profit or loss	323.627	--
Financial Assets	**33.992.563**	**928**
Other	**3.472.522**	**9.987**
Non-cash Loans	**71.831.847**	**328.143**
Stage 1 and 2	71.548.348	240.039
Stage 3	283.499	88.104
Total	**202.310.229**	**6.176.475**

i. Information on expected credit losses for loans

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period(1 January 2018)	**836.164**	**1.142.489**	**2.759.512**	**4.738.165**
Transfers	**(75.046)**	**(313.336)**	**388.382**	**--**
Stage 1	156.681	(155.820)	(861)	--
Stage 2	(199.232)	211.557	(12.325)	--
Stage 3	(32.495)	(369.073)	401.568	--
Loans addition in the period	207.139	918.021	1.607.027	2.732.187
Disposals from loans in the period	(42.458)	(213.664)	(169.113)	(425.235)
Provisions changes during the period(*)	(167.658)	(33.008)	184.341	(16.325)
Loans written off	--	--	(237.211)	(237.211)
Loans sold	--	--	(954.164)	(954.164)
Balance at the end of the period(31 December 2018)	**758.141**	**1.500.502**	**3.578.774**	**5.837.417**

(*) The related amounts include the changes in the expected loss provision for the period of the loans remaining at the same stage during the year and the expected loss created by the transfers between the stages within the year.

j. Informations about loans movements(*)

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period(1 January 2018)	**65.841.894**	**9.449.747**	**3.625.484**	**78.917.125**
Transfers	**(9.465.077)**	**6.377.643**	**3.087.434**	**--**
Stage 1	2.179.284	(2.177.946)	(1.338)	--
Stage 2	(10.332.730)	10.373.870	(41.140)	--
Stage 3	(1.311.631)	(1.818.281)	3.129.912	--
Loans addition in the period	17.497.428	2.473.389	680.155	20.650.972
Disposals from loans in the period	(4.733.199)	(661.208)	(236.739)	(5.631.146)
Loans written off(**)	--	--	(237.211)	(237.211)
Loans sold	--	--	(1.010.070)	(1.010.070)
Balance at the end of the period(31 December 2018)	**69.141.046**	**17.639.571**	**5.909.053**	**92.689.670**

(*) The balances of loans at fair value through profit or loss are not included.
(**)The Bank has deducted the total amount of TL 237.211 of its loans, which it has classified under loans under follow-up with the other shareholders at amount of TL 605.495, to the main shareholder of a company operating in the telecommunication sector and with the other financial institutions.

k. Profile of significant exposures in major regions

	Risk Classifications(*)(***)																	
Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	26.209.662	939.543	--	--	--	605.485	26.861.154	43.268.688	3.724.333	9.432.282	2.312.111	--	--	--	--	3.672.344	3.983	117.029.585
European Union Countries	--	--	--	--	--	1.775.223	1.846.167	74.409	24.219	4.307	12.183	--	--	--	--	--	--	3.736.508
OECD Countries(**)	--	--	--	--	--	98.608	--	3.067	2.325	--	199	--	--	--	--	--	--	104.199
Off-Shore Banking Regions	--	--	--	--	--	295	292.624	3.569	458	1.511	1	--	--	--	--	--	--	298.458
USA, Canada	685.523	--	--	--	--	2.951.253	--	2.384	2.513	--	5	--	--	--	--	--	--	3.641.678
Ohter Countries	--	--	--	--	--	280.953	445.526	44.133	40.464	66.845	4.611	--	--	--	--	202	--	882.734
Subsidiares, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	11.402.658	11.402.658
UnallocatedAssets/Liabilities	25.652	6.132	--	--	--	4.146.038	18.786.167	3.203.205	292.650	1.274.036	58.058	--	--	--	488	--	--	27.792.426
Total	26.920.837	945.675	--	--	--	9.857.855	48.231.638	46.599.455	4.086.962	10.778.981	2.387.168	--	--	--	488	3.672.546	11.406.641	164.888.246

	Risk Classifications(*)(***)																	
Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	26.750.867	351.010	--	--	--	1.123.096	21.655.231	41.131.657	4.195.786	7.068.476	803.334	--	--	--	--	3.802.461	166.469	107.048.387
European Union Countries	--	--	--	--	--	3.542.703	282.550	60.714	34.032	3.616	7.688	--	--	--	--	--	--	3.931.303
OECD Countries(**)	--	--	--	--	--	21.702	--	3.289	2.899	--	611	--	--	--	--	--	--	28.501
Off-Shore Banking Regions	--	--	--	--	--	271	36.521	3.120	966	1.458	--	--	--	--	--	--	--	42.336
USA, Canada	--	--	--	--	--	307.399	--	2.657	1.530	115	37	--	--	--	--	--	--	311.738
Ohter Countries	--	--	--	--	--	444.855	221.562	32.977	56.162	4.605	2.046	--	--	--	--	130	--	762.337
Subsidiares, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7.471.442	7.471.442
UnallocatedAssets/Liabilities	89.952	10.084	--	--	--	2.257.260	15.040.007	3.055.743	198.444	819.920	38.906	--	--	--	219	--	--	21.510.535
Total	26.840.819	361.094	--	--	--	7.697.286	37.235.871	44.290.157	4.489.819	7.898.190	852.622	--	--	--	219	3.802.591	7.637.911	141.106.579

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

1: Receivables from central governments and Central Banks Receivables secured by mortgages
2: Receivables from regional or local governments Past due receivables
3: Receivables from administrative bodies and non-commercial enterprises
4: Receivables from multilateral development banks
5: Receivables from international organizations
6: Receivables from banks and brokerage houses
7: Receivables from corporate portfolio
8: Receivables from retail portfolio
9: Receivables secured by residential mortgages
10: Receivables secured by commercial mortgages
11: Past due receivables
12: Receivables defined in high risk category by BRSA
13: Securities collateralized by mortgages
14: Short-term receivables from banks, brokerage houses and corporate portfolio
15: Investments similar to collective investment funds
16: Other receivables
17: Equity investments

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

(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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I. Risk Profile by Sectors or Counterparties

	Risk Classifications(*)(**)																			
Current Period: 31 December 2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	--	--	--	--	--	--	704.644	11.344.662	165.677	1.663.827	153.685	--	--	--	--	4	--	13.745.458	287.041	14.032.499
Farming and Cattle	--	--	--	--	--	--	704.168	11.328.644	165.567	1.662.429	152.871	--	--	--	--	4	--	13.730.733	282.950	14.013.683
Forestry	--	--	--	--	--	--	--	4.156	57	1.075	38	--	--	--	--	--	--	4.256	1.070	5.326
Fishing	--	--	--	--	--	--	476	11.862	53	323	776	--	--	--	--	--	--	10.469	3.021	13.490
Manufacturing	--	--	--	--	--	--	12.443.628	2.213.016	254.757	1.739.708	227.022	--	--	--	--	6	--	4.648.116	12.230.021	16.878.137
Mining	--	--	--	--	--	--	709.351	148.514	14.971	37.941	85.434	--	--	--	--	--	--	394.063	602.148	996.211
Production	--	--	--	--	--	--	9.222.011	2.054.165	230.816	1.657.553	140.397	--	--	--	--	6	--	3.755.405	9.549.543	13.304.948
Electric, Gas, Water	--	--	--	--	--	--	2.512.266	10.337	8.970	44.214	1.191	--	--	--	--	--	--	498.648	2.078.330	2.576.978
Construction	--	10.215	--	--	--	--	7.456.211	1.440.193	352.772	1.081.121	186.036	--	--	--	--	3.316	2.800	5.323.519	5.209.145	10.532.664
Services	12.707.436	21.762	--	--	--	9.857.855	12.552.354	7.593.839	747.437	4.063.083	1.122.030	--	--	--	31	208	11.173.284	31.839.836	27.999.483	59.839.319
Wholesale and Retail Trade	--	11.202	--	--	--	--	4.940.928	5.974.605	484.137	1.264.087	415.162	--	--	--	--	205	--	8.928.451	4.161.875	13.090.326
Hotel and Restaurant Services	--	--	--	--	--	--	2.266.344	258.850	102.475	1.929.035	588.962	--	--	--	--	--	--	2.018.726	3.126.940	5.145.666
Transportation and telecommunication	--	--	--	--	--	--	2.752.903	955.031	109.088	269.343	63.056	--	--	--	--	1	--	2.144.504	2.004.918	4.149.422
Financial institution	12.707.436	--	--	--	--	9.857.855	722.817	74.941	7.813	18.774	3.904	--	--	--	31	2	11.173.284	16.512.309	18.054.548	34.566.857
Real estate and letting services	--	169	--	--	--	--	121.496	99.399	19.128	56.095	2.909	--	--	--	--	--	--	272.061	27.135	299.196
Self-employement services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Education services	--	9.359	--	--	--	--	768.444	128.119	13.428	366.306	2.483	--	--	--	--	--	--	1.251.496	36.643	1.288.139
Health and social services	--	1.032	--	--	--	--	979.422	102.894	11.368	159.443	45.554	--	--	--	--	--	--	712.289	587.424	1.299.713
Other	14.213.401	913.698	--	--	--	--	15.074.801	24.007.745	2.566.319	2.231.242	698.395	--	--	--	457	3.669.012	230.557	44.047.833	19.557.794	63.605.627
Total	26.920.837	945.675	--	--	--	9.857.855	48.231.638	46.599.455	4.086.962	10.778.981	2.387.168	--	--	--	488	3.672.546	11.406.641	99.604.762	65.283.484	164.888.246

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

1: Receivables from central governments and Central Banks Receivables secured by mortgages
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9: Receivables secured by residential mortgages
10: Receivables secured by commercial mortgages
11: Past due receivables
12: Receivables defined in high risk category by BRSA
13: Securities collateralized by mortgages
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17: Equity investments

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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	Risk Classifications(*)(**)																			
Prior Period: 31 December 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	--	--	--	--	--	--	612.534	10.132.370	158.540	1.474.130	68.633	--	--	--	--	1	--	12.142.015	304.193	12.446.208
Farming and Cattle	--	--	--	--	--	--	610.488	10.121.974	158.405	1.472.877	63.655	--	--	--	--	1	--	12.126.621	300.779	12.427.400
Forestry	--	--	--	--	--	--	--	5.517	123	991	29	--	--	--	--	--	--	5.577	1.083	6.660
Fishing	--	--	--	--	--	--	2.046	4.879	12	262	4.949	--	--	--	--	--	--	9.817	2.331	12.148
Manufacturing	77.970	--	--	--	--	--	12.389.511	2.273.122	174.432	918.101	117.070	--	--	--	--	4	--	4.959.637	10.990.573	15.950.210
Mining	--	--	--	--	--	--	2.936.824	156.539	8.876	43.405	15.757	--	--	--	--	--	--	389.990	2.771.411	3.161.401
Production	77.970	--	--	--	--	--	7.311.030	2.102.655	158.705	841.105	51.570	--	--	--	--	3	--	3.997.751	6.545.287	10.543.038
Electric, Gas, Water	--	--	--	--	--	--	2.141.657	13.928	6.851	33.591	49.743	--	--	--	--	1	--	571.896	1.673.875	2.245.771
Construction	--	--	--	--	--	--	6.368.060	1.457.617	325.794	882.762	98.566	--	--	--	--	--	2.800	5.383.260	3.752.339	9.135.599
Services	15.063.594	5.429	--	--	--	7.573.346	13.110.474	8.243.719	694.578	3.613.780	376.137	--	--	--	44	128	7.413.259	22.083.463	34.011.025	56.094.488
Wholesale and Retail Trade	--	--	--	--	--	--	3.606.779	6.432.727	453.234	1.352.929	198.253	--	--	--	--	125	--	9.628.315	2.415.732	12.044.047
Hotel and Restaurant Services	--	--	--	--	--	--	3.051.917	271.374	85.461	1.586.597	97.802	--	--	--	--	--	--	1.932.603	3.160.548	5.093.151
Transportation and telecommunication	--	--	--	--	--	--	3.125.648	1.114.860	92.139	305.715	60.408	--	--	--	--	1	--	2.329.487	2.369.284	4.698.771
Financial institution	15.063.594	8	--	--	--	7.573.346	1.369.230	77.163	9.729	36.145	5.232	--	--	--	44	2	7.413.259	5.986.463	25.561.289	31.547.752
Real estate and letting services	--	810	--	--	--	--	202.082	115.467	21.968	18.891	2.412	--	--	--	--	--	--	275.069	86.561	361.630
Self-employement services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Education services	--	4.611	--	--	--	--	837.492	109.155	16.423	188.647	1.762	--	--	--	--	--	--	1.119.686	38.404	1.158.090
Health and social services	--	--	--	--	--	--	917.326	122.973	15.624	124.856	10.268	--	--	--	--	--	--	811.840	379.207	1.191.047
Other	11.699.255	355.665	--	--	--	123.940	4.755.292	22.183.329	3.136.475	1.009.417	192.216	--	--	--	175	3.802.458	221.852	41.111.098	6.368.976	47.480.074
Total	26.840.819	361.094	--	--	--	7.697.286	37.235.871	44.290.157	4.489.819	7.898.190	852.622	--	--	--	219	3.802.591	7.637.911	85.679.473	55.427.106	141.106.579

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

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3: Receivables from administrative bodies and non-commercial enterprises
4: Receivables from multilateral development banks
5: Receivables from international organizations
6: Receivables from banks and brokerage houses
7: Receivables from corporate portfolio
8: Receivables from retail portfolio
9: Receivables secured by residential mortgages
10: Receivables secured by commercial mortgages
11: Past due receivables
12: Receivables defined in high risk category by BRSA
13: Securities collateralized by mortgages
14: Short-term receivables from banks, brokerage houses and corporate portfolio
15: Investments similar to collective investment funds
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(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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m. Analysis of maturity-bearing exposures according to remaining maturities

Current Period

	Risk classifications	Undistributed(*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1	Receivables from central governments and Central Banks	6.107.724	7.282.469	324.395	528	1.194.405	12.011.316
2	Receivables from regional or local governments	--	207	1.191	5.025	44.380	894.872
3	Receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4	Receivables from multilateral development banks	--	--	--	--	--	--
5	Receivables from international organizations	--	--	--	--	--	--
6	Receivables from banks and brokerage houses	4.574.513	1.864.555	479.546	264.678	539.515	2.135.048
7	Receivables from corporate portfolio	257.550	6.932.828	2.997.507	3.618.055	6.318.283	28.107.415
8	Receivables from retail portfolio	--	9.160.254	1.818.156	3.006.869	8.467.550	24.146.626
9	Receivables secured by residential mortgages	21	179.942	135.529	234.047	328.857	3.208.566
10	Receivables secured by commercial mortgages	7	366.294	510.038	597.821	1.062.202	8.242.619
11	Past due receivables	2.387.168	--	--	--	--	--
12	Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13	Securities collateralized by mortgages	--	--	--	--	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--
15	Investments similar to collective investment funds	--	488	--	--	--	--
16	Other receivables	3.672.546	--	--	--	--	--
17	Equity investments	11.406.641	--	--	--	--	--
18	Total	28.406.170	25.787.037	6.266.362	7.727.023	17.955.192	78.746.462

(*) Amounts without determined maturities are included.

Prior Period

	Risk classifications	Undistributed(*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1	Receivables from central governments and Central Banks	2.568.859	12.566.417	137.785	385.815	270.566	10.911.377
2	Receivables from regional or local governments	--	1.578	621	2.615	52.334	303.946
3	Receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4	Receivables from multilateral development banks	--	--	--	--	--	--
5	Receivables from international organizations	--	--	--	--	--	--
6	Receivables from banks and brokerage houses	1.041.128	4.850.357	86.104	416.683	163.483	1.139.531
7	Receivables from corporate portfolio	59.159	4.535.212	2.934.688	2.184.609	4.950.411	22.571.792
8	Receivables from retail portfolio	--	8.079.842	1.593.661	2.523.077	6.470.564	25.623.013
9	Receivables secured by residential mortgages	--	146.478	166.378	195.338	245.899	3.735.726
10	Receivables secured by commercial mortgages	--	349.007	344.800	349.799	859.722	5.994.862
11	Past due receivables	849.500	148	6	--	--	2.968
12	Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13	Securities collateralized by mortgages	--	--	--	--	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--
15	Investments similar to collective investment funds	--	174	45	--	--	--
16	Other receivables	3.802.591	--	--	--	--	--
17	Equity investments	7.637.911	--	--	--	--	--
18	Total	15.959.148	30.529.213	5.264.088	6.057.936	13.012.979	70.283.215

(*) Amounts without determined maturities are included.

n. Risk Classifications

Ratings issued by Fitch, international credit rating agency, are being used in determining risk weights for the regulatory calculation of capital adequacy.

The scope of asset classes that the credit ratings are considered are receivables from Central Governments or Central Bank, receivables from Banks and Brokerage Houses as being limited with those residing abroad and Corporate receivables from residing abroad.

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Current Period

Credit Quality Grade	Risk Rating Fitch	Risk Classifications: Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities Less Than 3 Months	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities More Than 3 Months	Corporate Receivables
1	AAA, AA+, AA, AA-	%0	%20	%20	%20
2	A+, A, A-	%20	%20	%50	%50
3	BBB+, BBB, BBB-	%50	%20	%50	%100
4	BB+, BB, BB-	%100	%50	%100	%100
5	B+, B, B-	%100	%50	%100	%150
6	CCC, CC, C, D	%150	%150	%150	%150

Prior Period

Credit Quality Grade	Risk Rating Fitch	Risk Classifications: Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities Less Than 3 Months	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities More Than 3 Months	Corporate Receivables
1	AAA, AA+, AA, AA-	%0	%20	%20	%20
2	A+, A, A-	%20	%20	%50	%50
3	BBB+, BBB, BBB-	%50	%20	%50	%100
4	BB+, BB, BB-	%100	%50	%100	%100
5	B+, B, B-	%100	%50	%100	%150
6	CCC, CC, C, D	%150	%150	%150	%150

o. Exposures by risk weights

Current Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before CreditRisk Mtigation	24.979.255	--	5.992.340	--	4.224.446	52.165.982	76.532.642	993.581	--	--	--	1.665.111
Exposures after Credit Risk Mtigation	34.478.213	--	5.689.730	3.811.024	11.926.247	41.374.414	61.629.787	991.999	--	--	--	1.665.111

Prior Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before CreditRisk Mtigation	26.278.108	--	4.743.826	--	2.153.022	50.078.968	57.564.835	115.967	--	171.853	--	2.202.029
Exposures after Credit Risk Mtigation	35.244.788	--	4.247.053	4.283.543	7.902.329	39.089.782	47.227.992	--	--	171.853	--	2.202.029

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p. Information by major sectors and type of counterparties(*)

Current Period

	Loans(**)		Provisions
	Impaired(TFRS 9)		
Important Sectors/Counterparties	Significant Increase in Credit Risk(Stage 2)	Credit Impaired (Stage 3)	Expected Loan Loss Provisions(TFRS 9)(***)
Agricultural	250.620	125.394	81.751
Farming and Cattle	236.498	121.218	77.882
Forestry	908	228	289
Fishing	13.214	3.948	3.580
Manufacturing	2.046.591	535.957	562.199
Mining	471.227	181.552	135.951
Production	1.449.655	350.315	412.141
Electric, Gas, Water	125.709	4.090	14.107
Construction	1.220.005	391.387	325.653
Services	7.705.444	2.834.961	2.329.355
Wholesale and Retail Trade	2.263.031	1.199.442	1.000.085
Hotel and Restaurant Services	2.884.577	991.549	832.540
Transportation & telecommunication	351.136	275.537	104.698
Financial institution	14.672	16.554	13.778
Real estate and letting services	374.769	84.484	99.032
Self-employement services	23.740	3.285	4.340
Education services	84.776	19.047	18.678
Health and social services	1.708.743	245.063	256.204
Other	6.416.911	2.021.354	1.780.318
Total	17.639.571	5.909.053	5.079.276

(*) The balance is not included in the balance of loans at fair value through profit or loss.
(**) Cash loans are given.
(***) Includes the second and third stage provisions.

Prior Period

	Loans			Provisions(**)
Important Sectors/Counterparties	Impaired	Past Due	Value Adjustments(*)	
Agricultural	202.865	771.314	14.314	134.533
Farming and Cattle	195.366	770.123	14.295	131.989
Forestry	157	98	2	130
Fishing	7.342	1.093	17	2.414
Manufacturing	338.921	167.318	28.288	225.901
Mining	45.069	32.326	424	29.602
Production	211.801	120.427	27.649	162.542
Electric, Gas, Water	82.051	14.565	215	33.757
Construction	209.742	238.013	4.493	134.378
Services	1.313.814	1.786.881	334.212	946.151
Wholesale and Retail Trade	799.743	496.790	7.131	608.230
Hotel and Restaurant Services	147.199	503.807	204.590	49.810
Transportation and telecommunication	255.576	729.418	121.802	196.125
Financial institution	9.640	5.178	64	4.455
Real estate and letting services	10.761	12.123	190	8.491
Self-employement services	--	--	--	--
Education services	18.449	21.836	253	16.741
Health and social services	72.446	17.729	182	62.299
Other	1.560.142	2.506.963	66.274	1.370.864
Total	3.625.484	5.470.489	447.581	2.811.827

(*) Representing the general and free provision of past due loans.
(**) Representing specific provision amounts.

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q. Movements in valuation adjustments and provisions

Current Period:

31 December 2018	Opening Balance (Before TFRS 9) 31 December 2017	Remeasurements	Opening Balance (After TFRS 9) 1 January 2018	Charge for the period	Other Adjustments(*)	Ending Balance
Default(Third Stage/Specific Provision)	2.811.827	(52.315)	2.759.512	2.010.637	(1.191.375)	3.578.774
12 Months Expected Loss Provision(First Stage)(**)	1.394.816	(558.652)	836.164	(78.023)	--	758.141
Significant Increase in Credit Risk(Second Stage)	299.763	842.726	1.142.489	358.013	--	1.500.502

(*) It includes write-offs and sales made from the portfolio of non-performing loans.
(**) The provisions of the Bank in the financial statements as at 31 December 2017, stated under liabilities 12.5 Other Provisions(in the balance sheet, for the future risks of certain risks that may arise in the loan portfolio are included in the provisions 12-Month Expected Loss Provision(Stage One).

Prior Period: 31 December 2017	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments(*)	Ending Balance
Specific Provisions	2.348.013	1.381.465	(243.797)	(673.854)	2.811.827
General Provisions	1.277.781	198.418	--	--	1.476.199

(*) It includes sales made from non-performing loans.

r. Risk involved in counter-cyclical capital buffer calculations:

Current Period

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	83.388.777	95.845	83.484.622
Austria	9.221.099	--	9.221.099
Malta	1.573.137	--	1.573.137
United Arab Emirates	770.250	--	770.250
Other	1.729.781	--	1.729.781

Prior Period

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	70.251.432	740	70.252.172
Austria	6.335.647	--	6.335.647
Malta	326.744	--	326.744
Turkish Republic of Northern Cyprus	186.425	--	186.425
Other	754.956	--	754.956

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III. Explanations related to the foreign exchange rate risk

a. Foreign exchange rate risk of the Bank is exposed to, related impact estimations, and the limits set by the Board of Directors of the Bank for positions which are monitored daily

Foreign currency exchange rate risk can be taken by the Bank within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

Foreign exchange rate risk is monitored along with potential evaluation differences in foreign currency transactions in accordance with "Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process". Value at Risk approach is used to measure the exchange rate risk for trading positions and calculations are made on a daily basis.

Based on general economic environment and market conditions the Bank's Board of Directors reviews the risk limits and makes changes where necessary.

b. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

In accordance with TFRS 9, The Bank applies net investment hedge accounting to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments in its financial statements.

Information relating to investment hedge to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments are explained in Note XI-a of Section Four.

c. Foreign currency risk management strategy

Foreign exchange risk can be taken by the Bank within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

d. The Bank's spot foreign exchange bid rates as of the balance sheet date and for each of the five days prior to that date

US Dollar purchase rate as at the balance sheet date	TL 5,2810
Euro purchase rate as at the balance sheet date	TL 6,0422

Date	US Dollar	Euro
25 December 2018	5,3034	6,0419
26 December 2018	5,2832	6,0185
27 December 2018	5,2889	6,0245
28 December 2018	5,2609	6,0280
31 December 2018	5,2810	6,0422

e. The basic arithmetical average of the Bank's foreign exchange bid rate for the last thirty days prior to the balance sheet date

The arithmetical average US Dollar and Euro purchase rates for December 2018 are TL 5,3010 and TL 6,0359.

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f. Information on currency risk

Current Period	EURO	USD	Other FC(4)	Total
Assets				
Cash Equivalents and Central Bank	3.193.005	5.713.819	2.631.954	11.538.778
Banks	678.208	2.968.256	269.060	3.915.524
Financial Assets at Fair Value through Profit or Loss(Net)(1)	229.229	225.120	--	454.349
Due from Money Markets	--	--	--	--
Financial Assets at Fair Value through Other Comprehensive Income	322.071	1.462.249	--	1.784.320
Loans(2)	16.324.919	10.948.791	948.989	28.222.699
Investments in Associates, Subsidiaries and Joint Ventures	9.215.233	253.720	--	9.468.953
Financial Assets Measured at Amortized Cost	--	2.295.527	--	2.295.527
Hedging Derivative Financial Assets	--	--	--	--
Tangible Assets(Net)	--	19	--	19
Intangible Assets(Net)	--	--	--	--
Other Assets(3)	878.737	745.023	83.803	1.707.563
Total Assets	30.841.402	24.612.524	3.933.806	59.387.732
Liabilities				
Bank Deposits	1.059.149	1.136.313	96.485	2.291.947
Foreign Currency Deposits	10.894.895	21.744.287	1.516.185	34.155.367
Due to Money Markets	--	--	--	--
Funds Borrowed	4.576.501	13.594.962	3.082.332	21.253.795
Securities Issued	--	--	--	--
Miscellaneous Payables	--	--	--	--
Hedging Derivative Financial Liabilities	--	--	--	--
Other Liabilities(5)	1.093.709	5.541.390	40.750	6.675.849
Total Liabilities	17.624.254	42.016.952	4.735.752	64.376.958
Net on Balance Sheet Position	13.217.148	(17.404.428)	(801.946)	(4.989.226)
Net off-Balance Sheet Position(6)	(12.280.858)	17.407.939	808.519	5.935.600
Financial Derivative Assets	13.507.646	34.356.148	1.975.250	49.839.044
Financial Derivative Liabilities	(25.788.504)	(16.948.209)	(1.166.731)	(43.903.444)
Net Positions	936.290	3.511	6.573	946.374
Non Cash Loans	10.142.907	10.716.398	644.212	21.503.517
Prior Period				
Total Assets	20.454.749	22.045.524	4.224.206	46.724.479
Total Liabilities	16.246.294	34.768.872	3.054.941	54.070.107
Net on Balance Sheet Position	4.208.455	(12.723.348)	1.169.265	(7.345.628)
Net off-Balance Sheet Position	(3.980.505)	14.009.831	(1.173.254)	8.856.072
Financial Derivative Assets	8.863.601	28.755.242	863.592	38.482.435
Financial Derivative Liabilities	(12.844.106)	(14.745.411)	(2.036.846)	(29.626.363)
Net Positions	227.950	1.286.483	(3.989)	1.510.444
Non Cash Loans	7.801.338	8.400.226	382.940	16.584.504

(1) : Foreign currency differences of derivative assets amounting to TL 395.743 are excluded.
(2) : Foreign currency indexed loans amounting to TL 2.162.067 are included.
(3) : Prepaid expenses at the amount of TL 128.111 are not included.
(4) : There are gold amounts in total assets amounting to TL 3.574.729 and in total liabilities amounting to TL 3.988.244.
(5) : Not including the exchange rate difference of TL 704.094 pertaining to derivative financial assets and the FX equity of TL(130.743).
(6) : Net amount of receivables and liabilities from financial derivatives is shown on the table. FX swap transactions that are reported under the "Financial Assets Purchase Pledges" is included in "Net Off-Balance Sheet Position".

g. Informations on currency risk exposure

The table below demonstrates prospective increase and decrease in equities and the statement of income as of 31 December 2018 and 2017(excluding tax effect) on condition that 10 percent devaluation of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, to be constant.

	Current Period		Prior Period	
	Period Profit/Loss	Equity	Period Profit/Loss	Equity
USD	10.303	(1.808)	47.217	42.189
Euro	62.408	61.445	17.915	18.713
Total(Net)	72.711	59.637	65.132	60.902

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IV. Explanations related to the interest rate risk

Interest rate risk arises from disagreements between the repricing dates of the assets, liabilities and off-balance sheet items(for floating-rate products) or maturities(for fixed-rate products). Although this dispute is a structural situation in the banking system, it may affect the bank's interest income and expense and the economic value of the balance sheet if there are unexpected changes in interest rates.

The ultimate responsibility for managing the interest rate risk is in the Asset and Liability Committee(ALCO). However, the Treasury and Asset Liability and Capital Management units are responsible for identifying the most appropriate strategies for interest rate risk management and recommending them to decision makers. There are limits approved by the Board of Directors for the control of interest rate risk.

a. Interest rate sensitivity of the assets, liabilities and off-balance sheet items(Based on repricing dates)

End of the Current Period	Up to 1 Month	1 – 3 Month	3 – 12 Month	1 – 5 Month	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	4.092.918	--	--	--	--	9.819.952	13.912.870
Banks	594.715	121.372	60.556	--	--	3.395.913	4.172.556
Financial Assets at Fair Value through Profit or Loss(Net)	112.315	297.406	390.024	910.786	402.343	95.845	2.208.719
Due from Money Markets	--	--	--	--	--	--	--
Financial Assets at Fair Value through Other Comprehensive Income	386.432	1.006.288	2.931.396	2.450.417	847.937	778	7.623.248
Loans	16.307.132	5.938.346	11.699.007	37.355.918	13.545.198	2.330.279	87.175.880
Financial Assets Measured at Amortized Cost	2.250.889	337.301	459.465	1.371.538	1.655.977	--	6.075.170
Other Assets(*)	--	--	--	--	--	16.489.506	16.489.506
Total Assets	**23.744.401**	**7.700.713**	**15.540.448**	**42.088.659**	**16.451.455**	**32.132.273**	**137.657.949**
Liabilities							
Bank Deposits	1.765.337	560.097	458.062	--	--	74.298	2.857.794
Other Deposits	47.950.337	13.802.211	4.460.339	23.767	--	15.034.332	81.270.986
Due to Money Markets	1.385.878	--	--	--	--	--	1.385.878
Miscellaneous Payables	--	--	--	--	--	--	--
Securities Issued	604.273	1.008.504	179.115	--	--	--	1.791.892
Funds Borrowed	6.277.012	12.646.787	2.259.724	304.081	--	--	21.487.604
Other Liabilities(**)	273.525	396.452	917.889	125.054	222.142	26.928.733	28.863.795
Total Liabilities	**58.256.362**	**28.414.051**	**8.275.129**	**452.902**	**222.142**	**42.037.363**	**137.657.949**
Balance Sheet Long Position	--	--	7.265.319	41.635.757	16.229.313	--	65.130.389
Balance Sheet Short Position	(34.511.961)	(20.713.338)	--	--	--	(9.905.090)	(65.130.389)
Off-balance Sheet Long Position	2.015.530	--	877.838	--	--	--	2.893.368
Off-balance Sheet Short Position	--	(1.050.405)	--	(1.710.113)	(457.257)	--	(3.217.775)
Total Position	**(32.496.431)**	**(21.763.743)**	**8.143.157**	**39.925.644**	**15.772.056**	**(9.905.090)**	**(324.407)**

(*) Other assets/non-interest bearings include; tangible assets, intangible assets, investments in associates, deferred tax assets, investments in subsidiaries, jointly controlled partnerships, assets to be sold, financial assets and the expected losses of other assets and other assets with balances of TL 437.922, TL 230.632, TL 9.340, TL 956.687, TL 11.390.518, TL 2.800, TL 267.487,(10.914) and TL 3.205.034, respectively.
(**) Other liabilities/non-interest bearings include; Shareholders' Equity, Other Liabilities, Provisions and Tax Liabilities with balances of TL 15.444.650, TL 10.319.197, TL 897.337 and TL 267.549, respectively.

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End of the Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	4.572.370	--	--	--	--	12.294.173	16.866.543
Banks	3.552.622	--	182.759	--	--	270.748	4.006.129
Financial Assets at Fair Value Through Profit or Loss	98.564	76.661	311.902	203.599	183.682	741	875.149
Due from Money Markets	750.786	--	--	--	--	--	750.786
Investment Securities Av.-for-Sale	299.270	550.779	1.810.059	2.421.950	1.567.537	63.115	6.712.710
Loans	12.626.323	5.967.707	8.907.948	36.365.529	11.424.134	813.657	76.105.298
Investment Securities Held-to-Mat.	1.800.713	387.207	638.299	910.721	1.475.696	--	5.212.636
Other Assets(*)	--	--	--	--	--	10.519.033	10.519.033
Total Assets	**23.700.648**	**6.982.354**	**11.850.967**	**39.901.799**	**14.651.049**	**23.961.467**	**121.048.284**
Liabilities							
Bank Deposits	4.318.061	267.678	1.457.261	--	--	39.694	6.082.694
Other Deposits	43.212.717	9.555.804	3.860.367	32.137	--	12.502.086	69.163.111
Due to Money Markets	3.977.111	--	--	--	--	--	3.977.111
Miscellaneous Payables	--	--	--	--	--	1.905.828	1.905.828
Marketable Securities Issued	256.970	667.494	540.153	--	--	--	1.464.617
Funds Borrowed from Other Fin. Inst.	3.072.276	6.472.316	4.742.092	340.717	4.518.167	--	19.145.568
Other Liabilities(**)	341.593	120.870	216.323	520.411	187.501	17.922.657	19.309.355
Total Liabilities	**55.178.728**	**17.084.162**	**10.816.196**	**893.265**	**4.705.668**	**32.370.265**	**121.048.284**
On Balance Sheet Long Position	--	--	1.034.771	39.008.534	9.945.381	--	49.988.686
On Balance Sheet Short Position	(31.478.080)	(10.101.808)	--	--	--	(8.408.798)	(49.988.686)
Off-Balance Sheet Long Position	4.873.004	2.678.134	6.258.237	3.176.076	3.664.803	--	20.650.254
Off-Balance Sheet Short Position	(2.904.585)	(5.622.927)	(3.350.892)	(4.217.443)	(4.649.295)	--	(20.745.142)
Total Interest Sensitivity Gap	**(29.509.661)**	**(13.046.601)**	**3.942.116**	**37.967.167**	**8.960.889**	**(8.408.798)**	**(94.888)**

(*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Associates, Investments in Associates and Joint Ventures, Tax Assets, Investments in Subsidiaries, Assets to be sold and other assets with balances of TL 440.559, TL 168.711, TL 9.340, TL 2.800, TL 171.853, TL 7.459.302, TL 129.707 and TL 2.136.761 respectively.
(**) Other liabilities/non-interest bearings include; Shareholders' Equity, Tax Liabilities, Provisions and Other Liabilities with balances of TL 12.812.905, TL 258.971, TL 2.189.191 and TL 2.661.590 respectively.

b. Average interest rates applied to monetary financial instruments

Current Period – 31 December 2018	EURO %	USD %	Yen %	TL %
Assets				
Cash Equivalents and Central Bank	--	1,90	--	13,00
Banks	2,06	--	--	23,85
Financial Assets at Fair Value through Profit or Loss(Net)	3,98	6,39	--	20,14
Due from Money Markets	--	--	--	--
Financial Assets at Fair Value through Other Comprehensive Income	2,89	3,74	--	14,85
Loans	5,38	6,86	5,45	22,06
Financial Assets Measured at Amortized Cost	--	5,05	--	22,34
Liabilities				
Bank Deposits	2,68	4,35	0,25	23,15
Other Deposits	1,68	4,00	0,15	22,74
Due to Money Markets	--	--	--	16,72
Miscellaneous Payables	--	--	--	--
Securities Issued	--	--	--	27,34
Funds Borrowed	1,46	4,70	--	11,54

Prior Period – 31 December 2017	EURO %	USD %	Yen %	TL %
Assets				
Cash Equivalents and Central Bank	--	1,29	--	4,00
Banks	0,46	1,25	--	12,77
Financial Assets at Fair Value Through Profit or Loss(Net)	2,17	4,85	--	14,50
Due from Money Markets	--	--	--	12,75
Available-for-sale Financial Assets	2,89	4,46	--	9,35
Loans	5,29	6,25	5,52	17,27
Held-to-maturity Investments	--	5,05	--	12,52
Liabilities				
Bank Deposits	0,54	2,24	--	13,60
Other Deposits	1,67	3,48	0,85	13,95
Due to Money Markets	--	3,14	--	10,76
Miscellaneous Payables	--	--	--	--
Securities Issued	--	--	--	13,10
Funds Borrowed	1,05	3,29	--	10,00

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c. Interest rate risk on banking book

The interest rate risk arising from banking accounts is managed according to the principles stated in the "Interest Rate Risk Management Policy".

Sensitivity limits were determined by the Bank for possible negative developments in the market. Among the metrics; the sensitivity of the net present value of the balance sheet to certain interest rate shocks, the sensitivity of the net interest income, Financial Assets at Fair Value Difference to Other Comprehensive Income has impact and interest rate gap analysis on the CAR. These criteria are not only monitored in weekly ALCOs, but are also submitted to the senior management and the Board of Directors due to the limits set forth in the risk appetite declaration.

Interest rate risk calculation and reporting arising from banking accounts according to the "Regulation on Measurement and Assessment of the Interest Rate Risk from Banking Accounts" published in the Official Gazette no. 28034 dated 23 August 2011. The related ratio is prepared monthly as the other interest rate metrics that the bank follows. In addition, it is provided with close monitoring by weekly estimation studies and submitted to ALCO.

Cross currency swaps or interest swaps are used to hedge up to 10 years against the negative effects of interest rate risk.

The Bank's economic value differences arising from the interest rate fluctuations pursuant to the "Regulation on the Measurement and Assessment of Interest Rate Risk Arising from Banking Accounts According to the Standard Shock Method" in a manner separated by different currencies are demonstrated in the following table as of 31 December 2018.

Current Period: 31 December 2018

	Type of Currency	Shocks Applied (+/-x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1	TL	(+) 500 bps	(1.656.294)	(%7,50)
2	TL	(-) 400 bps	1.493.763	%6,76
3	Euro	(+) 200 bps	(554.423)	(%2,51)
4	Euro	(-) 200 bps	681.910	%3,09
5	US Dollar	(+) 200 bps	91.274	%0,41
6	US Dollar	(-) 200 bps	(84.630)	(%0,38)
	Total(of positive shocks)		(2.119.443)	(%9,60)
	Total(of negative shocks)		2.091.043	%9,47

Prior Period: 31 December 2017

	Type of Currency	Shocks Applied (+/-x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1	TL	(+) 500 bps	(2.016.683)	(%11,25)
2	TL	(-) 400 bps	1.852.464	%10,33
3	Euro	(+) 200 bps	(250.642)	(%1,40)
4	Euro	(-) 200 bps	350.365	%1,95
5	US Dollar	(+) 200 bps	(6.354)	(%0,04)
6	US Dollar	(-) 200 bps	24.672	%0,14
	Total(of positive shocks)		(2.273.679)	(%12,69)
	Total(of negative shocks)		2.227.501	%12,42

V. Position risk of equity shares on banking book

a. Comparison of carrying, fair and market values of equity shares

The Bank does not have associates and subsidiaries traded at BIST markets and shown in the unconsolidated financial statements at fair value as of 31 December 2018 and 31 December 2017.

b. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capital

None.

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VI. Explanations related to the liquidity risk

Liquidity risk can form as a result of significant changes which can happen in market liquidity or a general funding risk. Funding risk states the risk of not meeting cash outflows completely because of maturity mismatch between assets and liabilities while market liquidity risk states the risk of not liquidating assets because of a collision in market conditions or insufficient market depth.

Information on liquidity risk management, including the Bank's risk capacity, responsibilities and structure of liquidity risk management, liquidity risk reporting in the Bank, liquidity risk strategy, policy and practices, communication with the board of directors and business lines:

Within the Bank, the procedures and principles regarding liquidity risk management are determined by the "Liquidity Risk Management Policy " approved by the Board of Directors. This policy includes the basic duties and principles of liquidity risk management within the Bank including the related methods, procedures, controls, and reporting framework. The "Liquidity Emergency Action Plan" was established within the Liquidity Risk Management Policy , enclosing possible precautions which can be taken against unexpected liquidity squeezes.

"Risk Appetite Statement" is reviewed annually in order to manage risks in accordance with the Bank's strategy and its financial power. Risk Appetite Statement includes limits towards liquidity risks besides other risk limits. Risk appetite limits are reported to senior management monthly in scope of risk management activities. In the risk appetite declaration(RAD), limits were set based on the loan/deposit ratio and the LCR criteria for liquidity risk. Other indicators followed outside these metrics are; liquidity buffer, large consistent deposits, and core deposits.

Short-term liquidity management of the Bank is under the responsibility of Treasury Group. Treasury Group weekly reports to Assets and Liabilities Committee(ALCO) related to liquidity structure. ALCO has an active role in establishing related systems and monitoring and decision making processes regarding liquidity risk management. ALCO is also responsible and authorized for monitoring current liquidity position and legal and internal liquidity indicators and taking decisions related to liquidity management taking risk appetite framework into consideration. Different departments of the Bank such as the Treasury Group, Financial Institutions Group, Financial Affairs Group and Risk Management Group contribute to the liquidity management process of the Bank in accordance with the ALCO decisions and also provide the necessary support to the ALCO with the information, analysis and recommendations needed in the decision-making process.

Information on the centralization degree of liquidity management and funding strategy and the functioning of the Bank's partnerships:

Liquidity risk management is performed as par consolidated and non-consolidated. In this context, liquidity monitoring and management in subsidiaries are performed by the related subsidiary and monitored closely by the Bank. In order to meet the liquidity needs of partnerships in case of emergency, limits are allocated by the Bank.

Information on the Bank's funding strategy, including policies on the diversity of fund resources and durations

Management of risk sourcing from funding presents the fundamental of liquidity management activities of the Bank. Main funding source of the Bank is deposits since it is a more stable funding source compared to other sources and it provides a diversified source of funding. Additionally, security issuance and borrowing activities are performed in order to extend the maturity of funding.

On the other hand,the securities portfolio of the Bank carried in order to liquidity risk management that maintain in CBRT and BIST is structured in a way to consist of sovereign securities issued by Treasury of Turkey in order to reduce liquidity risk sourcing from market to minimum level. Criteria and principles related to security investments which shall be received to this portfolio are committed on paper and approved by the related committee.

Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities

A large majority of Bank's liabilities consist of TL, US Dollar, Euro and gold. The main foreign currency funding source of the Bank is deposit and borrowings provided from credit agencies. Foreign currency liquidity risk is at a low level since the foreign currency sources of the Bank are at a higher level and have longer maturity than assets. For this reason, Turkish Lira is created by swap transactions using the current foreign currency liquidity. In other words, foreign currency liabilities are used in the funding of Turkish Lira assets.

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Information on liquidity risk mitigation techniques used

Reducing the liquidity risk continues to prepare and follow up liquidity buffer where possible fund outflows exist. Securities required to manage short-term risks are kept within the balance sheet together. On the other hand, in order to reduce structural liquidity risk, diversified funding sources are aimed to be diversified and the maturity structure will be expanded. Another important element is the strategy of spread to deposit base.

Explanations related to using the stress test

Scenario analyses, including specific conditions having significance with respect to liquidity which have been experienced or which shall possibly be experienced, are performed in order to measure liquidity level under stress conditions. A liquidity level at a sufficient amount to meet all liabilities even under stress conditions is aimed in scope of this scenario analyses through evaluating measures which can be taken. Assumptions related to liquidity stress tests are reviewed annually at minimum. Periodical stress tests are performed within the determined scenarios and liquidity situation is monitored and the duration of the Bank can survive is calculated and the results are compared with the determined limits and presented to the related committees.

General information on the liquidity emergency and contingency plan

In order to be prepared for the liquidity crises that can be experienced and to make the management in a healthy and planned manner, "Liquidity Unexpected Situation Plan Regulation" has been set up to prepare appropriate processes and guide these processes. In this document, early warning indicators, action plans, duties and responsibilities of the units within the Bank are used to determine the unexpected liquidity situation.

In addition, in order to ensure that the Bank maintains its liquidity in all circumstances and meets its liquidity obligations, an emergency liquidity limit to be used by the shareholder to be used within the framework of emergency liquidity management is defined. The mentioned limit is reviewed every year in the budget period and approved by the prevailing partner in the Board of Directors.

a. Liquidity coverage ratio

Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Unconsolidated foreign currency rate calculated for the last three months is at the lowest level in 322,57 in December and at the highest level in December 407,94 while the liquidity coverage rate is at the lowest level in December 129,95 and at the highest level in October 157,54.

Calculation table of liquidity coverage rate is reported to BRSA weekly and monitored daily in the Bank.

High quality liquid assets consist of cash assets, reserves kept in Central Bank of Republic of Turkey and unrestricted marketable securities. Cash outflows consist of deposits, bank borrowings, non-cash loans, derivatives and other liabilities without a certain maturity. Additionally, several bank borrowings are shown as cash outflow regardless of their maturity since they include contingent early payment condition. In addition, additional collateral liability that may arise from the possible changes in the fair value of derivative transactions within the cash outflows are included. Cash inflows consist of credits having maturity less than 30 days and a certain payment due date and receivables from banks and derivative products.

LCR is considered as an important liquidity management criterion for our Bank. The Bank managed to manage the LCR management in terms of the minimum limits that would reach 80% for the foreign currency in 2019 and 100% for the total by searching by the Regulation in terms of 10% each year. In the Risk Appetite Declaration, internal limits are set above the legal minimum limits for the LCR and the related ratio is reported and monitored at the level of ALCO, senior management and the Board of Directors.

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	Current Period	Total unweighted value(*)		Total weighted value(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS(HQLA)					
1	Total High Quality Liquid Assets			24.716.350	14.839.391
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which	62.049.853	22.529.806	5.634.521	2.252.981
3	Stable deposits	11.409.282	--	570.464	--
4	Less stable deposits	50.640.571	22.529.806	5.064.057	2.252.981
5	Unsecured wholesale funding, of which	22.733.197	13.053.428	12.684.652	6.979.090
6	Operational deposits	5.178.169	3.386.874	1.294.542	846.718
7	Non-operational deposits	12.855.617	7.642.468	6.697.901	4.114.334
8	Unsecured debt	4.699.411	2.024.086	4.692.209	2.018.038
9	Secured wholesale funding			--	--
10	Additional requirements of which	3.757.786	4.538.515	2.418.935	3.536.859
11	Outflows related to derivative exposures and other collateral requirements	1.526.367	2.869.088	1.526.367	2.869.088
12	Outflows related to loss of funding on debt products	--	--	--	--
13	Credit and liquidity facilities	2.231.419	1.669.427	892.568	667.771
14	Other contractual funding obligations	1.034.019	1.033.459	1.033.487	1.033.459
15	Other contingent funding obligations	71.250.289	22.274.800	5.459.043	2.171.755
16	TOTAL CASH OUTFLOWS			27.230.638	15.974.144
CASH INFLOWS					
17	Secured lending	4.178	--	--	--
18	Inflows from fully performing exposures	11.714.029	7.702.131	9.414.991	7.152.443
19	Other cash inflows	346.176	6.587.042	346.176	6.587.042
20	TOTAL CASH INFLOWS	12.064.383	14.289.173	9.761.167	13.739.485
				Total adjusted value	
21	TOTAL HQLA			24.716.350	14.839.391
22	TOTAL NET CASH OUTFLOWS			17.469.471	4.072.847
23	LIQUIDITY COVERAGE RATIO(%)			142,0	366,6

(*) Average of values which is calculated by means of weekly simple arithmetic average for the last three months.

	Prior Period	Total unweighted value(*)		Total weighted value(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS(HQLA)					
1	Total High Quality Liquid Assets			24.105.694	14.814.661
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which	47.782.878	16.144.691	4.212.610	1.614.469
3	Stable deposits	11.313.555	--	565.678	--
4	Less stable deposits	36.469.323	16.144.691	3.646.932	1.614.469
5	Unsecured wholesale funding, of which	24.796.299	14.657.775	14.376.140	8.835.528
6	Operational deposits	4.240.201	2.262.947	1.060.050	565.737
7	Non-operational deposits	16.873.349	10.808.144	9.637.346	6.685.874
8	Unsecured debt	3.682.749	1.586.684	3.678.744	1.583.917
9	Secured wholesale funding			174.122	168.363
10	Additional requirements of which	5.782.640	10.198.065	2.671.797	7.343.946
11	Outflows related to derivative exposures and other collateral requirements	1.156.352	5.955.490	1.156.352	5.955.490
12	Outflows related to loss of funding on debt products	--	--	--	--
13	Credit and liquidity facilities	4.626.288	4.242.575	1.515.445	1.388.456
14	Other contractual funding obligations	1.263.086	975.577	1.262.554	975.577
15	Other contingent funding obligations	56.502.535	13.990.132	4.245.491	1.365.472
16	TOTAL CASH OUTFLOWS			26.942.714	20.303.355
CASH INFLOWS					
17	Secured lending	29.027	--	--	--
18	Inflows from fully performing exposures	8.101.076	3.929.152	6.073.460	3.458.911
19	Other cash inflows	299.503	10.992.303	299.503	10.992.303
20	TOTAL CASH INFLOWS	8.429.606	14.921.455	6.372.963	14.451.214
				Total adjusted value	
21	TOTAL HQLA			24.105.694	14.814.661
22	TOTAL NET CASH OUTFLOWS			20.569.751	5.852.141
23	LIQUIDITY COVERAGE RATIO(%)			117,3	252,8

(*) Average of values which is calculated by means of weekly simple arithmetic average for the last three months.

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Presentation of assets and liabilities according to their residual maturities

End of the Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed(*)	Total
Assets								
Cash Equivalents and Central Bank	6.653.185	7.259.685	--	--	--	--	--	13.912.870
Banks	3.395.913	594.715	121.372	60.556	--	--	--	4.172.556
Financial Assets at Fair Value through Profit or Loss(Net)	95.845	112.184	297.263	389.959	911.125	402.343	--	2.208.719
Due from Money Markets	--	--	--	--	--	--	--	--
Financial Assets at Fair Value through Other Comprehensive Income	778	--	416.745	1.381.249	4.539.008	1.285.468	--	7.623.248
Loans	--	13.595.565	3.249.820	16.935.387	37.515.806	13.549.023	2.330.279	87.175.880
Financial Assets Measured at Amortized Cost	--	--	--	--	4.419.193	1.655.977	--	6.075.170
Other Assets	3.277.370	--	--	--	--	--	13.212.136	16.489.506
Total Assets	13.423.091	21.562.149	4.085.200	18.767.151	47.385.132	16.892.811	15.542.415	137.657.949
Liabilities								
Bank Deposits	74.298	1.765.337	560.097	458.062	--	--	--	2.857.794
Other Deposits	15.034.332	47.881.372	13.801.193	4.519.630	34.459	--	--	81.270.986
Fund Borrowed	--	916.265	6.946.711	4.659.320	5.844.421	3.120.887	--	21.487.604
Due to Money Markets	--	1.385.878	--	--	--	--	--	1.385.878
Securities Issued	--	604.273	1.008.504	179.115	--	--	--	1.791.892
Miscellaneous Payables	--	--	--	--	--	--	--	--
Other Liabilities	5.354.654	617.009	1.191.599	5.013.983	122.424	222.142	16.341.984	28.863.795
Total Liabilities	20.463.284	53.170.134	23.508.104	14.830.110	6.001.304	3.343.029	16.341.984	137.657.949
Net Liquidity Excess/(Gap)	(7.040.193)	(31.607.985)	(19.422.904)	3.937.041	41.383.828	13.549.782	(799.569)	--
Net Off-balance sheet Position	--	(204.044)	(67.871)	(504.015)	502.867	--	--	(273.063)
Financial Derivative Assets	--	26.398.885	6.034.645	9.176.570	7.613.822	9.101.633	--	58.325.555
Financial Derivative Liabilities	--	(26.602.929)	(6.102.516)	(9.680.585)	(7.110.955)	(9.101.633)	--	(58.598.618)
Non Cash Loans	--	2.716.765	2.843.077	9.078.407	4.522.483	13.135.034	--	32.295.766
End of the Prior Period								
Total Assets	7.851.412	26.399.284	3.757.396	14.284.513	44.446.978	15.048.798	9.259.903	121.048.284
Total Liabilities	15.707.249	54.029.169	14.899.696	14.374.442	1.897.029	5.087.750	15.052.949	121.048.284
Net Liquidity Excess/(Gap)	(7.855.837)	(27.629.885)	(11.142.300)	(89.929)	42.549.949	9.961.048	(5.793.046)	--
Net Off-balance sheet Position	--	(251.852)	(906.082)	830.607	(241.256)	--	--	(568.583)
Financial Derivative Assets	--	17.963.929	5.693.226	10.527.937	8.076.068	7.943.518	--	50.204.678
Financial Derivative Liabilities	--	(18.215.781)	(6.599.308)	(9.697.330)	(8.317.324)	(7.943.518)	--	(50.773.261)
Non Cash Loans	--	3.012.991	2.493.628	7.211.795	4.178.324	10.881.601	--	27.778.339

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non-performing loans(net) and prepaid expenses are included in this column.

b. Financial liabilities according to contractual maturities

The maturity breakdown of the amounts at maturity for major financial liabilities excluding derivatives are provided in below table. The interest payments of the liabilities are included in relevant time buckets.

End of the Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	64.860.579	14.881.916	5.303.953	39.311	--	85.085.759
Funds borrowed(*)	1.542.523	7.587.228	6.852.541	7.388.522	3.161.629	26.532.443
Interbank Money markets	1.385.878	--	--	--	--	1.385.878
Securities issued	610.190	1.056.960	188.000	--	--	1.855.150
Total	68.399.170	23.526.104	12.344.494	7.427.833	3.161.629	114.859.230

(*) It includes subordinated loans.

End of the Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	60.599.954	9.965.189	5.506.735	54.457	--	76.126.335
Funds borrowed(*)	1.814.902	4.462.444	7.392.055	2.534.128	4.859.423	21.062.952
Interbank Money markets	3.978.297	--	--	--	--	3.978.297
Securities issued	258.855	689.302	552.049	--	--	1.500.206
Total	66.652.008	15.116.935	13.450.839	2.588.585	4.859.423	102.667.790

(*) It includes subordinated loans.

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VII. Explanations related to leverage ratio

Information on matters causing difference between leverage ratios of current period and previous period:

As of 31 December 2018, the leverage ratio calculated from the average of the three-month average is 7,15%. This ratio is over minimum ratio. Difference between leverage ratios of current and previous period mainly sources from increase in risk amounts regarding assets on balance sheet.

Leverage ratio common disclosure template:

		Current Period(*)
	On-balance sheet exposures	
1	On-balance sheet items(exclude derivatives and SFTs; include collateral)	135.771.262
2	(Assets deducted in determining Basel III Tier 1 capital)	(505.465)
3	Total on-balance sheet exposures(excluding derivatives and SFTs)(sum of 1 and 2 lines)	135.265.797
	Derivative exposures	
4	Replacement cost	2.317.109
5	Add-on amount	768.193
6	Total derivative exposures(sum of 4 and 5 lines)	3.085.302
	Securities financing transaction exposures	
7	Gross SFT assets(with no recognition of accounting netting)	375.514
8	Agent transaction exposures	
9	Total securities financing transaction exposures(sum of 7 and 8 lines)	375.514
	Other off-balance sheet exposures	
10	Off-balance sheet exposures with gross nominal amount	74.218.289
11	Adjustment amount off-balance sheet exposures with credit conversion factor	(503)
12	Total off-balance sheet exposures(sum of 10 and 11 lines)	74.217.786
	Capital and total exposures	
13	Tier 1 capital	15.204.312
14	Total exposures(sum of 3,6,9 and 12 lines)	212.944.399
	Leverage ratio	
15	Leverage ratio	7,15

(*) Quarterly average amounts.

		Prior Period(*)
	On-balance sheet exposures	
1	On-balance sheet items(exclude derivatives and SFTs; include collateral)	118.607.930
2	(Assets deducted in determining Basel III Tier 1 capital)	(261.045)
3	Total on-balance sheet exposures(excluding derivatives and SFTs)(sum of 1 and 2 lines)	118.346.885
	Derivative exposures	
4	Replacement cost	1.024.352
5	Add-on amount	423.202
6	Total derivative exposures(sum of 4 and 5 lines)	1.447.554
	Securities financing transaction exposures	
7	Gross SFT assets(with no recognition of accounting netting)	220.745
8	Agent transaction exposures	
9	Total securities financing transaction exposures(sum of 7 and 8 lines)	220.745
	Other off-balance sheet exposures	
10	Off-balance sheet exposures with gross nominal amount	62.783.636
11	Adjustment amount off-balance sheet exposures with credit conversion factor	(503)
12	Total off-balance sheet exposures(sum of 10 and 11 lines)	62.783.133
	Capital and total exposures	
13	Tier 1 capital	12.347.692
14	Total exposures(sum of 3,6,9 and 12 lines)	182.798.317
	Leverage ratio	
15	Leverage ratio	6,76

(*) Quarterly average amounts.

VIII. Explanations on Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Standard Approach is used in calculating the Bank's capital adequacy , the tables to be prepared under the Internal Rating Based Approach(IRB) have not been presented yet as of 31 December 2018.

The risk management disclosures were prepared as to comply with the internal control process that is approved by the Board of Directors.

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a. Risk management and overview of risk weighted assets

1. Disclosures related to the risk management approach

Risks, exposed as a result of business model of the Bank, are determined on a consolidated basis through risk identification and materiality assessment of the Bank. Risk mitigation factors and monitoring activities are established for significant risks which are identified. Limits are identified for risks, considered to be significant, in Risk Appetite Declaration of the Bank and those limits are approved by the Board of Directors. Developments with respect to risk limits determined in Risk Appetite Declaration are monitored on a monthly basis and actions which are pre-determined in risk appetite declaration if those limits are excessed.

Denizbank Risk Management Group Directorate is an internal systems unit responsible for carrying out risk management activities working subject to Board of Directors. It directly reports to Board of Directors. Risk Management Group is responsible to carry out processes such as definition and measurement of risks, establishment and application of risk policies and implementation procedures, analysis, monitoring and reporting of risks in the framework of principles determined by Senior Management of the Bank and Risk Management Group and approved by Board of Directors.

Delegation levels of groups, formed by client and clients at the Bank, are determined in accordance with risk categories established based on limit and credit grade components within the body of the Bank.

Rating process executed by Credit Analysis department and reviews of Credit Allocation department are periodically audited by Credit Risk Control in line with determined rules and the related outputs are presented to the Rating Committee.

Main components of risk measurement systems and its scope

The Bank, including its subsidiaries, has a comprehensive risk identification process. The process aims to determine significant risks specific to the Bank based on a broad list including inherent risks of banking and it is performed on an annual basis. Opinions and reviews of expert individuals within the body of the Bank during the determination of materiality level of risks. Review outputs are used in reports and form a basis to internal capital adequacy assessment processes of the Bank.

The purpose of the studies made in the scope of measurement of risks includes measuring of financial risks exposed by the Bank and its subsidiaries in order to prepare internal and legal reports and form a relation between carried risks and estimated profitability and evaluation of validity of parameters and assumptions used in risk measurement.

It determines which type of reports shall be prepared as consolidated and unconsolidated. It ensures to establish an effective internal audit system which shall prevent to take risk exceeding targeted risk level and limits determined by regulatory authority. Risk limits, approved by Board of Directors for each type of risk types, are taken into account while controlling and reporting of risks.

There is an effective control system to prevent the risk level from being taken and the limits determined by the regulatory authority. The risk limits that are approved by the Board of Directors are taken into account for each type of risk during the control and reporting of risks.

The Risk Management Group, provides the coordination of the internal capital adequacy assessment process(ICAAP) and the measurement of the risks undertaken by the bank. The annual stress test report, which presents the bank's capital and liquidity, is reported to the BRSA by the scenarios in which the macroeconomic variables are taken into account within the framework of the annual ICAAP report and the 3-year strategic plan. The Bank internally monitors the capital requirement level on a monthly basis.

Disclosures on risk reporting processes provided to Board of Directors and senior management, especially the scope and main content of the reporting

Risk Management Group performs reporting to Senior Management and Board of Directors through Audit Committee, ALCO and Rating Committees.

Audit Committee holds quarterly meetings in ordinary situations. Activities performed by the Risk Management Group and risk indicators are presented to the Committee.

ALCO holds weekly meetings. Risk-limit follow-up and detailed analysis related to indicators such as interest and liquidity risk, capital adequacy are presented.

Rating Committee: Rating Committee holds meetings on a quarterly basis. It is the Committee to which the Risk Management presents its evaluation, analysis and findings regarding Internal Rating processes.

Model Risk Management and Validation Committee: It is the committee that the Risk model validation results, prepared within the frame of annual plan, are presented to and approved.

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Risk management, hedging and mitigation strategies of the Bank sourcing from business model and monitoring process with respect to continuing effectiveness of hedging and mitigating components

Limits, which are defined for risks considered to be significant, are monitored on a monthly basis and actions included in risk appetite statement are taken, if required.

In addition, emergency plan related to capital adequacy in order to meet its strategic aims considering stress conditions of the Bank.

2. Overview of risk weighted amounts

		Risk Weighted Amount Current Period	Minimum Capital Requirement Current Period
1	Credit risk(excluding counterparty credit risk)(CCR)	101.179.136	8.094.331
2	*Standardized approach(SA)*	101.179.136	8.094.331
3	*Internal rating-based(IRB) approach*	--	--
4	Counterparty credit risk	2.457.898	196.632
5	*Standardized approach for counterparty credit risk(SA-CCR)*	2.457.898	196.632
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	488	39
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	991.050	79.284
17	*Standardized approach(SA)*	991.050	79.284
18	*Internal model approaches(IMM)*	--	--
19	Operational Risk	8.753.753	700.300
20	*Basic Indicator Approach*	8.753.753	700.300
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)	113.382.325	9.070.586

		Risk Weighted Amount Prior Period	Minimum Capital Requirement Prior Period
1	Credit risk(excluding counterparty credit risk)(CCR)	82.518.951	6.601.516
2	*Standardized approach(SA)*	82.518.951	6.601.516
3	*Internal rating-based(IRB) approach*	--	--
4	Counterparty credit risk	1.396.867	111.749
5	*Standardized approach for counterparty credit risk(SA-CCR)*	1.396.867	111.749
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(*)	959	77
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	767.063	61.365
17	Standardized approach(SA)	767.063	61.365
18	Internal model approaches(IMM)	--	--
19	Operational Risk	7.256.495	580.520
20	*Basic Indicator Approach*	7.256.495	580.520
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)	91.940.335	7.355.227

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b. Linkages between financial statements and exposures

1. The valued amounts and matching in accordance with TAS in the financial statements

	a	c	d	e	f	g
		Carrying values of items under scope of TAS				
Current Period	Revaluation amount in accordance with TAS	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisati on 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	13.912.870	13.912.870	--	--	--	--
Banks	4.172.556	4.172.556	--	--	--	--
Due from money markets	--	--	--	--	--	--
Financial assets at fair value through profit or loss	179.110	--	--	--	83.265	--
Financial assets at fair value through other comprehensive income	7.623.248	7.623.248	--	--	--	--
Financial assets measured at amortized cost	6.075.170	6.075.170	--	--	--	--
Derivative financial assets	2.029.609	--	2.029.609	--	--	--
Loans(net)	87.175.880	87.175.878	--	--	--	187.700
Non-current assets or disposal groups "held for sale" and from discontinued operations(net)	--	--	--	--	--	--
Investments in associates, subsidiaries and joint ventures	11.402.658	11.402.658	--	--	--	--
Tangible assets(net)	437.922	437.922	--	--	--	90.106
Intangible assets(net)	230.632	230.632	--	--	--	230.632
Investment properties(net)	--	--	--	--	--	--
Current Tax Assets	--	--	--	--	--	--
Deferred Tax Assets	956.687	956.687	--	--	--	296.702
Other assets	3.461.607	3.461.607	--	--	--	--
Total assets	**137.657.949**	**135.449.228**	**2.029.609**	**--**	**83.265**	**805.140**
Liabilities						
Deposits	84.128.780	--	--	--	--	84.128.780
Loans	15.213.154	--	--	--	--	15.213.154
Debt to money markets	1.385.878	--	1.385.878	--	--	1.385.878
Debt securities in issue	1.791.892	--	--	--	--	1.791.892
Funds	--	--	--	--	--	--
Financial liabilities at fair value through profit or loss	--	--	--	--	--	--
Derivative financial liabilities	1.925.430	--	--	--	--	1.925.430
Factoring debts	--	--	--	--	--	--
Debts from leasing transactions	9.632	--	--	--	--	9.632
Provisions	897.337	--	--	--	--	897.337
Current tax liabilities	267.549	--	--	--	--	267.549
Deferred tax liabilities	--	--	--	--	--	--
Non-current liabilities or disposal groups "held for sale" and from discontinued operations(net)	--	--	--	--	--	--
Subordinated debts	6.274.450	--	--	--	--	6.274.450
Other liabilities	10.319.197	--	--	--	--	10.319.197
Equity	15.444.650	--	--	--	--	15.444.650
Total liabilities	**137.657.949**	**--**	**1.385.878**	**--**	**--**	**137.657.949**

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	a	c	d	e	f	g
		Carrying values of items under scope of TAS				
Prior Period	Revaluation amount in accordance with TAS	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisati on 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	16.866.543	16.866.543	--	--	--	--
Financial assets held for trading	875.149	--	801.495	--	73.654	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--
Banks	4.006.129	4.006.129	--	--	--	--
Receivables from money markets	750.786	--	750.786	--	--	--
Available for sale financial assets(net)	6.712.710	6.712.710	--	--	--	--
Loans and receivables	76.105.298	76.105.298	--	--	--	139.066
Factoring receivables	--	--	--	--	--	--
Held to maturity investments(net)	5.212.636	5.212.636	--	--	--	--
Investments in associates(net)	9.340	9.340	--	--	--	--
Investments in subsidiaries(net)	7.459.302	7.459.302	--	--	--	--
Investments in joint ventures(net)	2.800	2.800	--	--	--	--
Leasing receivables	--	--	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--
Tangible assets(net)	440.559	440.559	--	--	--	108.823
Intangible assets(net)	168.711	168.711	--	--	--	168.711
Investment properties(net)	--	--	--	--	--	--
Tax assets	171.853	171.853	--	--	--	--
Non-current assets and disposal groups classified as held for sale(net)	--	--	--	--	--	--
Other assets	2.266.468	2.266.468	--	--	--	--
Total assets	121.048.284	119.422.349	1.552.281	--	73.654	416.600
Liabilities						
Deposits	75.245.805	--	--	--	--	75.245.805
Derivative financial liabilities held for trading	1.377.137	--	--	--	--	1.377.137
Loans	13.884.045	--	--	--	--	13.884.045
Debt to money markets	3.977.111	--	3.977.111	--	--	3.977.111
Debt securities in issue	1.464.617	--	--	--	--	1.464.617
Funds	--	--	--	--	--	--
Various debts	1.905.828	--	--	--	--	1.905.828
Other liabilities	2.661.590	--	--	--	--	2.661.590
Factoring debts	--	--	--	--	--	--
Debts from leasing transactions	9.561	--	--	--	--	9.561
Derivative financial liabilities held for hedges	--	--	--	--	--	--
Provisions	2.189.191	--	--	--	--	2.189.191
Tax liability	258.971	--	--	--	--	258.971
Liabilities included in disposal groups classified as held for sale(net)	--	--	--	--	--	--
Subordinated debts	5.261.523	--	--	--	--	5.261.523
Equity	12.812.905	--	--	--	--	12.812.905
Total liabilities	121.048.284	--	3.977.111	--	--	121.048.284

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2. Main sources of differences between risk exposures and valued amounts in accordance with TAS in financial statements

		a	b	c	d	e
	Current Period	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 TAS	137.562.102	135.449.228	--	2.029.609	83.265
2	Liabilities carrying value amount under TAS		--	--	1.385.878	--
3	Total net amount	137.562.102	135.449.228	--	3.415.487	83.265
4	Off-balance sheet amounts(**)	71.548.348	25.048.638	--	--	--
5	Differences in valuations		--	--	--	--
6	Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7	Differences due to consideration of provisions		--	--	--	--
8	Differences due to prudential filters		--	--	--	907.785
9	Differences resulted from considering of the financial guarantees		(4.986.833)	--	--	--
10	Risk exposures	209.110.450	155.511.033	--	3.415.487	991.050

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.
(**) It includes risk which are included in credit risk calculation.

		a	b	c	d	e
	Prior Period	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 TAS	121.048.284	119.422.349	--	1.552.281	73.654
2	Liabilities carrying value amount under TAS		--	--	3.977.111	--
3	Total net amount	121.048.284	119.422.349	--	5.529.392	73.654
4	Off-balance sheet amounts(**)	60.374.355	20.134.248	--	--	--
5	Differences in valuations		--	--	--	--
6	Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7	Differences due to consideration of provisions		--	--	--	--
8	Differences due to prudential filters		--	--	--	693.409
9	Differences resulted from considering of the financial guarantees		(2.939.240)	--	--	--
10	Risk exposures	181.422.639	136.617.357	--	5.529.392	767.063

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.
(**) It includes risk which are included in credit risk calculation.

3. Disclosures on differences between amounts valued in accordance with TAS and risk exposures

Differences between valued amounts in accordance with TAS and risk exposures:

It is obtained through addition of potential risk exposures according to type of transaction and maturity to risk exposure renewal costs in derivative transactions included in counterparty credit risk and through offsetting of cash amount subject to amount adjusted with volatility made to related security in repo and reverse repo transactions.

Amounts of items which are value in accordance with TAS and subject to market risk indicate fair value of financial instruments held for trade. Amounts in line of risk amount related to aforementioned transactions indicate principal amount subject to market risk sourcing from capital requirement calculated related to potential losses which can be caused by interest rate risk, share price risk, exchange rate risks in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy".

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Disclosures on controls performed and systems used in order to ensure prudentiality and reliability of valuations estimates of the Bank in accordance with prudential valuation principles and procedures included in accompanying Annex-3 to Communique on Measurement and Evaluation of Bank's Capital Adequacy:

If the financial instruments recognized through fair value have an active and deep market, valuation is performed based on prices included in market in question. Reliability of market data used in valuations is examined periodically. The Bank does not operate in markets which do not have a depth. Discounted cash flow model is mainly used in the evaluation of derivative instruments and generally accepted valuation models are used for derivative transactions including optionality. Accuracy of market data and model outputs used in valuations are periodically controlled and differences between counterparty valuations and bank's evaluations are monitored regularly.

c. Credit risk

1. General qualitative information about credit risk

How does the business model of the Bank transform to components in its credit risk portfolio

Credit risk within the body of the Bank is managed in the framework of Credit Risk Management Policy approved by Board of Directors. Risk, related to credit, are defined, duties of departments are determined and main principles of credit risk management are brought in aforementioned policy document. Departments assigned in credit management and their authorization/responsibilities are defined in aforementioned document.

In this direction, main limitations related to credit risk are determined in Risk Appetite Statement approved annually by Board of Directors and reported throughout the year by Risk Management Department. Concentration limits on the basis of sector, customer segment and risk groups are determined. Actions which shall be taken in case of a possible overflow are also determined in this document.

In this scope, credit portfolio of the Bank draws a dispersed view with respect to customer segments and sectors.

Criteria and approach used while determining credit risk policy and credit risk limits

Risk limits defined to all counterparties in monitoring of credit risks are tracked on the basis of products, customers and risk groups separately by systems and it is not permitted to take risks exceeding determined limits. Many factors such as ability to pay, features of the sector and possible impacts of geographical and economic conditions are taken into consideration while determining the credit limits of counterparty. If deemed appropriate, it is tried to reduce possible losses of the Bank to minimum through applying required risk mitigation techniques. All documents required by the related legislation should be taken into account during credit examinations. Credit worthiness of counterparty is periodically controlled for limits provided for multi-use and limits are revised considering changes and requirements in the credit worthiness of counterparty. Customers/ transactions are classified based on their credit worthiness by credit allocation officers and respective classes are changed, if required.

Structure and organization of credit risk management and control function

Credit allocation and monitoring is performed in accordance with segregation of duties and therefore, the credit can be reviewed in an objective manner during its economic life. Risk models are used in order to measure credit risk of customers in both allocation and monitoring groups in an accurate and objective manner. Early Warning Systems are used for the monitoring of credit customers and signals received are regularly tracked by Monitoring groups and pre-determined action plans are taken with allocation groups if pre-determined triggers are detected.

Relation between credit risk management, risk control, legal compliance and internal audit functions

The newly developed credit risk models undergo validation process before its implementation, after the approval of the Bank's Model Risk Management and Validation Committee, they are used in the risk management processes. Validation of Credit risk models in use are repeated at least on an annual basis and the results are presented to the Model Risk Management and Validation Committee.

Credit Risk Control periodically presents analysis and results of execution of internal rating systems, evolution of credit rating grades, documentation of changes made in credit grade and compliance to internal limitations to Rating Committee. Compliance of Credit Risk Control activities to intra-bank arrangements and regulations and guides is periodically audited by internal audit departments of the Bank and issue requiring to be developed are monitored following their identification.

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Scope and main content of reporting which shall be made to senior management and members of board of directors regarding credit risk management function and exposed credit risk

Board of Directors determines policy of the Group in credit management field and ensures establishment of required conditions to perform determined policies in an effective manner. In this scope, it defines sections related to measurement and management of credit quality and approves documents having primary importance related to credit risk such as Risk Appetite Statement.

2. Credit quality of assets

	Current Period	a	b	c	d
		Gross carrying values of (according to TAS)			
		Defaulted	Non-defaulted	Specific provisions	Net values (a+b-c)
1	Loans	5.909.053	87.104.244	5.837.417	87.175.880
2	Borrowing Instruments	--	13.697.638	797	13.696.841
3	Off-balance sheet receivables(*)	283.499	70.388.628	328.144	70.343.983
4	Total	6.192.552	171.190.510	6.166.358	171.216.704

(*) It doesn't include revocable commitments and Forward Asset Purhcase –Sales Commitments.

	Prior Period	a	b	c	d
		Gross carrying values of (according to TAS)			
		Defaulted	Non-defaulted	Specific provisions	Net values (a+b-c)
1	Loans	3.625.484	75.291.641	4.514.405	74.402.720
2	Borrowing Instruments	--	11.862.229	1.160	11.861.069
3	Off-balance sheet receivables(*)	183.626	57.499.369	204.037	57.478.958
4	Total	3.809.110	144.653.239	4.719.602	143.742.747

(*) It doesn't include revocable commitments and Forward Asset Purhcase –Sales Commitments.

3. Changes in stock of impaired loans and debt securities

		Current Period
		a(*)
1	Impaired loans and debt securities at end of the previous reporting period	3.625.484
2	Loans and debt securities that have impaired since the last reporting period	5.110.602
3	Receivables that returned to non-impaired status	2.095
4	Amounts written off(**)	1.247.281
5	Other changes	(1.577.657)
6	Impaired loans and debt securities at end of the reporting period (1 + 2-3 – 4 ± 5)	5.909.053

(*) It doesn't include off-balance sheet receivables.
(**) It indicates sales made from non-performing loans portfolio and written off transactions.

		Prior Period
		a(*)
1	Impaired loans and debt securities at end of the previous reporting period	3.292.211
2	Loans and debt securities that have impaired since the last reporting period	1.874.797
3	Receivables that returned to non-impaired status	59.000
4	Amounts written off(**)	673.764
5	Other changes	(808.760)
6	Impaired loans and debt securities at end of the reporting period (1 + 2-3 – 4 ± 5)	3.625.484

(*) It doesn't include off-balance sheet receivables
(**) It indicates sales made from non-performing loans portfolio.

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4. Additional disclosure related to the credit quality of assets

(i) Scope and definitions of "overdue" receivables and "provisioned" receivables used for purposes of accounting

The Bank considers loans that have overdue principal and interest payments and are classified as second group according to the "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 as "impaired loans."

(ii) Part of overdue receivables(over 90 days) which are not considered as "Provisioned" and reasons for the implementation in question.

Loans that have overdue principal and interest payments for more than 90 days after the maturity date are transferred to "Nonperforming loans" accounts and the Bank calculates "specific provisions" for such loans in compliance with the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

(iii) Definitions of methods used while determining amount of provision

The methods used in the calculation of the provision amount are presented in Note VIII of Section Three.

(iv) Definitions of restructured receivables

The Bank can restructure both of its first and second group credits and its nonperforming credit and receivables. Restructuring in first and second group of credits and in other receivables are made in order to improve repayment ability of the customer as well as including changes made in contract terms with the request of the customer independent from credit risk of the customer. Restructurings made in nonperforming claims and receivables are changes made in payment plan of the credit towards ensuring of collection of the receivable.

(v) Breakdown of receivables by geographical area

	Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables			
		Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Specific provisions	Write-Offs(*)
1	Domestic	5.826.850	84.083.820	--	13.012.115	279.259	62.077.263	3.513.570	1.247.281
2	EU Countries	73.103	2.114.950	--	--	--	587.909	60.920	--
3	OECD Countries	336	5.392	--	--	--	1.560.446	137	--
4	Off Shore Zones	4	298.162	--	--	--	36.519	3	--
5	USA, Canada	73	4.896	--	685.523	--	6.927	68	--
6	Other Countries	8.687	597.024	--	--	4.240	6.119.564	4.076	--
7	Total	5.909.053	87.104.244	--	13.697.638	283.499	70.388.628	3.578.774	1.247.281

(*) It indicates sales made from non-performing loans portfolio.

	Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables			
		Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Specific provisions	Write-Offs(*)
1	Domestic	3.551.947	74.423.137	--	11.862.229	183.614	54.595.509	2.748.672	673.764
2	EU Countries	70.074	497.788	--	--	12	353.492	62.386	--
3	OECD Countries	657	6.187	--	--	--	765.545	46	--
4	Off Shore Zones	--	42.065	--	--	--	11.116	--	--
5	USA, Canada	72	4.302	--	--	--	17.644	35	--
6	Other Countries	2.734	318.162	--	--	--	1.756.063	688	--
7	Total	3.625.484	75.291.641	--	11.862.229	183.626	57.499.369	2.811.827	673.764

(*) It indicates sales made from non-performing loans portfolio.

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(vi) Breakdown of receivables by sectors

	Loans		Borrowing instruments		Off-Balance sheet receivables			
Current Period	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Specific provisions	Write-Offs(*)
Agricultural	379.931	13.490.153	--	--	3.166	3.576.791	226.791	4.949
Farming and Cattle	375.755	13.479.642	--	--	2.989	3.556.834	223.397	4.761
Forestry	228	2.773	--	--	25	6.038	194	105
Fishing	3.948	7.738	--	--	152	13.919	3.200	83
Manufacturing	535.584	7.461.780	--	--	25.082	12.544.367	314.505	37.585
Mining	181.552	648.039	--	--	5.747	498.738	97.433	14.616
Production	349.942	4.955.334	--	--	16.916	11.112.318	213.570	21.391
Electric, Gas, Water	4.090	1.858.407	--	--	2.419	933.311	3.502	1.578
Construction	391.387	5.929.211	--	--	78.343	8.577.517	230.068	21.082
Services	2.582.760	19.474.447	--	267.844	110.268	14.811.764	1.482.478	569.048
Wholesale and Retail Trade	1.196.888	9.475.712	--	--	63.999	8.471.304	793.159	285.619
Hotel and Restaurant Services	991.325	4.031.639	--	--	27.138	840.384	408.031	7.758
Transportation and telecommunication	271.478	2.818.259	--	--	16.408	2.242.306	212.518	267.757
Financial institution	16.554	682.133	--	267.844	190	2.626.544	12.698	1.217
Real estate and letting services	13.216	270.143	--	--	789	107.117	10.504	3.509
Self-employement services	--	--	--	--	--	--	--	--
Education services	19.047	1.190.391	--	--	980	214.024	16.730	952
Health and social services	74.252	1.006.170	--	--	764	310.085	28.838	2.236
Other	2.019.391	40.748.653	--	13.429.794	66.640	30.878.189	1.324.932	614.617
Total	5.909.053	87.104.244	--	13.697.638	283.499	70.388.628	3.578.774	1.247.281

(*) It indicates sales made from non-performing loans portfolio.

	Loans		Borrowing instruments		Off-Balance sheet receivables			
Prior Period	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Specific provisions	Write-Offs(*)
Agricultural	202.865	11.977.499	--	--	2.534	2.991.635	134.533	3.623
Farming and Cattle	195.366	11.966.982	--	--	2.398	2.976.848	131.989	3.436
Forestry	157	4.108	--	--	15	8.046	130	98
Fishing	7.342	6.409	--	--	121	6.741	2.414	89
Manufacturing	338.921	8.433.401	--	--	20.755	11.022.137	225.901	26.437
Mining	45.069	2.924.873	--	--	1.809	474.012	29.602	2.889
Production	211.801	4.019.202	--	--	13.308	9.699.068	162.542	23.495
Electric, Gas, Water	82.051	1.489.326	--	--	5.638	849.057	33.757	53
Construction	209.742	4.888.561	--	--	78.246	8.030.703	134.378	10.957
Services	1.313.814	20.828.771	--	235.350	68.045	16.187.822	946.151	183.083
Wholesale and Retail Trade	799.743	9.042.706	--	--	57.835	10.425.323	608.230	152.889
Hotel and Restaurant Services	147.199	4.468.895	--	--	2.366	932.277	49.810	4.802
Transportation and telecommunication	255.576	3.667.914	--	--	5.383	2.201.617	196.125	21.838
Financial institution	9.640	1.437.928	--	235.350	170	1.857.600	4.455	829
Real estate and letting services	10.761	329.797	--	--	654	139.610	8.491	1.556
Self-employement services	--	--	--	--	--	--	--	--
Education services	18.449	1.033.387	--	--	975	279.819	16.741	547
Health and social services	72.446	848.144	--	--	662	351.576	62.299	622
Other	1.560.142	29.163.409	--	11.626.879	14.046	19.267.072	1.370.864	449.664
Total	3.625.484	75.291.641	--	11.862.229	183.626	57.499.369	2.811.827	673.764

(*) It indicates sales made from non-performing loans portfolio.

(vii) Breakdown of receivables by outstanding maturity

Current Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	--	46.513.701	10.322.264	9.413.250	20.703.385	84.237.910	171.190.510
1 Loans	--	13.129.579	3.670.649	4.997.191	12.278.952	53.027.873	87.104.244
2 Borrowings instruments	--	--	421.806	--	1.362.512	11.913.320	13.697.638
3 Off-balance sheet receivables	--	33.384.122	6.229.809	4.416.059	7.061.921	19.296.717	70.388.628
Defaulted receivables	6.192.552	--	--	--	--	--	6.192.552
1 Loans	5.909.053	--	--	--	--	--	5.909.053
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	283.499	--	--	--	--	--	283.499
Specific Provision	3.578.775	--	--	--	--	--	3.578.775
Total	2.613.777	46.513.701	10.322.264	9.413.250	20.703.385	84.237.910	173.804.287

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Prior Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	--	37.677.341	6.827.634	7.515.095	15.978.974	76.654.195	144.653.239
1 Loans	--	10.189.437	3.596.631	3.875.756	9.363.573	48.266.244	75.291.641
2 Borrowings instruments	--	9.626	121.226	374.499	270.566	11.086.312	11.862.229
3 Off-balance sheet receivables	--	27.478.278	3.109.777	3.264.840	6.344.835	17.301.639	57.499.369
Defaulted receivables	3.809.110	--	--	--	--	--	3.809.110
1 Loans	3.625.484	--	--	--	--	--	3.625.484
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	183.626	--	--	--	--	--	183.626
Specific Provision	2.811.827	--	--	--	--	--	2.811.827
Total	997.283	37.677.341	6.827.634	7.515.095	15.978.974	76.654.195	145.650.522

(viii) Ageing analysis of Bank's overdue receivables

Current Period	1-30 days	31-60 days	61-90 days	Total
Loans	3.908.956	1.753.278	1.525.569	7.187.803
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

Prior Period	1-30 days	31-60 days	61-90 days	Total
Loans	3.226.448	1.047.860	1.196.181	5.470.489
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

(ix) Breakdown of restructured receivables according to their provisioning status

	Current Period
Loans having standard nature and restructured from other reciavables	3.911.414
Loans in close follow-up and restructured from other receivables	5.801.615
Restructured from non-performing assets	180.093

	Prior Period
Loans having standard nature and restructured from other reciavables	1.630.960
Loans in close follow-up and restructured from other receivables	4.577.399
Restructured from non-performing assets	298.597

5. Credit risk mitigation techniques

The Bank uses balance sheet netting and/or uses a general netting contract by taking into account the provisions related to risk mitigation of private equity instruments. As of the reporting date, financial collaterals are valued at their latest values and included in the credit risk mitigation process. While the allocation of the collateral amount to the loan is taken into consideration, the risk mitigation effects are calculated over the collateral values by taking into account the possible loss in the value of the collateral in terms of collateral value and credit risk mitigation is made according to the comprehensive financial collateral method. The legal validity of real estate mortgages is ensured by the timely and duly registered registration of the mortgage; changes in market conditions are important.

Within the scope of the Bank's credit risk mitigation, most of the loans were collateralized by real estate and property pledges, commercial enterprise pledges, collateral bills and other liquid assets in collateral, bank letters of guarantee and other persons and institutions by accepting bail.

The Bank performs credit risk mitigation according to comprehensive financial collateral method in accordance with "Communique on Credit Risk Mitigation Techniques". Exchange mismatch between receivable and collateral and cut-off rates based on type of collateral are considered through inspecting standard cut-off ratios mentioned in annex of the communique while maturity mismatch between receivable and collateral is taken into account in accordance with method mentioned in the Article 40. In credit risk mitigation, cash, financial debt securities, real estate mortgages and Treasury guaranteed Credit Guarantee Fund bails are used.

Credit policies establish an operational link between the Bank's operations and risk capacity and cover the main areas of activity consistent with the target portfolio structure, risk targets related to expected and unexpected losses in line with risk capacity and limits on risk concentration. It is ensured that the limits are complied with the relevant legislation and the limitations set by the regulatory and supervisory authorities. The Bank uses a holistic approach in concentration risk management in which all risk concentrations are identified, monitored and evaluated. For this reason, not only the loans extended to individuals and companies, but also the market, sector, country and activity areas are taken into consideration. In line with its policy and internal procedures, the Bank takes maximum care to ensure that credit and market risk is not concentrated in a specific counterparty or risk category.

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6. Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
	Current Period	Exposures unsecured: revaluation amount 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	54.295.205	23.753.359	15.704.280	9.127.316	7.564.882	--	--
2	Debt Securities	13.696.841	--	--	--	--	--	--
3	Total	67.992.046	23.753.359	15.704.280	9.127.316	7.564.882	--	--
4	Of which defaulted(*)	4.607.521	1.585.031	622.547	--	--	--	--

(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

		a	b	c	d	e	f	g
	Prior Period	Exposures unsecured: revaluation amount 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	48.385.093	17.269.198	12.135.026	8.748.429	7.448.899	--	--
2	Debt Securities	11.861.069	--	--	--	--	--	--
3	Total	60.246.162	17.269.198	12.135.026	8.748.429	7.448.899	--	--
4	Of which defaulted(*)	3.252.870	556.240	211.635	--	--	--	--

(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

7. Disclosures on rating grades used while calculating credit risk with standard approach

Ratings provided by international rating agency Fitch are used for the determination of risk weights which shall be applied in the calculation of capital adequacy. The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

When determining the risk weight, the credit rating of the issuer is taken into account in the absence of a credit-specific rating.

The matching of risk ratings with risk weights according to credit quality level and risk classes are shown in the table below.

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8. Standardised approach – Credit risk exposure and credit risk mitigation(CRM) effects

	Current Period	a	b	c	d	e	f
		Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Risk classifications	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	26.895.185	55.276	34.460.068	1.959.726	3.224.460	%8,85
2	Exposures to regional governments or local authorities	939.543	12.639	936.292	5.056	470.674	%50,00
3	Exposures to public sector entities	--	--	--	--	--	%0,00
4	Exposures to multilateral development banks	--	--	--	--	--	%0,00
5	Exposures to international organisations	--	--	--	--	--	%0,00
6	Exposures to institutions	5.711.818	4.626.093	5.409.510	4.142.595	3.680.525	%38,53
7	Exposures to corporates	29.445.471	32.414.709	24.028.088	16.507.939	40.536.027	%100,00
8	Retail exposures	43.396.248	34.753.831	39.106.306	2.682.517	31.445.240	%75,25
9	Exposures secured by residential property	3.794.311	523.924	3.552.280	258.744	1.333.859	%35,00
10	Exposures secured by commercial real estate	9.504.946	1.752.197	8.414.172	975.279	5.507.184	%58,65
11	Past-due loans	2.330.278	162.803	2.328.333	54.831	2.588.778	%108,63
12	Higher-risk categories by the Agency Board	--	--	--	--	--	%0,00
13	Exposures in the form of covered bonds	--	--	--	--	--	%0,00
14	Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	%0,00
15	Exposures in the form of units or shares in collective investment undertakings(CIUs)	--	488	--	488	488	%100,00
16	Other assets	3.681.871	--	3.681.874	--	2.398.972	%65,16
17	Investments in equities	11.397.316	--	11.397.316	--	11.397.316	%100,00
18	Total	137.096.987	74.301.960	133.314.239	26.587.175	102.583.523	%64,15

	Prior Period	a	b	c	d	e	f
		Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Risk classifications	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	26.750.868	383.437	34.199.768	1.607.731	2.452.716	%6,85
2	Exposures to regional governments or local authorities	351.010	21.036	349.410	8.617	179.013	%50,00
3	Exposures to public sector entities	--	--	--	--	--	%0,00
4	Exposures to multilateral development banks	--	--	--	--	--	%0,00
5	Exposures to international organisations	--	--	--	--	--	%0,00
6	Exposures to institutions	5.440.025	2.565.498	4.943.252	2.255.653	3.023.698	%42,00
7	Exposures to corporates	22.195.863	27.363.517	18.898.141	13.178.789	32.076.930	%100,00
8	Retail exposures	41.234.414	29.716.747	36.820.041	2.641.974	29.689.580	%75,24
9	Exposures secured by residential property	4.291.375	393.033	4.099.862	183.681	1.499.240	%35,00
10	Exposures secured by commercial real estate	7.078.271	1.148.270	5.982.836	705.663	3.789.813	%56,66
11	Past-due loans	813.657	98.068	813.251	37.950	819.906	%96,32
12	Higher-risk categories by the Agency Board	--	--	--	--	--	%0,00
13	Exposures in the form of covered bonds	--	--	--	--	--	%0,00
14	Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	%0,00
15	Exposures in the form of units or shares in collective investment undertakings(CIUs)	--	219	--	219	219	%100,00
16	Other assets	3.802.591	--	3.802.591	--	1.905.349	%50,11
17	Investments in equities	7.637.911	--	7.637.911	--	7.895.691	%103,38
18	Total	119.595.985	61.689.825	117.547.063	20.620.277	83.332.155	%60,31

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9. Standardised Approach – Exposures by asset classes and risk weights

	Current Period	a	b	c	k	d	l	e	f	g	h	ı	j
	Risk Classifications/Risk Weight*	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure(after CCF and CRM)
1	Exposures to central governments or central banks	33.195.334	--	--	--	--	--	--	3.224.460	--	--	--	36.419.794
2	Exposures to regional governments or local authorities	--	--	--	--	--	941.348	--	--	--	--	--	941.348
3	Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to institutions	--	--	5.689.730	--	--	2.639.593	--	1.222.782	--	--	--	9.552.105
7	Exposures to corporates	--	--	--	--	--	--	--	40.536.027	--	--	--	40.536.027
8	Retail exposures	--	--	--	--	--	--	41.374.335	414.488	--	--	--	41.788.823
9	Exposures secured by residential property	--	--	--	3.811.024	--	--	--	--	--	--	--	3.811.024
10	Exposures secured by commercial real estate	--	--	--	--	7.764.533	--	--	1.624.918	--	--	--	9.389.451
11	Past-due loans	--	--	--	--	--	580.773	--	810.392	991.999	--	--	2.383.164
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)	--	--	--	--	--	--	--	488	--	--	--	488
16	Investments in equities	--	--	--	--	--	--	--	11.406.641	--	--	--	11.406.641
17	Other assets	1.282.879	--	--	--	--	--	79	2.389.591	--	--	--	3.672.549
18	Total	34.478.213	--	5.689.730	3.811.024	7.764.533	4.161.714	41.374.414	61.629.787	991.999	--	--	159.901.414

	Prior Period	a	b	c	k	d	l	e	f	g	h	ı	j
	Risk Classifications/Risk Weight*	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure(after CCF and CRM)
1	Exposures to central governments or central banks	33.354.783	--	--	--	--	--	--	2.452.716	--	--	--	35.807.499
2	Exposures to regional governments or local authorities	--	--	--	--	--	358.027	--	--	--	--	--	358.027
3	Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to institutions	--	--	4.238.022	--	--	1.569.579	--	1.391.304	--	--	--	7.198.905
7	Exposures to corporates	--	--	--	--	--	--	--	32.076.930	--	--	--	32.076.930
8	Retail exposures	--	--	--	--	--	--	39.089.740	372.275	--	--	--	39.462.015
9	Exposures secured by residential property	--	--	--	4.283.543	--	--	--	--	--	--	--	4.283.543
10	Exposures secured by commercial real estate	--	--	--	--	--	5.797.372	--	891.127	--	--	--	6.688.499
11	Past-due loans	--	--	--	--	--	177.351	--	673.850	--	--	--	851.201
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)	--	--	--	--	--	--	--	219	--	--	--	219
16	Investments in equities	--	--	--	--	--	--	--	7.466.058	--	--	171.853	7.637.911
17	Other assets	1.890.005	--	9.031	--	--	--	42	1.903.513	--	--	--	3.802.591
18	Total	35.244.788	--	4.247.053	4.283.543	--	7.902.329	39.089.782	47.227.992	--	--	171.853	138.167.340

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d. Counterparty Credit Risk

1. Counterparty credit risk(CCR) explanations

Policies regarding counterparty credit risk management; Turkish Banking Legislation is determined by the Board of Directors in compliance with the regulations of the Banking Regulation and Supervision Agency and international standards.

Counterparty credit risk is included derivative financial products and repo transactions. Counterparties are divided into segments as financial institutions, corporate-commercial customers, SME-Micro-Gold-Agriculture customers and individual customers. In order to determine the products and services to be offered to customers, "Conformity Test" is applied according to the product information, financial status and frequency of transactions of the customers. Conformity testing is not mandatory for customers classified as professionals.

The counterparty's creditworthiness is analyzed and re-evaluated at regular intervals before the transactions with counterparties. The limits are set separately for each counterparty and for the counterparties within the same risk group. Limits are approved in the relevant credit committees according to the segment of counterparties. The revision of the limits is made at least once a year. If deemed necessary, the approved limits are blocked by the approval of the Credit Committee/Credit Allocation Department.

Risk monitoring of transactions within the scope of CCR; the potential risk and daily valuation method, which are calculated by multiplying the rates varying by type, maturity and type of foreign currency by the nominal amount of the transaction, is carried out by monitoring the current risk. Risk reduction methods included in international agreements such as ISDA, CSA, GMRA and EMA signed with the counterparty are used in transactions with financial institutions. For other counterparties, collateral adequacy rates are monitored on a daily basis within the scope of the Bank's current credit policies and procedures, and where necessary, collateralization and margin completion practices and risk mitigation are carried out. The margins to be used in collateral agreements are reviewed regularly. Margins; is determined according to the volatility and liquidity of the collateral. The risks of transactions that are subject to netting and which are subject to netting are monitored together. In the event of a decrease in the Bank's credit rating, the Bank's obligation to provide additional collateral is followed.

The Bank also takes into account the risk of countertrend risk in the credit evaluation of counterparties. Countertrend risk; the risk of general adverse trend and specific countertrend risk arise in two ways.

General countertrend risk; denotes the risk that occurs when there is a positive correlation between the probability of default of counterparties and general market risk factors.

Specific countertrend risk; states the risk that occurs when there is a positive correlation between the risk amount and the probability of default of the counterparty due to the nature of the transaction. Where the counterparty is expected to have a high probability of default, the risk of a specific countertrend risk will be expected if the future risk amount is expected to increase.

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2. Analysis of counterparty credit risk exposure by approach

		a	b	c	d	e	f
	Current Period	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)(*)	2.029.609	763.133		-	2.762.615	1.388.826
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)					74.639	15.072
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					--	--
6	Total						1.403.898

(*) Counterparty credit risk for derivatives is calculated by the fair value method.

		a	b	c	d	e	f
	Prior Period	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)(*)	801.538	612.672		-	1.383.536	730.563
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)					408.040	81.682
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					--	--
6	Total						812.245

(*) Counterparty credit risk for derivatives is calculated by the fair value method.

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3. Credit valuation adjustment(CVA) capital charge

		a	b
	Current Period	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	Value at Risk(VaR) component(including the 3×multiplier)	--	--
2	Stressed VaR component(including the 3×multiplier)	--	--
3	All portfolios subject to the Standardised CVA capital charge	2.762.615	1.054.000
4	Total subject to the CVA capital charge	2.762.615	1.054.000

		a	b
	Prior Period	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	Value at Risk(VaR) component(including the 3×multiplier)	--	--
2	Stressed VaR component(including the 3×multiplier)	--	--
3	All portfolios subject to the Standardised CVA capital charge	1.383.536	584.622
4	Total subject to the CVA capital charge	1.383.536	584.622

4. Standard approach – Counterparty credit risk with respect to risk classes and weights

Current Period	a	b	c	d	e	f	g	h	i
Risk Weigths/Risk Classifications	%0	%10	%20	%50	%75	%100	%150	Diğer	Total credit Exposure(*)
Claims from central governments and central banks	6.213	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	849.489	1.493.796	--	--	--	--	916.796
Corporates	--	--	--	--	--	484.656	--	--	484.656
Retail portfolios	--	--	--	--	2.611	--	--	--	1.958
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	--	--	--	--	--	488	--	--	488
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets(**)	--	--	--	--	--	--	--	--	--
Total	6.213	--	849.489	1.493.796	2.611	485.144	--	--	1.403.898

(*) 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	a	b	c	d	e	f	g	h	i
Risk Weigths/Risk Classifications	%0	%10	%20	%50	%75	%100	%150	Other	Total credit Exposure(*)
Claims from central governments and central banks	5.560	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	756.028	735.971	--	--	--	--	519.191
Corporates	--	--	--	--	--	289.947	--	--	289.947
Retail portfolios	--	--	--	--	3.850	--	--	--	2.888
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	--	--	--	--	--	219	--	--	219
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets(**)	--	--	--	--	--	--	--	--	--
Total	5.560	--	756.028	735.971	3.850	290.166	--	--	812.245

(*) 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. Collaterals used for counterparty credit risk

	a	b	c	d	e	f
Current Period	Guarantees of Derivative Received Guarantees		Financial Instrument Given Guarantees		Guarantees of Other Transactions	
	Appropriated	Unappropriated	Appropriated	Unappropriated	Received Guarantees	Given Guarantees
Cash-Domestic Currency	7.150	--	--	--	--	1.386.715
Cash-Foreign Currency	22.977	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--
Stock	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--
Total	30.127	--	--	--	--	1.386.715

	a	b	c	d	e	f
Prior Period	Guarantees of Derivative Received Guarantees		Financial Instrument Given Guarantees		Guarantees of Other Transactions	
	Appropriated	Unappropriated	Appropriated	Unappropriated	Received Guarantees	Given Guarantees
Cash-Domestic Currency	--	--	--	--	750.891	3.922.038
Cash-Foreign Currency	30.673	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--
Stock	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--
Total	30.673	--	--	--	750.891	3.922.038

6. Credit derivatives

None.

7. Exposures to central counterparties(CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

4. Securitization positions in banking positions and capital requirements related to those – whose sponsorship or founder is the bank

None.

5. Securitization positions in banking positions and capital requirements related to those in which the Bank is an investor

None.

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f. Market Risk

1. Explanations on market risk

Within the scope of financial risk management, market risk management activities are defined in accordance with the "Regulation on the Banks' Internal Systems and Internal Capital Adequacy Assessment Process" and the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and necessary measures are taken in order to avoid excessive market risk.

Standard method and internal model are used for the measurement of market risk. The principals of standard method are defined by BRSA and calculation is performed monthly for the consolidated and non consolidated scope. Risk measurement with the internal model is performed on a daily basis and risk indicators such as value at risk, interest rate sensitivity and option sensitivities are monitored. The "Trading Book" classification defined by the regulation is used for market risk measurement. Limits based on risk indicators and stop-loss limits are set by the Board of Directors in order to control the market risk exposure.

2. Standardised approach

		Current Period
		RAT
	Outright products	
1	Interest rate risk(general and specific)	121.563
2	Equity risk(general and specific)	--
3	Foreign exchange risk	731.374
4	Commodity risk	109.200
	Options	
5	Simplified approach	--
6	Delta-plus method	28.913
7	Scenario approach	--
8	Securitisation	--
9	Total	991.050

		Prior Period
		RAT
	Outright products	
1	Interest rate risk(general and specific)	36.738
2	Equity risk(general and specific)	--
3	Foreign exchange risk	655.262
4	Commodity risk	71.563
	Options	
5	Simplified approach	--
6	Delta-plus method	3.500
7	Scenario approach	--
8	Securitisation	--
9	Total	767.063

3. Information on market risk calculated as of month-ends during the period

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	7.174	11.613	2.980
Stock Risk	--	--	--
Currency Riski	45.197	96.481	15.860
Emtia Risk	12.322	16.955	8.417
Settlement Risk	--	--	--
Option Risk	3.114	7.753	324
Counterparty Risk	--	--	--
Total Risk Exposure Value	847.586	1.415.075	386.488

	Prior Period		
	Average	Highest	Lowest
Interest Rate Risk	2.937	5.693	1.700
Stock Risk	--	--	--
Currency Riski	41.325	60.786	17.516
Emtia Risk	4.093	6.336	2.509
Settlement Risk	--	--	--
Option Risk	1.223	4.569	87
Counterparty Risk	--	--	--
Total Risk Exposure Value	619.724	864.000	299.150

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g. Operational risk

1. Disclosures on operational risk calculation

Principal amount subject to operational risk is calculated through using year-end gross income of 2017, 2016 and 2015 of the Bank belonging to last 3 years via "Basic Indicators Approach" dated in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" published on Official Gazette dated 23 October 2015 numbered 29511.

2. Basic indicators approach

	31/12/2015	31/12/2016	31/12/2017	Total/Positive GI year number	Ratio(%)	Total
Gross Income	3.513.707	4.847.874	5.644.424	4.668.668	15	700.300
Amount Subject to Operational Risk						8.753.753

IX. Presentation of financial assets and liabilities at their fair value

a. Calculation of financial assets and liabilities at their fair value

The fair value of financial assets measured at amortized cost are determined based on market prices, or when they are not available, based on market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits and floating rate placements represent their carrying value. The expected fair value of the fixed rate deposits are determined by calculating the discounted cash flows using the market interest rates of similar instruments.

Fair value of credits are calculated by discounting cash flow with current market interest rate.

Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

The following table summarizes the carrying value and fair value of financial assets and liabilities. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	Book Value Current Period	Fair Value Current Period
Financial Assets	**105.046.854**	**99.302.139**
Interbank Money Market Placements	--	--
Banks	4.172.556	4.172.554
Financial Assets at Fair Value Through Other Comprehensive Income	7.623.248	7.623.248
Financial Assets Measured at Amortized Cost	6.075.170	5.653.716
Loans	87.175.880	81.852.621
Financial Liabilities	**108.794.154**	**108.249.766**
Bank Deposits	2.857.794	2.837.738
Other Deposits	81.270.986	81.319.644
Interbank Money market borrowings	1.385.878	1.385.878
Funds Borrowed From Other Financial Institutions	15.213.154	15.140.237
Subordinated Loans	6.274.450	5.777.019
Securities Issued	1.791.892	1.789.250

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	Book Value Prior Period	Fair Value Prior Period
Financial Assets	**92.787.559**	**91.564.985**
Interbank Money Market Placements	750.786	750.786
Banks	4.006.129	4.004.297
Investment Securities Available-For-Sale	6.712.710	6.712.710
Investment Securities Held-To-Maturity	5.212.636	5.176.799
Loans and Other Receivables	76.105.298	74.920.393
Financial Liabilities	**101.738.929**	**101.540.914**
Bank Deposits	6.082.694	6.073.726
Other Deposits	69.163.111	69.160.587
Interbank Money market borrowings	3.977.111	3.977.111
Funds Borrowed From Other Financial Institutions	13.884.045	13.729.414
Subordinated Loans	5.261.523	5.225.391
Securities Issued	1.464.617	1.468.857
Miscellaneous Payables	1.905.828	1.905.828

b. Fair value classification

TFRS 7 sets classification of valuation techniques according to the inputs used in valuation techniques based on fair value calculations which are whether observable or not.

Fair value levels of financial assets and liabilities that are carried at fair value in the Bank's financial statements are given below:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	179.110	--	--	179.110
Public Sector Debt Securities	83.265	--	--	83.265
Equity Instruments	95.845	--	--	95.845
Other Securities	--	--	--	--
Derivative Financial Assets at Fair Value Through Profit or Loss	--	2.029.609		2.029.609
Financial Assets at Fair Value Through Other Comprehensive Income	7.622.470	--	--	7.622.470
Public Sector Debt Securities	7.354.626	--	--	7.354.626
Other Securities	267.844	--	--	267.844
Loans at Fair Value Through Profit or Loss	--	--	323.627	323.627
Total Assets	**7.801.580**	**--**	**323.627**	**8.125.207**
Derivative Financial Liabilities Held for Trading	--	1.925.430	--	1.925.430
Total Liabilities	**--**	**1.925.430**	**--**	**1.925.430**

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	73.654	801.495	--	875.149
Public Sector Debt Securities	72.914	--	--	72.914
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	801.495	--	801.495
Other Securities	740	--	--	740
Securities Available for Sale(*)	**6.414.245**	**235.350**	**--**	**6.649.595**
Public Sector Debt Securities	6.414.245	--	--	6.414.245
Other Securities	--	235.350	--	235.350
Hedging Purpose Derivative Financial Assets				**--**
Total Assets	**6.487.899**	**1.036.845**	**--**	**7.524.744**
Derivative Financial Liabilities Held for Trading	--	1.377.137	--	1.377.137
Hedging Purpose Derivative Financial Liabilities	--	--	--	--
Total Liabilities	**--**	**1.377.137**	**--**	**1.377.137**

(*) As at 31 December 2017 share certificates amounting TL 3.956 do not included carried at cost in the framework of TAS 39.

Level 1: Quoted prices(unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly(as prices) or indirectly(derived from prices)
Level 3: Unobservable inputs

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Level 3 movement table:

	Current period
Balance at the beginning of the period	--
Purchases	--
Amortization and sales	--
Transfers	323.627
Balance at the end of the period	323.627

X. Transactions carried out on behalf and account of other parties and fiduciary transactions

a. Information on whether the Group performs sales, purchase, management, consultancy and custody services on behalf and account of others, or not

The Bank performs sales, purchase, management, consultancy and custody services on behalf and account of others.

b. Transactions directly realized with other financial institutions depending on fiduciary contracts and probability of material effect of such transactions on the financial position of the Bank.

None.

XI. Explanations related to hedging transactions

a. Net Investment Risk

The Bank applies net investment hedge strategy to hedge against the currency risk arising on a consolidated basis from the net investments amounting to a total of Euro 1.347 million and US Dollar 7 million of subsidiaries Denizbank AG and Eurodeniz as of 1 July 2015. The part consisting of the same amounts of its foreign currency deposit has been defined as "hedging instrument". The effective part of the change in value of the foreign currency deposit arising from exchange rate has been recognized as "hedging funds" under equity. Total net investment hedging funds recognized under equity is amounting to TL(2.828.755) as of 31 December 2018(31 December 2017: TL(1.277.553)).

b. Cash Flow Hedge

Cash flow hedge valuation difference in the Bank's equity is contracted under the scope of exchange rate risk management of Deniz Finansal Kiralama A.Ş., one of its subsidiaries, which is in accordance with TAS 27 equity method. has started to apply cash flow hedge accounting as of 1 April 2018 by matching the estimated second-hand vehicle sales with the loans received in Euro.

In the cash flow hedge accounting that Deniz Finansal Kiralama A.Ş.; as a hedged item, forward operating lease receivables and fair values have been determined in future sales of second hand vehicles in Euro and as hedging instruments Euro loans were taken into consideration.

As at 31 December 31 after tax profit/(loss) accounted under shareholders' equity using cash flow hedge accounting is TL(29.409)(31 December 2017: None).

XII. Explanations related to the segment reporting

The Bank is active in four areas; namely, wholesale banking, SME and agricultural banking, retail banking, and treasury.

Wholesale banking offers financial and banking solutions to large-scale local and international corporate and commercial customers. In order to meet customer needs related to projects, investment and working capital, corporate banking offers short and long-term working capital loans, investment loans, non-cash loans, foreign exchange transactions, export finance, project finance, structured finance, corporate finance, and deposit products and cash management services.

The Bank offers loan products(consumer loans, mortgage, vehicle, agricultural and investment loans), distinctive credit cards, producer card, investment products(mutual funds, shares, government bonds/treasury bills, and repos), deposit products(time, demand, protected), insurance products, SME loans, agricultural loans to the customers classified under retail, SME and agricultural segments. Alternative distribution channels allow customers to meet their banking needs without the need to physically visit the branches. Among products that meet every day needs of customers are overdraft loans, automated bill payment, checkbooks and rental safes.

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Within treasury; sales, prop-trading and private banking departments offer spot and forward TL and foreign exchange transactions, trading of treasury bills, bonds and other local and international securities and derivative products. Providing medium and long-term financing, diversification of funding and maintenance an international investor base are also the activities defined in this segment.

Segment information is prepared in line with the Bank's Management Information Systems and the prior period figures are also revised accordingly. Segment information of the Bank is presented in the following table:

Current Period (01/01/2018-31/12/2018)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	821.810	1.785.172	1.129.720	1.261.020	4.997.722
Net fees and commission income	236.313	1.000.194	908.076	(49.223)	2.095.360
Other income/loss, net	159.585	169.800	199.335	(778.862)	(250.142)
Total segment income	**1.217.708**	**2.955.166**	**2.237.131**	**432.935**	**6.842.940**
Other operational expenses(*)	(501.042)	(1.227.010)	(1.366.101)	(80.870)	(3.175.023)
Impairment of loans and other rec.	(1.233.568)	(840.306)	(498.072)	(244.297)	(2.816.243)
Taxation					(108.955)
Income/Loss from Investments Under Equity Accounting					1.439.804
Net profit from continuing operations	**(516.902)**	**887.850**	**372.958**	**107.768**	**2.182.523**
Net profit from discontinued operations					--
Net profit for the period	**(516.902)**	**887.850**	**372.958**	**107.768**	**2.182.523**
Current Period(31/12/2018)					
Segment assets	30.296.632	36.893.999	19.821.565	34.155.319	121.167.515
Subsidiaries and associates					11.402.658
Undistributed assets					5.087.776
Total assets					**137.657.949**
Segment liabilities	18.794.196	19.668.884	43.339.908	29.823.565	111.626.553
Undistributed liabilities					10.586.746
Equity					15.444.650
Total liabilities and shareholders' equity					**137.657.949**

(*) It also includes personnel expenses.

Prior Period (01/01/2017-31/12/2017)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	653.983	1.676.638	1.109.844	1.417.957	4.858.422
Net fees and commission income	196.684	719.239	661.898	(69.832)	1.507.989
Other income/loss, net	190.797	201.451	234.578	(989.229)	(362.403)
Total segment income	**1.041.464**	**2.597.328**	**2.006.320**	**358.896**	**6.004.008**
Other operational expenses	(453.290)	(1.065.819)	(1.250.908)	(73.186)	(2.843.203)
Impairment of loans and other rec.	(523.310)	(688.079)	(571.806)	(102.964)	(1.886.159)
Taxation					(347.264)
Income/Loss from Investments Under Equity Accounting					952.410
Net profit from continuing operations	**64.864**	**843.430**	**183.606**	**182.746**	**1.879.792**
Net profit from discontinued operations	--	--	--	--	--
Net profit for the period	**64.864**	**843.430**	**183.606**	**182.746**	**1.879.792**
Prior Period(31/12/2017)					
Segment assets	22.077.959	34.047.886	19.979.453	34.423.953	110.529.251
Subsidiaries and associates					7.471.442
Undistributed assets					3.047.591
Total assets					**121.048.284**
Segment liabilities	18.566.896	17.804.255	34.979.522	32.058.317	103.408.990
Undistributed liabilities					4.826.389
Equity					12.812.905
Total liabilities and shareholders' equity					**121.048.284**

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SECTION FIVE
DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to assets

a. Information on cash and balances with the Central Bank of the Republic of Turkey

1. Information on cash and balances with the Central Bank of the Republic of Turkey

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	629.476	575.968
Central Bank of the Republic of Turkey	1.744.616	10.962.810
Other	--	--
Total	2.374.092	11.538.778

	Prior Period	
	TL	FC
Cash in TL/Foreign Currency	1.100.460	702.489
Central Bank of the Republic of Turkey	1.966.321	13.097.273
Other(*)	--	--
Total	3.066.781	13.799.762

2. Information on balances with the Central Bank of the Republic of Turkey

	Current Period	
	TL	FC
Unrestricted Demand Deposits	1.683.477	3.764.264
Unrestricted Time Deposits	--	--
Restricted Time Deposits	61.139	7.198.546
Total	1.744.616	10.962.810

	Prior Period	
	TL	FC
Unrestricted Demand Deposits	894.109	1.706.639
Unrestricted Time Deposits	1.072.212	--
Restricted Time Deposits	--	11.390.634
Total	1.966.321	13.097.273

3. Information on reserve requirements

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of the Republic of Turkey("CBRT"), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué.

As of 31 December 2018, all banks operating in Turkey should provide a reserve in a range of 1,5% to 8% (31 December 2017: between 4% and 10,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 4% to 20%(31 December 2017: between 5% and 19%) in US Dollars or standard gold for their liabilities in foreign currencies.

CBRT began paying interest for the reserve deposits maintained in Turkish Lira as from November 2014 and for the reserve deposits maintained in US Dollar as from May 2015. The interest income of TL 193.978 derived from the reserve deposits maintained by the Bank at CBRT(1 January – 31 December 2017: TL 101.420) has been recorded under the account "interests derived from reserve requirements".

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b. Information on financial assets at fair value through profit or loss

1. Information on financial assets at fair value through profit or loss given as collateral or blocked

None.

2. Financial assets at fair value through profit or loss subject to repurchase agreements

None.

3. Positive value of trading purpose derivatives

	Current Period	
	TL	FC
Forward Transactions	48.376	107.602
Swap Transactions	1.227.725	363.274
Futures Transactions	--	--
Options	1.028	281.604
Other	--	--
Total	1.277.129	752.480

	Prior Period	
	TL	FC
Forward Transactions	26.614	23.498
Swap Transactions	445.748	246.519
Futures Transactions	--	--
Options	5.117	53.999
Other	--	--
Total	477.479	324.016

c. Information on banks

1. Information on banks

	Current Period	
	TL	FC
Banks		
Domestic	255.769	4.239
Foreign	1.263	3.911.285
Foreign head offices and branches	--	--
Total	257.032	3.915.524

	Prior Period	
	TL	FC
Banks		
Domestic	202.501	381.016
Foreign	12.255	3.410.357
Foreign head offices and branches	--	--
Total	214.756	3.791.373

2. Information on foreign banks

	Unrestricted Amount	Restricted Amount
	Current Period	Current Period
EU Countries	669.445	--
USA, Canada	2.951.253	--
OECD Countries(*)	23.618	--
Off shore zones	290	--
Other	267.942	--
Total	3.912.548	--

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

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	Unrestricted Amount	Restricted Amount
	Prior Period	Prior Period
EU Countries	677.859	1.986.820
USA, Canada	307.399	--
OECD Countries(*)	5.941	--
Off shore zones	271	--
Other	444.322	--
Total	1.435.792	1.986.820

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

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

1. Major types of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist of share certificates, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury.

2. Financial assets at fair value through other comprehensive income given as collateral and book value

Financial assets at fair value through other comprehensive income which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and Istanbul Takas ve Saklama Bankası A.Ş.(Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL 238.181.

3. Financial assets at fair value through other comprehensive income given as collateral or blocked

given as collateral or blocked	Current Period	
financial assets at fair value through other comprehensive income	TL	FC
Share certificates	--	--
T-bills, Bonds and Similar Securities	111.118	127.063
Other	--	--
Total	111.118	127.063

given as collateral or blocked	Prior Period	
available-for-sale securities	TL	FC
Share certificates	--	--
T-bills, Bonds and Similar Securities	376.777	377.457
Other	--	--
Total	376.777	377.457

4. Financial assets at fair value through other comprehensive income subject to repurchase agreements

subject to repurchase agreements	Current Period	
financial assets at fair value through other comprehensive income	TL	FC
Government Bonds	329.144	--
Treasury Bills	--	--
Other Debt Securities	--	--
Bonds Issued or Guaranteed by Banks	--	--
Asset Backed Securities	--	--
Other	--	--
Total	329.144	--

subject to repurchase agreements	Prior Period	
available-for-sale securities	TL	FC
Government Bonds	2.481.553	235.350
Treasury Bills	--	--
Other Debt Securities	--	--
Bonds Issued or Guaranteed by Banks	--	271.707
Asset Backed Securities	--	--
Other	--	--
Total	2.481.553	507.057

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

Financial assets at fair value through other comprehensive income	Current Period
Debt instruments	7.622.470
Quoted on Stock Exchange	7.622.470
Unquoted on Stock Exchange	--
Share certificates	778
Quoted on Stock Exchange	--
Unquoted on Stock Exchange	778
Impairment provision(-)	--
Total	7.623.248

Available-for-sale securities	Prior Period
Debt instruments	6.649.595
Quoted on Stock Exchange	6.649.595
Unquoted on Stock Exchange	--
Share certificates	63.115
Quoted on Stock Exchange	59.159
Unquoted on Stock Exchange	3.956
Impairment provision(-)	--
Total	6.712.710

e. Information related to loans

1. Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--
Corporate Shareholders	--	--
Individual Shareholders	--	--
Indirect Loans Granted to Shareholders	--	1.292
Loans Granted to Employees	58.825	166
Total	58.825	1.458

	Prior Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--
Corporate Shareholders	--	--
Individual Shareholders	--	--
Indirect Loans Granted to Shareholders	--	4.655
Loans Granted to Employees	58.782	--
Total	58.782	4.655

2. Information on loans classified in groups I and II, other receivables and loans that have been restructured or rescheduled

		Loans Under Close Monitoring		
			Restructured Loans	
Cash loans	Standard loans	Not included in restructured loans	Changes in conditions of contract	Refinancing
Non-specialized loans	59.795.766	9.315.023	2.435.588	2.389.101
Corporate loans	1.101.080	308.943	489.709	452.418
Export loans	1.658.823	609.425	--	21.016
Import loans	--	--	--	--
Commercial loans	557.274	--	--	--
Consumer loans	13.816.929	1.612.017	65	302.443
Credit cards	6.808.148	945.981	--	180.821
Others	35.853.512	5.838.657	1.945.814	1.432.403
Specialized loans	9.345.280	2.522.933	888	976.038
Other receivables	--	--	--	--
Total	69.141.046	11.837.956	2.436.476	3.365.139

(*) It includes loans measured at amortized cost.
(**) In order to restructure the debts of a firm operating in the telecommunication sector through the loan agreements, the Bank has agreed between all the lenders, including the Bank, and the pledge of which the company owns 55% of the issued capital of the company and which constitute the collateral of the existing loans. All of the lenders were transferred directly or indirectly by a special purpose company. As a result of the transfer of the debt in question, the risk balance amounting to TL 237.211 has been left off, all legal and administrative permissions have been taken and the restructured risk amount as of 31 December 2018 has started to be followed as financial assets at fair value through profit or loss in accordance with TFRS 9.

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	Standard Loans	Loans Under Close Monitoring
Expected loss of provision for 12 Months	758.141	--
Substantial increase in credit risk	--	1.500.502
Total	758.141	1.500.502

Number of modifications made to extend payment plan	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	3.481.703	4.983.846
Extended by 3,4 or 5 times	429.513	768.481
Extended by more than 5 times	198	49.288
Total	3.911.414	5.801.615

Extended payment period of time	Standard Loans	Loans Under Close Monitoring
0-6 Months	490.374	1.878.629
6-12 Months	24.645	275.796
1-2 Years	106.130	116.470
2-5 Years	1.116.487	1.086.570
5 Year and Over	2.173.778	2.444.150
Total	3.911.414	5.801.615

3. Information on loans according to maturity structure concentration

		Loans Under Close Monitoring	
	Standard Loans	Not Restructured	Restructured
Short-Term Loans	21.685.143	3.645.275	316.031
Medium and Long-Term Loans	47.455.903	8.192.681	5.485.584
Total	69.141.046	11.837.956	5.801.615

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4. Information on consumer loans, individual credit cards and personnel credit cards

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	464.593	14.161.828	14.626.421
Real estate Loans	1.115	3.341.508	3.342.623
Vehicle Loans	378	108.551	108.929
General Purpose Loans	463.100	10.711.769	11.174.869
Other	--	--	--
Consumer Loans-Indexed to FC	--	15.825	15.825
Real estate Loans	--	15.382	15.382
Vehicle Loans	--	--	--
General Purpose Loans	--	443	443
Other	--	--	--
Consumer Loans-FC	--	1.479	1.479
Real estate Loans	--	1.265	1.265
Vehicle Loans	--	--	--
General Purpose Loans	--	214	214
Other	--	--	--
Individual Credit Cards-TL	6.172.880	429.798	6.602.678
Installment	2.690.121	429.798	3.119.919
Non installment	3.482.759	--	3.482.759
Individual Credit Cards-FC	1.629	--	1.629
Installment	--	--	--
Non installment	1.629	--	1.629
Loans Given to Employees-TL	3.168	26.358	29.526
Real estate Loans	--	1.027	1.027
Vehicle Loans	--	24	24
General Purpose Loans	3.168	25.307	28.475
Other	--	--	--
Loans Given to Employees-Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees – FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Personnel Credit Cards – TL	27.114	125	27.239
Installment	11.881	125	12.006
Non installment	15.233	--	15.233
Personnel Credit Cards – FC	43	--	43
Installment	--	--	--
Non installment	43	--	43
Overdraft Loans-TL(Real Persons)(*)	1.058.203	--	1.058.203
Overdraft Loans-FC(Real Persons)	--	--	--
Total	7.727.630	14.635.413	22.363.043

(*) Overdrafts used by the personnel of the Bank are TL 2.017.

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5. Information on installment commercial loans and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans – TL	424.294	11.589.045	12.013.339
Real estate Loans	--	131.195	131.195
Vehicle Loans	6.176	219.291	225.467
General Purpose Loans	418.118	11.238.559	11.656.677
Other	--	--	--
Installment Commercial Loans – Indexed to FC	502	1.108.064	1.108.566
Real estate Loans	--	5.960	5.960
Vehicle Loans	--	21.603	21.603
General Purpose Loans	502	1.080.501	1.081.003
Other	--	--	--
Installment Commercial Loans – FC	19.273	2.081.977	2.101.250
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	19.273	2.081.977	2.101.250
Other	--	--	--
Corporate Credit Cards – TL	1.300.398	2.899	1.303.297
Installment	388.555	2.899	391.454
Non installment	911.843	--	911.843
Corporate Credit Cards – FC	64	--	64
Installment	--	--	--
Non installment	64	--	64
Overdraft Loans-TL(Legal Entities)	2.043.146	--	2.043.146
Overdraft Loans-FC(Legal Entities)	--	--	--
Total	3.787.677	14.781.985	18.569.662

6. Loan concentration according to counterparty

	Current Period
Public	1.301.606
Private	85.802.638
Total	87.104.244

	Prior Period
Public	409.375
Private	74.882.266
Total	75.291.641

7. Domestic and foreign loans

	Current Period
Domestic Loans	84.083.820
Foreign Loans	3.020.424
Total	87.104.244

	Prior Period
Domestic Loans	74.415.867
Foreign Loans	875.774
Total	75.291.641

8. Loans granted to subsidiaries and associates

	Current Period
Direct loans granted to subsidiaries and associates	469.488
Indirect loans granted to subsidiaries and associates	--
Total	469.488

	Prior Period
Direct loans granted to subsidiaries and associates	1.006.560
Indirect loans granted to subsidiaries and associates	--
Total	1.006.560

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9. Specific provision for loans or provisions for stage 3 loans

Provisions for stage 3 loans	Current Period
Loans and Receivables with Limited Collectability	590.773
Loans and Receivables with Doubtful Collectability	1.039.505
Uncollectible Loans and Receivables	1.948.496
Total	3.578.774

Specific provisions	Prior Period
Loans and Receivables with Limited Collectability	186.239
Loans and Receivables with Doubtful Collectability	414.551
Uncollectible Loans and Receivables	2.211.037
Total	2.811.827

10. Information on non-performing loans(Net)

(i) Information on non-performing loans and restructured loans by The Bank

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Current Period	21.949	41.748	116.396
(Brut amounts before provisions)			
Restructured loans	21.949	41.748	116.396

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Receivables
Prior Period			
(Gross Amounts Before Specific Reserves)	64.319	25.290	208.988
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	64.319	25.290	208.988

(ii) Movement of non-performing loans

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Balances at Beginning of Period	436.446	582.994	2.606.044
Additions(+)(**)	4.048.461	244.826	817.315
Transfers from Other Categories of Non-Performing Loans(+)	--	2.565.371	1.116.195
Transfers from Other Categories of Non-Performing Loans(-)	2.565.371	1.116.195	--
Collections(-)(**)	472.227	272.635	834.890
Write-offs(-)(**)	--	--	237.211
Sales(-)(*)	137	41.797	968.136
Corporate and Commercial Loans	3	45	52.536
Retail Loans	50	2.206	329.840
Credit Cards	64	38.838	186.455
Other	20	708	399.305
Balances at End of the Period	1.447.172	1.962.564	2.499.317
Specific Provisions(-)	590.773	1.039.505	1.948.496
Net Balance on Balance Sheet	856.399	923.059	550.821

(*) In May, October and December 2018, the Bank sold its individual loan portfolio amounting to TL 561.419, which is being followed in the legal follow-up accounts, for TL 41.658 and its business portfolio amounting to TL 438.245 for TL 14.190 and its corporate-commercial portfolio amounting to TL 10.374 for TL 50 to the asset management companies.
(**)The Bank has deducted the credit amount of TL 237.211 to the main shareholder of a company operating in the telecommunication sector and the loans given under close monitoring credit, in the amount of TL 605.595.

(iii) Information on non performing loans and other receivables in foreign currencies

Foreign currency loans, reverted/lapsed to illiquid claims accounts, are tracked as Turkish Lira.

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(iv) Information on non-performing loans gross and net amounts according to beneficiary group

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period(Net): 31 December 2018	856.399	923.059	550.821
Loans Granted to Real Persons and Legal Entities(Gross)	1.447.172	1.962.564	2.499.317
Provisions(-)	590.773	1.039.505	1.948.496
Loans Granted to Real Persons and Legal Entities(Net)	856.399	923.059	550.821
Banks(Gross)	--	--	--
Provisions(-)	--	--	--
Banks(Net)	--	--	--
Other Loan(Gross)	--	--	--
Provisions(-)	--	--	--
Other Loan(Net)	--	--	--

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period(Net): 31 December 2017	250.207	168.443	395.007
Loans Granted to Real Persons and Legal Entities(Gross)	436.446	582.994	2.606.044
Provisions(-)	186.239	414.551	2.211.037
Loans Granted to Real Persons and Legal Entities(Net)	250.207	168.443	395.007
Banks(Gross)	--	--	--
Provisions(-)	--	--	--
Banks(Net)	--	--	--
Other Loan and Receivables(Gross)	--	--	--
Provisions(-)	--	--	--
Other Loan and Receivables(Net)	--	--	--

(v) Information on accrual of interest, rediscount rate and valuation difference and their provisions

	Group III	Group IV	Group V
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period(Net)	**68.100**	**139.183**	**27.706**
Accrual of interest and discount rate with valuation difference	130.511	256.807	59.803
Amount of provision(-)	62.411	117.624	32.097

11. Liquidation policy for uncollectible loans and receivables

For uncollectible loans and receivables, the Bank tries to solve the issue with the customer. If no result is obtained, all legal actions are taken. Such actions are completed when the insufficiency of collaterals is documented or a certificate of insolvency is obtained.

12. Information on write-off from assets policy

Unrecoverable non-performing loans are written off with the decision of the Board of Directors on condition that receivable of the Bank is not material compared to the costs to be incurred for the preparation of necessary documentation.

f. Information on financial assets measured at amortized cost

1. Information on securities subject to repurchase agreement and given as collateral or blocked

(i) Information on securities subject to repurchase agreement

Financial assets measured at amortized cost subject to repurchase agreement are TL 1.111.654(31 December 2017: TL 1.306.054).

(ii) Information on securities subject to given as collateral or blocked

Collateralized financial assets measured at amortized cost are government bonds, whose book value amounts to TL 951.233(31 December 2017: TL 2.048.110).

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2. Information on government securities in financial assets measured at amortized cost

Financial assets measured at amortized cost	Current Period
Government Bonds	6.075.170
Treasury Bills	--
Other Government Debt Securities	--
Total	**6.075.170**

Investment securities held-to-maturity	Prior Period
Government Bonds	5.212.636
Treasury Bills	--
Other Government Debt Securities	--
Total	**5.212.636**

3. Information on financial assets measured at amortized cost

Financial assets measured at amortized cost	Current Period
Debt Securities	6.075.170
Quoted on Stock Exchange	6.075.170
Unquoted on Stock Exchange	--
Impairment(-)	--
Total	**6.075.170**

Investment securities held-to-maturity	Prior Period
Debt Securities	5.212.636
Quoted on Stock Exchange	5.212.636
Unquoted on Stock Exchange	--
Impairment(-)	--
Total	**5.212.636**

4. Information on the movement of financial assets measured at amortized cost during the period

Financial assets measured at amortized cost	Current Period
Balance at the beginning of the period	**5.212.636**
Foreign exchange differences(*)	1.224.059
Purchases during the year	--
Disposals/Redemptions	(361.525)
Impairment losses(-)	**--**
Total	**6.075.170**

(*) Accruals of financial assets measured at amortized cost are included in "foreign exchange differences".

Investment securities held-to-maturity	Prior Period
Balance at the beginning of the period	**4.900.999**
Foreign exchange differences(*)	359.598
Purchases during the year	--
Disposals/Redemptions	(47.961)
Impairment losses(-)	--
Total	**5.212.636**

(*) Accruals of investment securities held-to-maturity are included in "foreign exchange differences".

The Bank transferred a portion of its securities from "financial assets at fair value through other comprehensive income" portfolio, with a new cost amounting to TL 2.826.026 and US Dollar 320.674 as of reclassification date, to the "financial assets measured at amortized cost" portfolio due to change in the intention of holding on 23 July, 24 July, 26 December 2013, 24 January 2014 and 1 November 2016. The negative valuation differences amounting to TL 326.599 followed under equity until the date of classification will be amortized with effective interest method and recycled to profit/loss until the maturities of these securities. As of the balance sheet date, the remaining negative valuation difference under equity is TL 173.970(31 December 2017: TL191.369).

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g. Investments in associates

Title	Address (City/Country)	The Bank's share percentage(%)	The Bank's risk group share percentage(%)
1-Kredi Kayıt Bürosu A.Ş.[1]	İstanbul/Turkey	9	--
2-Kredi Garanti Fonu A.Ş.[2]	Ankara/Turkey	2	--
3-Ege Tarım Ürünleri Lisanslı Dep. A.Ş.[2]	İzmir/Turkey	9	--

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/ (Loss)	Fair Value
1	310.511	204.375	164.139	10.965	--	34.818	36.919	--
2	467.788	434.126	9.188	35.373	--	135.818	372	--
3	11.230	9.972	8.527	97	--	(534)	(600)	--

[1] Information on the financial statements is presented as of the period ended 30 September 2018.
[2] Information on the financial statements is presented as of the period ended 31 December 2017.

h. Investments in subsidiaries

1. Information on shareholders' equity of major subsidiaries

Amounts at below table are prepared within the scope of regulation valid for Denizbank AG and they are obtained from financial data of 31 December 2018.

	Denizbank AG
Paid-in capital	1.400.769
Share premium	2.058.130
Reserves	5.878.251
Deductions from capital	5.542
Total Common Equity	**9.331.608**
Total additional Tier I capital	--
Deductions from capital	22.168
Total Core Capital	**9.309.440**
Total supplementary capital	158.312
Capital	**9.467.752**
Deductions from capital	--
SHAREHOLDERS' EQUITY	**9.467.752**

2. Information on subsidiaries

Title	Address(City/Country)	The Bank's share percentage(%)	Other shareholders' share percentage(%)[3]
1 İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.[1]	Istanbul/Turkey	100	--
2 Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.[1]	Istanbul/Turkey	100	--
3 Denizbank AG	Vienna/Austria	100	--
4 Eurodeniz International Banking Unit Ltd.	Nicosia/Cyprus	100	--
5 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--
6 Ekspres Bilgi İşlem ve Ticaret A.Ş.[1]	Istanbul/Turkey	71	29
7 JSC Denizbank Moskova	Moscow/Russia	49	51
8 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100
9 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51
10 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--
11 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.[2]	Istanbul/Turkey	--	89
12 CR Erdberg Eins GmbH & Co KG[2]	Vienna/Austria	--	100

[1] It is not included in TAS 27 equity method implementation mentioned in Note I of Section Three.
[2] They are included in TAS 27 "equity method" mentioned in Note I of Section Three although which are not the Bank's direct subsidiaries.
[3] Presenting risk group of Bank's share percentage.

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	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
1	165.747	43.303	56.110	788	--	48.800	872	--	--
2	1.459	1.167	--	--	--	(72)	(76)	--	--
3	66.800.988	9.272.048	76.987	2.447.292	13.979	1.079.560	698.310	--	--
4	1.009.598	37.504	72	45.671	--	244	297	--	--
5	407.870	338.357	2.817	38.442	--	95.368	35.893	--	--
6	18.571	17.265	11.195	1.199	--	434	1.018	--	--
7	1.389.670	431.524	3.917	92.811	10.205	58.826	39.150	--	--
8	17.450	15.449	261	2.850	28	4.402	5.984	--	--
9	3.089.706	686.361	243.209	306.112	--	75.302	89.228	--	--
10	2.232.516	379.466	6.365	574.156	--	101.763	61.641	--	--
11	566.447	250.040	341	1.554	--	39.702	15.788	--	--
12	188.245	162.997	150.451	2	--	3.252	2.844	--	--

Includes information on the unconsolidated financial statements as of 31 December 2018.

(i) Movement of subsidiaries during the period

	Current Period
Balance at the Beginning of the Period	7.591.463
Movements during the Period	3.799.055
Purchases	303.801
Bonus Shares Received	--
Dividends from Current Year Profit(*)	1.439.804
Sales	--
Revaluation Increase, Effect of Inflation and F/X Difference(**)(***)	2.055.450
Allowance for impairment	--
Balance at the End of the Period	11.390.518
Capital Commitments	--
Share Percentage at the end of Period(%)	--

(*) As of 31 December 2018, there isn't dividend income as a consequence of equity method implementation in accordance with TAS 27 mentioned in Note I of Section Three.
(**) It consists of other reserves amounting to TL 1.909.425 as of 31 December 2018(31 December 2017: TL 977.306), valuation differences of securities amounting to TL(15.944)(31 December 2017: TL 5.014), cash flow hedge transactions TL(29.409)(31 December 2017: None), real estate revaluation TL 16.665(31 December 2017: TL 22.546) and actuarial gain/(loss) TL(1.989)(31 December 2017: None) as a consequence of equity method implementation in accordance with TAS 27 mentioned in Note I of Section Three.
(***) Includes the fair value of Intertech amounting to TL 176.702 in accordance with TFRS 9 mentioned in Note III of Section III.

(ii) Sectorial information on the subsidiaries and the related carrying amounts

	Current Period
Banks	9.428.245
Insurance Companies	--
Factoring Companies	379.466
Leasing Companies	336.310
Finance Companies	--
Other Subsidiaries	1.246.497
Total	11.390.518

(iii) Quoted subsidiaries: None.

(iv) Subsidiaries disposed during the current period: None.

(v) Subsidiaries acquired during the current period: None.

i. Entities Under Common Control(Joint Ventures)

Title	The Bank's share percentage(%)	The Group's share percentage (%)	Current Assets	Non-Current Assets	Non-Current Liabilities	Income	Expenses
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33	33	45.767	37.735	8.119	154.946	(139.881)

Information on the unaudited financial statements is presented as of the period ended 31 December 2018.

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j. Information on receivables from leasing activities

None.

k. Explanation on hedging purpose derivatives

None.

l. Information on tangible assets

	Real Estate	Tangible Fixed Assets Retained With Leasing	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	66.100	208.928	1.247	942.627	1.218.902
Accumulated Depreciation	--	(180.166)	(1.221)	(596.956)	(778.343)
Net Book Value	**66.100**	**28.762**	**26**	**345.671**	**440.559**
Current Period					--
Net Book Value at the Beginning of the Period	66.100	28.762	26	345.671	440.559
Changes In the Period(Net)	3.450	9.275	(4)	100.477	113.198
Depreciation Cost	(982)	(12.413)	(14)	(102.191)	(115.600)
Provision For Decrease In Value	(243)	--	--	--	(243)
FX Differences(Net)	--	--	--	8	8
Cost At the End of the Period	68.325	171.704	1.190	1.028.946	1.270.165
Accumulated Depreciation At the End of the Period	--	(146.080)	(1.182)	(684.981)	(832.243)
Net Book Value At The End Of The Period	**68.325**	**25.624**	**8**	**343.965**	**437.922**

The Bank has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Positive differences between property value in expertise reports prepared by licenced valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are recorded under income statement.

Revaluation difference amounting to TL 36.010(31 December 2017: TL 32.645) is recognized under equity as a result of revaluation process, and impairment provision made in previous period for related properties amounting to TL 2.981 is cancelled and an impairment provision amounting to TL 3.156 is booked for related properties.

m. Information on intangible assets

	Other	Goodwill	Total
Prior Period			
Cost	675.509	869	676.378
Accumulated Depreciation	(507.667)	--	(507.667)
Net Book Value	**167.842**	**869**	**168.711**
Current Period			--
Net Book Value at the Beginning of the Period	167.842	869	168.711
Differences During the Period(Net)	166.991	--	166.991
Depreciation Cost	(104.201)	--	(104.201)
Provision For Decrease In Value	--	(869)	(869)
FX Differences(Net)	--	--	--
Cost At the End of the Period	844.044	--	844.044
Accumulated Depreciation At the End of the Period	(613.412)	--	(613.412)
Net Book Value At The End Of The Period	**230.632**	**--**	**230.632**

n. Explanation on investment property

None.

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o. Information on deferred tax asset

These balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

The following table presents the deferred tax assets according to nature:

	Current Period
Miscellaneous Provisions	559.503
Tax Losses Carried Forward(*)	296.702
Unearned Revenue	71.869
Valuation Differences of Financial Assets	38.089
Provision for Employee Benefits	32.610
Other	543
Deferred Tax Assets	**999.316**
Valuation Differences of Tangible Fixed Assets	(21.809)
Other	(20.820)
Deferred Tax Liabilities	**(42.629)**
Net Deferred Tax Assets	**956.687**

(*) Tax losses carried forward mainly consist of valuation differences of financial assets in accordance with Tax Procedure Law in the calculation of corporate tax.

	Prior Period
Miscellaneous Provisions	86.039
Unearned Revenue	65.900
Valuation Differences of Derivatives	54.234
Provision for Employee Benefits	27.502
Deferred Tax Assets	**233.675**
Valuation Differences of Tangible Fixed Assets	(19.571)
Valuation Differences of Financial Assets	(3.364)
Others	(38.887)
Deferred Tax Liabilities	**(61.822)**
Net Deferred Tax Assets	**171.853**

p. Explanation on property and equipment held for sale and related to discontinued operations

None.

q. Information on other assets

1. Information on prepaid expense, taxes and similar items

The Bank's total prepaid expenses are TL 493.915(31 December 2017: TL 527.810).

2. Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

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II. Explanations and disclosures related to liabilities

a. Information on deposits

1. Information on maturity structure of deposits

Current period – 31 December 2018:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.634.327	--	2.931.067	25.741.058	1.534.319	1.081.038	794.517	13.340	34.729.666
Foreign Currency Deposits(*)	8.640.001	--	5.875.286	15.161.470	642.733	833.645	2.076.278	1.579	33.230.992
Residents in Turkey	8.023.928	--	5.485.221	13.695.200	569.679	710.625	1.569.323	1.417	30.055.393
Residents Abroad	616.073	--	390.065	1.466.270	73.054	123.020	506.955	162	3.175.599
Public Sector Deposits	772.601	--	31.054	48.761	19.336	1.314	913	--	873.979
Commercial Deposits	2.466.277	--	2.611.513	4.681.868	141.146	145.532	28.305	--	10.074.641
Other Ins. Deposits	118.976	--	76.892	987.865	167.608	17.511	68.481	--	1.437.333
Precious Metal Deposits	402.150	--	53.384	378.595	29.670	43.033	10.890	6.653	924.375
Bank Deposits	74.298	--	404.830	1.191.655	295.479	601.127	290.405	--	2.857.794
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	885	--	--	--	--	6.780	2.000	--	9.665
Foreign Banks	72.405	--	404.830	1.191.655	295.479	594.347	288.405	--	2.847.121
Special Finan. Inst.	1.008	--	--	--	--	--	--	--	1.008
Other	--	--	--	--	--	--	--	--	--
Total	15.108.630	--	11.984.026	48.191.272	2.830.291	2.723.200	3.269.789	21.572	84.128.780

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 19.174.270 and Commercial Deposit customers at the amount of TL 14.056.722.

Prior period – 31 December 2017:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.729.341	--	2.158.790	21.443.416	1.013.313	419.983	381.550	18.953	28.165.346
Foreign Currency Deposits(*)	5.738.090	--	3.534.780	13.392.639	1.158.109	1.434.479	1.565.203	1.485	26.824.785
Residents in Turkey	5.318.472	--	3.117.368	12.405.653	1.024.188	1.351.726	1.168.938	1.310	24.387.655
Residents Abroad	419.618	--	417.412	986.986	133.921	82.753	396.265	175	2.437.130
Public Sector Deposits	515.330	--	60.012	73.405	13.340	70	4.297	--	666.454
Commercial Deposits	3.122.118	--	2.146.718	4.916.420	161.091	235.217	130.708	--	10.712.272
Other Ins. Deposits	121.224	--	245.123	1.120.697	498.612	135.924	19.708	--	2.141.288
Precious Metal Deposits	275.983	--	41.758	270.412	24.620	25.990	8.470	5.733	652.966
Bank Deposits	39.695	--	3.916.790	602.970	99.986	1.119.193	304.060	--	6.082.694
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	3.283	--	1.617.825	77.332	6.132	--	--	--	1.704.572
Foreign Banks	35.650	--	2.298.965	525.638	93.854	1.119.193	304.060	--	4.377.360
Special Finan. Inst.	762	--	--	--	--	--	--	--	762
Other	--	--	--	--	--	--	--	--	--
Total	12.541.781	--	12.103.971	41.819.959	2.969.071	3.370.856	2.413.996	26.171	75.245.805

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 14.427.793 and Commercial Deposit customers at the amount of TL 12.396.992.

2. Information on deposit insurance

(i) Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Saving Deposit Insurance Fund	Exceeding the Insurance Coverage Limit
	Current Period	Current Period
Saving Deposits	17.976.394	16.731.784
Foreign Currency Saving Deposits	4.608.101	15.279.925
Other Saving Deposits	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--
Off-Shore Deposits Under Foreign Insurance Coverage	--	--
Total	22.584.495	32.011.709

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	Saving Deposit Insurance Fund	Exceeding the Insurance Coverage Limit
	Prior Period	Prior Period
Saving Deposits	14.280.818	13.842.565
Foreign Currency Saving Deposits	3.444.973	11.546.115
Other Saving Deposits	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--
Off-Shore Deposits Under Foreign Insurance Coverage	--	--
Total	17.725.791	25.388.680

(ii) Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period
Deposits and Other Accounts in Foreign Branches	113.615
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	74.037
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--
Deposits belong to Off-Shore Banks who are established in Turkey	--
Total	187.652

	Prior Period
Deposits and Other Accounts in Foreign Branches	90.381
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	55.016
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--
Deposits belong to Off-Shore Banks who are established in Turkey	--
Total	145.397

(iii) Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

b. Information on trading purpose derivatives

1. Negative value of trading purpose derivatives

	Current Period	
	TL	FC
Forward Transactions	93.475	121.698
Swap Transactions	860.660	555.211
Futures Transactions	--	--
Options	32	294.354
Other	--	--
Total	954.167	971.263

	Prior Period	
	TL	FC
Forward Transactions	9.969	36.628
Swap Transactions	657.683	576.035
Futures Transactions	--	--
Options	13.082	83.740
Other	--	--
Total	680.734	696.403

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c. Information on funds borrowed

1. Information on banks and other financial institutions

	Current Period	
	TL	FC
Central Bank Loans	--	--
Domestic Banks and Institutions	233.809	818.246
Foreign Banks, Institutions and Funds	--	14.161.099
Total	233.809	14.979.345

	Prior Period	
	TL	FC
Central Bank Loans	--	--
Domestic Banks and Institutions	207.039	564.908
Foreign Banks, Institutions and Funds	585.518	12.526.580
Total	792.557	13.091.488

2. Maturity information of funds borrowed

	Current Period	
	TL	FC
Short-Term	233.809	9.180.210
Medium and Long-Term	--	5.799.135
Total	233.809	14.979.345

	Prior Period	
	TL	FC
Short-Term	203.454	5.969.374
Medium and Long-Term	589.103	7.122.114
Total	792.557	13.091.488

3. Additional explanation on concentrations of the Bank's liabilities

Deposits constitute the most important fund of the Bank, and they account for 61% of total funds(31 December 2017: 62%). Loans received, subordinated loans, debts to money markets and issued securities account for 18% of total funds(31 December 2017: 20%).

d. Information on securities issued

	Current Period	
	TL	FC
Bonds	--	--
Bills	1.791.892	--
Asset Backed Securities	--	--
Total	1.791.892	--

Nominal value of TL 9.976 of the securities issued were repurchased by the Bank and offset in the financial statements.

	Prior Period	
	TL	FC
Bonds	248.543	--
Bills	1.216.074	--
Asset Backed Securities	--	--
Total	1.464.617	--

Nominal value of TL 73.637 of the securities issued were repurchased by the Bank and offset in the financial statements.

e. If other liabilities line of the balance sheet exceeds 10% of the balance sheet total; excluding the off balance sheet commitments; information on components making up at least 20% of the other liabilities

Other liabilities do not exceed 10% of the balance sheet total excluding the off-balance sheet items.

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f. Information on lease payables(net)

Maturity of the leasing agreements are usually 4 years. Interest rate and the Bank's cash flow are the criteria, taken into consideration, on the lease contracts. There is no judgements which, exposed to significant liabilities to the Bank, on the lease contracts.

	Current Period	
	Gross	Net
Less than 1 Year	3.505	3.162
Between 1-4 Years	6.502	6.470
More than 4 Years	--	--
Total	10.007	9.632

	Prior Period	
	Gross	Net
Less than 1 Year	9.622	8.984
Between 1-4 Years	606	577
More than 4 Years	--	--
Total	10.228	9.561

1. Changes in agreements and further commitments arising

None.

2. Obligations under finance leases

None.

3. Explanations on operational leases

The Bank has operational lease agreements for its bank branches, motor vehicles and ATM locations. Rental payments for the majority of these agreements are made and expensed on a monthly basis. The unexpired portion of prepayments made for rent agreements on a yearly basis are accounted for under prepaid expenses in "other assets".

4. Explanations on the conditions and matters of the tenant and the lessee in the "sell-and-lease back" agreements

None.

g. Information on liabilities arising from hedging purpose derivatives

None.

h. Explanation on provisions

1. Information on general provisions

	Prior Period
Provisions for Loans and Receivables in Group I	1.070.884
Additional Provision for Loans with Extended Maturities	29.113
Provisions for Loans and Receivables in Group II	299.763
Additional Provision for Loans with Extended Maturities	158.654
Provisions for Non Cash Loans	105.552
Other	--
Total	1.476.199

2. Provision for currency exchange gain/loss on foreign currency indexed loans

As of 31 December 2018, there is no reserves allocated for the exchange rate differences of loans indexed to foreign currency amount(31 December 2017: TL 11.313). Provisions for exchange rate differences pertaining to loans indexed to foreign currency are netted off against the loans and receivables under assets in the financial statements.

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3. Liabilities on provision for employee benefits

TAS 19 requires using the actuarial method for calculation of obligations the company.

Accordingly, the following actuarial assumptions were used in the calculation of the total reserve for employee termination benefits:

	Current Period	Prior Period
Discount rate	%5,45	%4,69
İnterest rate	%16,00	%11,50
Expected rate of salary/limit increase	%10,00	%6,50

As of 31 December 2018, TL 115.748 of provision for employee termination benefits(31 December 2017: TL 95.413) and TL 78.975 of unused vacation accruals(31 December 2017: TL 29.525) were reflected to the financial statements.

Movement of the provision during the period:

	Current Period
Balance at the Beginning of the Period	**95.413**
Changes in the period	25.666
Actuarial loss/gain	36.152
Paid in the period	(41.483)
Balance at the End of the Period	**115.748**

	Prior Period
Balance at the Beginning of the Period	**77.610**
Changes in the period	28.065
Actuarial loss/gain	13.703
Paid in the period	(23.965)
Balance at the End of the Period	**95.413**

4. Information on other provisions

(i) Information on other provisions exceeding 10% of total provisions

Current period:
TL 240.039 of other provisions is the expected credit loss for Stage 1 and Stage 2 non-cash loans, TL 88.104 is related to Stage 3 expected loss provisions for NPL customers' non-cash loans that are not converted into cash, TL 90.000 provision for possible developments in the overall economic and market conditions, TL 85.669 for provisions for the litigations against the Bank and TL 198.802 includes other provisions.

Prior period:
TL 358.203 of other provisions is provided for possible future losses related to certain loans in the loan portfolio, TL 98.485 specific provisions for non-cash loans, TL 65.000 provision for possible developments in the overall economic and market conditions, TL 28.619 for provisions for the litigations against the Bank and provisions for operational risk and TL 37.747 includes other provisions.

i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2018, there is no corporate tax provision of The Bank(31 December 2017: TL 221.047, and it has been offset with prepaid taxes amounting to TL 170.192).

As of 31 December 2018, the Bank's total tax and premium liabilities is TL 267.549(31 December 2017: TL 258.971).

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(ii) Information on taxes payable

	Current Period
Corporate taxes payable	--
Taxation on securities	80.434
Capital gains taxes on property	2.789
Banking Insurance Transaction Tax(BITT)	95.576
Taxes on foreign exchange transactions	--
Value added taxes payable	4.123
Other	62.019
Total	244.941

	Prior Period
Corporate taxes payable	50.855
Taxation on securities	71.103
Capital gains taxes on property	2.093
Banking Insurance Transaction Tax(BITT)	59.972
Taxes on foreign exchange transactions	--
Value added taxes payable	2.980
Other	50.563
Total	237.566

(iii) Information on premiums

	Current Period
Social security premiums-employee share	9.639
Social security premiums-employer share	10.957
Bank pension fund premium-employee share	--
Bank pension fund premium-employer share	--
Pension fund membership fees and provisions-employee share	--
Pension fund membership fees and provisions-employer share	--
Unemployment insurance-employee share	671
Unemployment insurance-employer share	1.341
Other	--
Total	22.608

	Prior Period
Social security premiums-employee share	9.131
Social security premiums-employer share	10.366
Bank pension fund premium-employee share	--
Bank pension fund premium-employer share	--
Pension fund membership fees and provisions-employee share	--
Pension fund membership fees and provisions-employer share	--
Unemployment insurance-employee share	636
Unemployment insurance-employer share	1.272
Other	--
Total	21.405

2. Information on deferred tax liabilities

There is no deferred tax liability calculated on the basis of related regulation. Information on deferred taxes is disclosed in Note "o" of explanations and disclosures related to assets.

j. Information on debts of fixed assets held for sales purposes and related to discontinuing operations

None.

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k. Information on subordinated loans

	Current Period	
	TL	FC
Borrowing Instruments to be Included in the Additional Tier 1 Capital Calculation	--	--
Subordinated Loans	--	--
Subordinated Debt Instruments	--	--
Debt Instruments to be Included in the Tier 2 Capital Calculation	--	6.274.450
Subordinated Loans	--	6.274.450
Subordinated Debt Instruments	--	--
Total	--	6.274.450

Information related to subordinated loans is given in Note I-b of Section Four.

	Prior Period	
	TL	FC
Domestic Banks	--	--
Other Domestic Institutions	--	--
Foreign Banks	--	5.261.523
Other Foreign Institutions	--	--
Total	--	5.261.523

l. Information on shareholders' equity

1. Paid-in capital

	Current Period
Common Stock	3.316.100
Preferred Stock	--

	Prior Period
Common Stock	3.316.100
Preferred Stock	--

Paid-in capital of the Bank is shown at nominal value.

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital

Registered paid-in capital system is not applied.

3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None.

4. Information on share capital increases from revaluation funds

None.

5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The capital is totally paid in and there is no capital commitments.

6. Prior period indicators of the Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators

Balance sheets of the The Bank are managed prudently, to minimize the negative effects of interest rate, foreign currency and credit risks. This policy contributes to the progress of the Bank's profitability with a steady increasing trend.

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7. Information on the privileges given to stocks representing the capital

The Bank does not have any preferred stocks.

8. Common stock issue premiums, shares and equity instruments

	Current Period
Number of Shares(*)	50.368.526
Preferred Stock	--
Common Stock Issue Premium(**)	15
Common Stock Cancellation Profits	--
Other Equity Instruments	--
Total Common Stock Issued(*)	**50.369**

	Prior Period
Number of Shares(*)	50.368.526
Preferred Stock	--
Common Stock Issue Premium(**)	15
Common Stock Cancellation Profits	--
Other Equity Instruments	--
Total Common Stock Issued(*)	**50.369**

(*) Related to the Bank's paid-in capital increase on 27 September 2004. At that date, the paid-in capital was increased from TL 202.000 to TL 290.000; and TL 50.369 of this TL 88.000 increase was received in cash through issuance of new shares to the public.
(**) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008.

Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015.

A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

9. Information on securities revaluation reserve

	Current Period	
	TL	FC
Associates, Subsidiaries and JVs	778.054	--
Valuation Difference and FX Difference	(674.500)	(130.743)
Total	**103.554**	**(130.743)**

	Prior Period	
	TL	FC
Associates, Subsidiaries and JVs	--	--
Valuation Difference and FX Difference	(424.114)	(23.285)
Total	**(424.114)**	**(23.285)**

10. Information on hedging funds

Explanations about hedging funds are in Note XI of Section Four.

11. Information on minority shares

None.

12. Information on revaluation differences of tangible assets

The Bank has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Revaluation difference amount of TL 69.796 is recognized "Other Comprehensive Income That Will Not Be Reclassified in Profit or Loss" under equities as a result of revaluation process.(31 December 2017:TL 50.906).

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13. Explanation of profit distribution

According to the dividend distribution proposal of the Bank's Board of Directors at the Ordinary General Assembly held on 29 March 2018, TL 93.990 is allocated as legal reserve, and the remaining TL 1.785.802 from the net profit of the year 2017 amounting to TL 1.879.792 is allocated to extraordinary reserves.

III. Explanations and disclosures related to off-balance sheet items

a. Information related to off-balance sheet commitments

1. Type and amount of irrevocable commitments

All of the Bank's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2018, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 32.295.766, TL 19.225.849 and TL 1.815.134 respectively.(31 December 2017: TL 27.778.339, TL 14.216.415 and TL 2.375.880 respectively). These items are detailed in the off-balance sheet accounts.

2. Type and amount of possible losses from off-balance sheet items referred to below

(i) Guarantees, bills of exchange and acceptances and other letters of credit which can be considered as financial collateral

As of 31 December 2018, The Bank has letters of guarantee amounting to TL 26.154.331, bills of exchange and acceptances amounting to TL 223.364, and guarantees and sureties on letters of credit amounting to TL 2.303.737 and other guarantees and sureties amounting to TL 3.614.334.

As of 31 December 2017, The Bank has letters of guarantee amounting to TL 22.426.568, bills of exchange and acceptances amounting to TL 204.541, and guarantees and sureties on letters of credit amounting to TL 2.644.460 and other guarantees and sureties amounting to TL 2.502.770.

(ii) Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period
Provisional Letters of Guarantee	478.994
Final Letters of Guarantee	15.818.833
Letters of Guarantee for Advances	2.557.254
Letters of Guarantee given to Customs Offices	181.679
Other Letters of Guarantee	7.117.571
Total	26.154.331

	Prior Period
Provisional Letters of Guarantee	803.218
Final Letters of Guarantee	14.178.871
Letters of Guarantee for Advances	2.402.152
Letters of Guarantee given to Customs Offices	161.951
Other Letters of Guarantee	4.880.376
Total	22.426.568

3. Information on non-cash loans

(i) Total amount of non-cash loans

	Current Period
Non-Cash Loans Given for Obtaining Cash Loans	10.731.710
With Original Maturity of 1 Year or Less	10.731.710
With Original Maturity of More Than 1 Year	--
Other Non-Cash Loans	21.564.056
Total	32.295.766

	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	7.382.910
With Original Maturity of 1 Year or Less	7.381.967
With Original Maturity of More Than 1 Year	943
Other Non-Cash Loans	20.395.429
Total	27.778.339

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(ii) Sectorial risk concentrations of non-cash loans

	Current Period			
	TL	%	FC	%
Agricultural	186.307	1,73	290.968	1,34
Farming and Cattle	181.336	1,68	286.877	1,33
Forestry	1.640	0,02	1.070	--
Fishing	3.331	0,03	3.021	0,01
Manufacturing	1.832.731	17,00	9.555.165	44,44
Mining	97.822	0,91	338.917	1,58
Production	1.455.576	13,50	8.565.745	39,83
Electric, Gas, Water	279.333	2,59	650.503	3,03
Construction	3.048.479	28,25	5.005.848	23,28
Services	4.063.585	37,67	4.181.710	19,44
Wholesale and Retail Trade	2.251.076	20,87	2.207.233	10,26
Hotel and Restaurant Services	239.659	2,22	412.544	1,92
Transportation and telecommunication	503.609	4,67	1.081.896	5,03
Financial institutions	711.503	6,59	401.884	1,87
Real estate and letting services	43.989	0,41	3.143	0,01
Self-employement services	--	--	--	--
Education services	163.748	1,52	11.803	0,05
Health and social services	150.001	1,39	63.207	0,30
Other	1.661.147	15,35	2.469.826	11,50
Total	10.792.249	100,00	21.503.517	100,00

	Prior Period			
	TL	%	FC	%
Agricultural	139.420	1,25	193.480	1,17
Farming and Cattle	136.563	1,22	192.397	1,16
Forestry	1.775	0,02	1.083	0,01
Fishing	1.082	0,01	--	--
Manufacturing	1.882.658	16,82	7.595.457	45,80
Mining	161.110	1,44	218.858	1,32
Production	1.561.839	13,95	6.689.022	40,33
Electric, Gas, Water	159.709	1,43	687.577	4,15
Construction	3.430.640	30,65	3.997.709	24,11
Services	3.762.914	33,61	3.408.538	20,56
Wholesale and Retail Trade	2.220.924	19,84	1.840.758	11,10
Hotel and Restaurant Services	244.290	2,18	377.787	2,28
Transportation and telecommunication	526.167	4,70	783.043	4,72
Financial institutions	324.788	2,90	345.839	2,09
Real estate and letting services	47.336	0,42	4.878	0,03
Self-employement services	--	--	--	--
Education services	216.080	1,93	13.086	0,08
Health and social services	183.329	1,64	43.147	0,26
Other	1.978.203	17,67	1.389.320	8,36
Total	11.193.835	100,00	16.584.504	100,00

(iii) Information about the first and second group of non-cash loans

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	10.486.791	14.460.464	291.675	915.401
Bank Aceptances	7.826	215.538	--	--
Letters of Credit	5.949	2.286.919	--	10.869
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	8	3.609.075	--	5.251
Total	10.500.574	20.571.996	291.675	931.521

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b. Information related to derivative financial instruments

Current Period	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Inverstment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions	--	--	--	--	--	
Foreign Currency Related Derivative Transactions(I)	51.203.938	12.043.371	15.325.280	5.438.811	--	84.011.400
Forward FC Call Transactions	1.066.319	1.348.354	1.265.886	139.117	--	3.819.676
Forward FC Pull Transactions	1.033.944	1.424.524	1.274.604	142.476	--	3.875.548
Swap FC Call Transactions	21.540.447	894.445	3.239.445	2.831.722	--	28.506.059
Swap FC Pull Transactions	22.112.015	915.005	3.821.142	2.325.496	--	29.173.658
Options FC Call Transactions	2.690.523	3.672.596	2.905.302	--	--	9.268.421
Options FC Pull Transactions	2.760.690	3.637.324	2.818.901	--	--	9.216.915
Futures FC Call Transactions	--	72.356	--	--	--	72.356
Futures FC Pull Transactions	--	78.767	--	--	--	78.767
Total of Interest Derivative Transactions(II)	499.999	--	2.854.796	9.095.766	18.203.266	30.653.827
Swap Interest Call Transactions	250.000	--	1.427.398	4.482.107	9.101.633	15.261.138
Swap Interest Pull Transactions	249.999	--	1.427.398	4.482.107	9.101.633	15.261.137
Options Interest Call Transactions	--	--	--	65.776	--	65.776
Options Interest Pull Transactions	--	--	--	65.776	--	65.776
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions(III)	1.297.876	93.792	677.077	190.201	--	2.258.946
B. Total Types of Trading Transactions(I + II + III)	53.001.813	12.137.163	18.857.153	14.724.778	18.203.266	116.924.173
Total Derivatives Transactions(A+B)	53.001.813	12.137.163	18.857.153	14.724.778	18.203.266	116.924.173

Prior Period	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Inverstment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions	--	--	--	--	--	
Foreign Currency Related Derivative Transactions(I)	33.385.698	10.904.179	13.399.370	5.503.728	--	63.192.975
Forward FC Call Transactions	1.905.948	1.084.914	949.090	73.733	--	4.013.685
Forward FC Pull Transactions	1.896.337	1.095.765	925.131	72.907	--	3.990.140
Swap FC Call Transactions	13.872.354	2.463.695	2.692.436	2.550.481	--	21.578.966
Swap FC Pull Transactions	12.723.161	2.476.084	2.603.491	2.792.409	--	20.595.145
Options FC Call Transactions	1.479.656	1.879.799	3.073.114	7.022	--	6.439.591
Options FC Pull Transactions	1.508.242	1.903.922	3.156.108	7.176	--	6.575.448
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions(II)	1.100.000	1.129.708	6.513.150	10.889.662	15.887.036	35.519.556
Swap Interest Call Transactions	550.000	164.854	2.856.575	5.444.831	7.886.098	16.902.358
Swap Interest Pull Transactions	550.000	164.854	2.856.575	5.444.831	7.886.098	16.902.358
Options Interest Call Transactions	--	--	800.000	--	57.420	857.420
Options Interest Pull Transactions	--	800.000	--	--	57.420	857.420
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions(III)	1.694.012	258.648	312.748	--	--	2.265.408
B. Total Types of Trading Transactions(I + II + III)	36.179.710	12.292.535	20.225.268	16.393.390	15.887.036	100.977.939
Total Derivatives Transactions(A+B)	36.179.710	12.292.535	20.225.268	16.393.390	15.887.036	100.977.939

c. Credit derivatives and risk exposures on credit derivatives

None.

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d. Contingent assets and liabilities

In addition to the matters explained in detail above, the Bank has provided a provision amounting to TL 85.669(31 December 2017: TL 23.429) for the lawsuits against the Bank in accordance with the precautionary principle. These provisions are classified among "Other provisions". Except for those provisioned, other ongoing lawsuits are unlikely to result in a negative conclusion and cash outflow is not foreseen for them.

e. Activities carried out on behalf and account of other persons

The Bank provides trading, custody, management and consultancy services to its customers.

IV. Explanations and disclosures related to statement of income

a. Interest income

1. Information on interest income received from loans

	Current Period	
	TL	FC
Short Term Loans	3.543.083	234.908
Medium and Long Term Loans	7.338.431	1.067.939
Loans Under Follow-Up	252.765	--
Premiums Received from Resource Utilization Support Fund	--	--
Total	11.134.279	1.302.847

Interest income received from loans also includes fees and commissions from cash loans granted.

	Prior Period	
	TL	FC
Short Term Loans	2.406.312	95.554
Medium and Long Term Loans	5.802.039	782.606
Loans Under Follow-Up	62.303	--
Premiums Received from Resource Utilization Support Fund	--	--
Total	8.270.654	878.160

Interest income received from loans also includes fees and commissions from cash loans granted.

2. Information on interest income received from banks

	Current Period	
	TL	FC
Central Bank of the Republic of Turkey	78.254	5.459
Domestic Banks	35.179	11.224
Foreign Banks	988	35.040
Foreign Head Offices and Branches	--	--
Total	114.421	51.723

The interest income from required reserves that maintain in CBRT of Bank amounting to TL 193.978 recognized under "Interest Income Received From Required Reserves" account.

	Prior Period	
	TL	FC
Central Bank of the Republic of Turkey	113.514	576
Domestic Banks	13.522	3.467
Foreign Banks	3.238	7.371
Foreign Head Offices and Branches	--	--
Total	130.274	11.414

The interest income from required reserves that maintain in CBRT of Bank amounting to TL 101.420 recognized under "Interest Income Received From Required Reserves" account.

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3. Information on interest income received from securities portfolio

	Current Period	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	23.033	940
Financial Assets at Fair Value Through Other Comprehensive Income	811.701	27.551
Financial Assets Measured at Amortized Cost	771.539	93.445
Total	1.606.273	121.936

	Prior Period	
	TL	FC
Trading Securities	10.063	6.722
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-for-Sale	527.387	39.136
Investment Securities Held-to-Maturity	428.610	77.568
Total	966.060	123.426

As stated in the chapter III footnote numbered VII, the Bank has government securities in the financial assets at fair value through other comprehensive income and financial assets measured at amortized cost portfolios with a maturity of 5 to 10 years and having CPI indexed 3 months real coupon ratio fixed until maturity. As stated in the Undersecretariat of Treasury's securities indexed CPI Investors Guide, the reference indexes used in calculating the actual coupon payment amounts of these assets are based on the CPI of previous two months. The Bank determines the estimated inflation rate accordingly. The estimated inflation rate is updated as needed within the year. The Bank determines the estimated inflation rate in parallel. Estimated inflation rate is updated during the year when deemed necessary.

4. Information on interest income received from associates and subsidiaries

	Current Period
Interest Received from Associates and Subsidiaries	89.265

	Prior Period
Interest Received from Associates and Subsidiaries	34.960

b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period	
	TL	FC
Banks	28.970	933.808
Central Bank of the Republic of Turkey	28	--
Domestic Banks	16.280	80.582
Foreign Banks	12.662	853.226
Foreign Head Offices and Branches	--	--
Other Institutions	--	--
Total	28.970	933.808

Interest expense related to funds borrowed also includes fees and commission expenses.

	Prior Period	
	TL	FC
Banks	76.319	651.190
Central Bank of the Republic of Turkey	61	--
Domestic Banks	14.623	13.311
Foreign Banks	61.635	637.879
Foreign Head Offices and Branches	--	--
Other Institutions	--	--
Total	76.319	651.190

Interest expense related to funds borrowed also includes fees and commission expenses.

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2. Information on interest expense paid to associates and subsidiaries

	Current Period
Interest Paid to Associates and Subsidiaries	73.319

	Prior Period
Interest Paid to Associates and Subsidiaries	37.187

3. Information on interest expense paid to securities issued

	Current Period
Interest Paid to Securities Issued	358.211

	Prior Period
Interest Paid to Securities Issued	156.250

4. Maturity structure of the interest expense on deposits

		Time Deposit						
Account Name	Demand	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year	Cumulative Deposit	Total
TL								
Bank Deposits	13	91.445	--	--	--	--	--	91.458
Saving Deposits	25	628.951	4.103.767	175.939	88.495	66.366	1.637	5.065.180
Public Sector Deposits	--	6.369	9.597	3.157	142	105	--	19.370
Commercial Deposits	1	562.036	912.563	24.247	24.873	9.960	--	1.533.680
Other Deposits	--	22.775	172.355	23.239	7.005	4.537	--	229.911
"7 Days' Notice" Deposits	--	--	--	--	--	--	--	--
Total	39	1.311.576	5.198.282	226.582	120.515	80.968	1.637	6.939.599
FC								
Foreign Currency Deposits	6	115.623	620.130	27.253	40.138	58.034	--	861.184
Bank Deposits	13.007	71.266	--	--	--	--	--	84.273
"7 Days' Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	8	3.397	4.765	802	922	233	136	10.263
Total	13.021	190.286	624.895	28.055	41.060	58.267	136	955.720
Grand Total	13.060	1.501.862	5.823.177	254.637	161.575	139.235	1.773	7.895.319

c. Dividend income

	Current Period
Financial Assets at Fair Value Through Profit or Loss	900
Financial Assets at Fair Value Through Other Comprehensive Income	--
Other(*)	1.232
Total	2.132

(*) Presents dividend income from unconsolidated subsidiaries and associates.

	Prior Period
Trading Securities	--
Financial Assets at Fair Value Through Profit or Loss	--
Investment Securities Available-For-Sale	262
Other(*)	822
Total	1.084

(*) Presents dividend income from unconsolidated subsidiaries and associates.

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d. Information on trading income/loss

	Current Period
Income	**835.932.259**
Capital Market Transactions	42.847
Derivative Financial Instruments	13.816.417
Foreign Exchange Gains	822.072.995
Loss(-)	**836.309.027**
Capital Market Transactions	43.672
Derivative Financial Instruments	11.239.670
Foreign Exchange Losses	825.025.685
Net Trading Income/Loss	**(376.768)**

Net gain/(loss) from foreign exchange translation differences related to derivative financial instruments is TL 2.355.949.

	Prior Period
Income	**308.557.519**
Capital Market Transactions	16.752
Derivative Financial Instruments	6.429.883
Foreign Exchange Gains	302.110.884
Loss(-)	**309.432.148**
Capital Market Transactions	58.840
Derivative Financial Instruments	7.167.973
Foreign Exchange Losses	302.205.335
Net Trading Income/Loss	**(874.629)**

Net gain/(loss) from foreign exchange translation differences related to derivative financial instruments is TL(1.525.389).

e. Information on other operating income

Other operating income consists of fees income from customers for various banking services, gain on sales of fixed asset.

f. Expected provision of credit loss

	Current Period
Provision for expected credit loss	2.586.402
Stage 1 – 12 months expected credit loss(*)	*(56.666)*
Stage 2 Substantial increase in credit risk	*812.376*
Stage 3 – Default	*1.830.692*
Provisions for securities impairment	--
Financial assets at fair value through profit or loss	--
Financial assets at fair value through other comprehensive income	--
Associates, subsidiaries and provisions for financial assets at amortized cost impairment	--
Associates	--
Subsidiaries	--
Joint ventures	--
Others	229.841
Total	**2.816.243**

(*)Since 2018, Bank has reflected the expected credit loss provisions for loans, cancellations made from loan provisions in its financial statements with offsetting.

	Prior Period
Specific provisions on loans and other receivables	1.381.465
Loans and receivables in Group III	*187.039*
Loans and receivables in Group IV	*423.308*
Loans and receivables in Group V	*771.118*
Non-performing commissions and other receivables	--
General loan loss provisions	198.418
Free provision for probable risks	160.373
Impairment losses on securities	--
Financial assets at fair value through profit or loss	--
Investment securities available-for-sale	--
Impairment losses on associates, subsidiaries, joint ventures and investment securities held to maturity	--
Associates	--
Subsidiaries	--
Joint ventures	--
Investment securities held-to-maturity	--
Other	145.903
Total	**1.886.159**

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g. Information related to other operational expenses

	Current Period
Personnel Expenses(*)	1.349.180
Reserve for Employee Termination Benefits(*)	1.000
Reserve for Bank's Social Aid Fund Deficit	--
Impairment Losses on Tangible Assets	243
Depreciation Charges of Tangible Assets	115.600
Impairment Losses on Intangible Assets	--
Goodwill for impairment loss	869
Amortization Charges of Intangible Assets	104.201
Impairment Losses on Investment Accounted for under Equity Method	--
Impairment of Assets to be Disposed	--
Depreciation of Assets to be Disposed	2.141
Impairment of Assets Held for Sale	--
Other Operating Expenses	1.224.740
Operational Lease Expenses	*337.729*
Repair and Maintenance Expenses	*85.688*
Advertisement Expenses	*63.952*
Other Expenses(**)	*737.371*
Losses on Sale of Assets	2.338
Other	374.711
Total	3.175.023

(*) Personnel expenses and reserve for employee termination benefits are presented in "personnel expenses" in the statement of income.
(**) Other expenses in other operational expenses comprise; communication expenses, IT repair maintenance and software fees, stationary, heating and lighting, credit card service fee, vehicle expense and others amounting to TL 61.205, TL 78.150, TL 24.590, TL 36.793, TL 230.038, TL 27.320 and TL 279.275, respectively.

	Prior Period
Personnel Expenses	1.262.617
Reserve for Employee Termination Benefits	4.098
Reserve for Bank's Social Aid Fund Deficit	--
Impairment Losses on Tangible Assets	--
Depreciation Charges of Tangible Assets	104.594
Impairment Losses on Intangible Assets	--
Amortization Charges of Intangible Assets	100.181
Impairment Losses on Investment Accounted for under Equity Method	--
Impairment of Assets to be Disposed	--
Depreciation of Assets to be Disposed	1.503
Impairment of Assets Held for Sale	--
Other Operating Expenses	1.034.636
Operational Lease Expenses	*299.259*
Repair and Maintenance Expenses	*71.168*
Advertisement Expenses	*73.180*
Other Expenses(*)	*591.029*
Losses on Sale of Assets	4.644
Other	330.930
Total	2.843.203

(*) Other expenses in other operational expenses comprise; communication expenses, IT repair maintenance and software fees, stationary, heating and lighting, credit card service fee, vehicle expense and others amounting to TL 62.626, TL 77.776, TL 25.272, TL 26.407, TL 189.754, TL 25.778 and TL 183.416, respectively.

h. Information on profit/loss before tax from continued operations

As 1 January – 31 December 2018, the Bank has a profit before tax from continuing operations amounting to TL 2.291.478(1 January-31 December 2017: TL 2.227.056).

As 1 January – 31 December 2018, the Bank has no profit before tax from discontinuing operations(1 January-31 December 2017: None).

i. Information on tax provision for continued and discontinued operations

1. Current period taxation benefit or charge and deferred tax benefit or charge

As 1 January – 31 December 2018, there are not current period taxation charge on continuing operations(1 January – 31 December 2017: TL 221.047) while deferred tax charge is TL 3.955.279 and deferred tax benefit is TL 3.846.324(1 January – 31 December 2017: TL 126.217 net deferred tax charge).

There are not current period taxation charge on discontinuing operations.

DENİZBANK ANONİM ŞİRKETİ
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2. Deferred tax benefit/(charge) arising from origination or reversal of temporary differences

Deferred tax benefit/charge arising from temporary differences	Current Period
Arising from Origination of Deductible Temporary Differences(+)	678.018
Arising from Reversal of Deductible Temporary Differences(-)	(548.540)
Arising from Origination of Taxable Temporary Differences(-)	(240.646)
Arising from Reversal of Taxable Temporary Differences(+)	2.213
Total	(108.955)

Deferred tax benefit/charge arising from temporary differences	Prior Period
Arising from Origination of Deductible Temporary Differences(+)	131.491
Arising from Reversal of Deductible Temporary Differences(-)	(250.465)
Arising from Origination of Taxable Temporary Differences(-)	(28.543)
Arising from Reversal of Taxable Temporary Differences(+)	21.300
Total	(126.217)

3. Deferred tax benefit/(charge) arising from temporary differences, tax losses or unused tax credits

Sources of deferred tax benefit/charge	Current Period
Arising from Origination(+)/Reversal(-) of Deductible Temporary Differences	(167.224)
Arising from Origination(-)/Reversal(+) of Taxable Temporary Differences	(238.433)
Arising from Origination(+)/Reversal(-) of Tax Losses	296.702
Arising from Origination(+)/Reversal(-) of Unused Tax Credits	--
Total	(108.955)

Sources of deferred tax benefit/charge	Prior Period
Arising from Origination(+)/Reversal(-) of Deductible Temporary Differences	(118.974)
Arising from Origination(-)/Reversal(+) of Taxable Temporary Differences	(7.243)
Arising from Origination(+)/Reversal(-) of Tax Losses	--
Arising from Origination(+)/Reversal(-) of Unused Tax Credits	--
Total	(126.217)

j. Information on continuing and discontinued operations net profit/loss

The Bank has a net profit is amounting to TL 2.182.523(31 December 2017: TL 1.879.792).

k. Information on net profit and loss

1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

Income generated from the Bank's ordinary banking transactions during the current and prior period are mainly consisted of interest income from loans and marketable securities and income from other banking services. Main expense items are the interest expenses related to deposits and borrowings which are the main funding sources of marketable securities and loans.

2. No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.

3. The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with TAS 27 "Separate Financial Statements", having a permission to be applied earlier, while preparing its non-consolidated financial tables dated 31 December 2017.

4. The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.347 million and US Dollar 7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity.

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l. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items

Other Fees and Commissions Received	Current Period
Credit card clearing and other commissions	1.255.518
Contracted merchant/POS commissions	461.883
Filing fees and other commissions	343.275
Insurance services and dividends	298.715
Account management fees	64.015
Remittance commissions	51.779
Intermediary services	19.332
Expertise fees	16.364
Other	202.144
Total	2.713.025

Other Fees and Commissions Received	Prior Period
Credit card clearing and other commissions	750.674
Contracted merchant/POS commissions	288.249
Insurance services and dividends	327.661
Filing fees and other commissions	200.797
Account management fees	57.254
Remittance commissions	38.432
Intermediary services	20.116
Expertise fees	18.795
Other	84.212
Total	1.786.190

Other Fees and Commissions Paid	Current Period
Credit card/POS commissions	667.394
EFT fees and commissions	16.377
Other	224.562
Total	908.333

Other Fees and Commissions Paid	Prior Period
Credit card/POS commissions	401.789
EFT fees and commissions	11.954
Other	85.508
Total	499.251

V. Explanations and disclosures related to statement of changes in shareholders' equity

a. Information on capital increase

None.

b. Information on issuance of shares

None.

c. Adjustments made in accordance with TAS 8

Explained in Note XXI-d of Section Three.

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(Currency: Thousands of TL - Turkish Lira)

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d. Information on distribution of profit

General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

e. Other comprehensive income and expenses

"Unrealised gain/loss" arising from changes in the fair value of financial assets at fair value through other comprehensive income are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired. The net amount after tax for the current period is TL(345.120).

Deniz Finansal Kiralama A.Ş., one of its subsidiaries, has started to apply cash flow hedge accounting as of April 1, 2018 within the scope of currency risk according to TAS 27. Profit/(loss) after tax recognized under equity in the current period through cash flow hedge accounting is TL(29.409).

Revaluation surplus of tangible fixed assets amounting to TL 25.099 was offsetted with the deferred tax effect of TL 6.209 and accounted under shareholders' equity.

The fair value of Intertech amounting to TL 176.702 in accordance with TFRS 9 is recognized under equity.

Net TL(30.188) related with the actuarial gain/(loss) after tax is recognized for under equity.

After tax net amounting to TL(1.551.202) of hedging fund of net investment in foreign subsidiaries has been recognized for under shareholders' equity.

Foreign currency translation differences amounting to TL 1.932.341 have been recognized under shareholders' equity.

f. Amounts transferred to reserves

The Bank transferred TL 1.785.802(31 December 2017: TL 1.271.963) to extraordinary reserves from prior period profits in 2018. TL 93.990 is transferred to legal reserves in 2018(31 December 2017: TL 70.464).

VI. Explanations and disclosures related to cash flow statement

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 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 are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period

	Current Period 01/01/2018
Cash	**2.073.688**
Cash in Vault, foreign currencies and other	1.802.940
Banks demand deposits	270.748
Cash and Cash Equivalent	**8.059.690**
Interbank Money market placements	750.000
Banks time deposits	7.191.206
Securities	118.484
Total Cash and Cash Equivalents	**10.133.378**

	Prior Period 01/01/2017
Cash	**2.073.608**
Cash in Vault, foreign currencies and other	1.754.183
Banks demand deposits	319.425
Cash and Cash Equivalent	**9.910.140**
Interbank Money market placements	3.001.396
Banks time deposits	6.812.558
Securities	96.186
Total Cash and Cash Equivalents	**11.983.748**

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2. Cash and cash equivalents at the end of the period

	Current Period 31/12/2018
Cash	**4.601.357**
Cash in Vault, foreign currencies and other	1.205.444
Banks demand deposits	3.395.913
Cash and Cash Equivalent	**6.579.674**
Interbank Money market placements	--
Banks time deposits	6.162.915
Securities	416.759
Total Cash and Cash Equivalents	**11.181.031**

	Prior Period 31/12/2017
Cash	**2.073.688**
Cash in Vault, foreign currencies and other	1.802.940
Banks demand deposits	270.748
Cash and Cash Equivalent	**8.059.690**
Interbank Money market placements	750.000
Banks time deposits	7.191.206
Securities	118.484
Total Cash and Cash Equivalents	**10.133.378**

b. Information on cash and cash equivalent assets of the Bank that are not available for free use due to legal restrictions or other reasons

The Bank made a total provision for required reserves on CB of Turkey and other foreign Central Banks in amount of TL 12.707.426(31 December 2017: TL 15.063.594). Additionally, there is no limited amount in foreign banks account(31 December 2017: TL 1.986.820).

c. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents

"Other" item amounting to TL(7.714.831)(31 December 2017: TL(3.418.730)) before "changes in operating assets and liabilities" comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 10.133.378(31 December 2017: TL 11.983.748) to TL 11.181.031 in 2018(31 December 2017: TL 10.133.378). "Other liabilities" item included in "change in assets and liabilities arising from banking activities", amounting to TL 3.241.165(31 December 2017: TL(503.852)) comprise changes in sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 2.194.889 as of 31 December 2018(31 December 2017: TL 982.577).

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VII. Explanations and disclosures related to the Bank's risk group

a. Information on loans and other receivables to the Bank's risk group

Current Period

DFS Group's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	3.904.644	197.694	9.439	4.655	54	--
Balance at the End of the Period	1.034.087	127.377	11.263	1.292	34	--
Interest and Commission Income Received	115.513	701	546	3	8	--

(*) It is described in the Article 49 of Banking Law no.5411.

Prior Period

DFS Group's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	2.661.889	188.357	5.448	7.721	56	4
Balance at the End of the Period	3.904.644	197.694	9.439	4.655	54	--
Interest and Commission Income Received	66.635	776	484	5	2.561	--

(*) It is described in the Article 49 of Banking Law no.5411.

b. Information on deposits held by and funds borrowed from the Bank's risk group

DFS Group's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	3.058.719	2.580.369	8.811.959	6.607.506	19.167	9.448
Balance at the End of the Period	1.916.874	3.058.719	11.965.213	8.811.959	16.882	19.167
Interest and Commission Income Received	89.601	56.662	500.920	410.154	2.282	749

(*) It is described in the Article 49 of Banking Law no.5411.
(**) Includes the subordinated loan of US Dollar 1.050 million and Euro 115 million received from Sberbank.

c. Information on forward and option agreements and similar agreements made with the Bank's risk group

DFS Group's Risk Group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	2.598.429	9.209.555	51.000	--	--	--
Balance at the End of the Period	7.927.779	2.598.429	--	51.000	--	--
Total Income/(Loss)	527.908	(181.836)	(5.033)	8.264	--	--
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

(*) It is described in the Article 49 of Banking Law no.5411.

d. Information on benefit provided to top management

The Bank made payment amounting to TL 103.691(31 December 2017: TL 76.869) to its top management as of 31 December 2018.

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e. Information on transactions with the Bank's risk group

As of 31 December 2018, cash loans and other receivables of the risk group represent 1,1% of the Bank's total cash loans and bank deposits granted the deposits and borrowings represent 13,2% of the Bank's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,4% of the total balance.

The Bank has finance and operation lease contracts with Deniz Leasing. The Bank has finance lease contracts with Deniz Leasing. As of 31 December 2018, The Bank's contractual finance lease payables are TL 9.632(31 December 2017: TL 9.561). Also, the Bank gives brokerage services through its branches for Deniz Yatırım.

VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Bank

a. Information relating to the Bank's domestic and foreign branch and representatives

	Number	Number of Employees
Domestic branch	710	11.780

			Country of Incorporations
Foreign representation	-	-	-

				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	13.046.222	-

b. Explanations on the Bank's branch and agency openings or closings

The Bank opened 31 new branches and closed 17 branches in 2018.

DENİZBANK ANONİM ŞİRKETİ
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(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

SECTION SIX
OTHER DISCLOSURES AND FOOTNOTES

I. Other explanations related to the Bank's operations

a. Explanations related to the Bank's operations

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies

Moody's(*)	
Outlook	Negative
Long Term Foreign Currency Deposits	B2
Short Term Foreign Currency Deposits	Not Prime
Long Term Local Currency Deposits	B2
Short Term Local Currency Deposits	Not Prime
Bank Financial Strenght Rating(BCA)	b3

*As of 28.08.2018

Fitch Ratings(**)	
Outlook	Negative
Long Term Foreign Currency	BB-
Short Term Foreign Currency	B
Long Term Local Currency	BB
Short Term Local Currency	B
Viability	b+
Support	3
National	AA (tur)(stable)

**As of 10.10.2018

c. Subsequent events

On 22 May 2018, Emirates NBD Bank PJSC(Emirates NBD) and Sberbank of Russia(Sberbank) announced that they have signed a definitive agreement about selling 99,85% of Denizbank's shares, which is owned by Sberbank to Emirates NBD.

Sberbank's shareholding in Denizbank will expire with the completion of the sales transaction. In the direction of the signed aggrement, the sales price of the 99,85% shareholder was determined as 14.609 million TL with Denizbank's price fixing mechanism based on the equity size in the consent of DenizBank on 31 October 2017. Additionally, Emirates NBD will pay interest that is over the transfer fee, on Sberbank for the period between October 31, 2017 and the closing date of the sales transaction. The profit to be earned by Denizbank from 31 October 2017 until the closing date of the sales transaction will be recorded at Emirates NBD's account. As part of the transfer process, with the closing of the sales transaction, Emirates NBD will also own the ownership of subordinated loans granted to Denizbank by Sberbank in the past.

The completion of the transaction, Turkey, Russia and the United Arab Emirates and is subject to approval by the regulatory authorities of other countries in which it operates Denizbank.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Unconsolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

SECTION SEVEN
INDEPENDENT AUDITOR'S REPORT

I. Matters to be disclosed related to Independent Audit Report

Unconsolidated financial statements and notes of the Bank are subject to independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.(A Member Firm of Ernst & Young Global Limited) and audit report dated 21 February 2019 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditor

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of the Bank.

(Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish See Note 3.I.c)

DENİZBANK ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED 31 DECEMBER 2018

I. Independent Auditor's Report
II. Publicly Disclosed Consolidated Financial Report

Building a better working world

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Convenience Translation of the Auditor's Report Originally Issued in Turkish (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Denizbank Anonim Şirketi:

A) Audit of Consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Denizbank A.Ş (the "Bank") and its subsidiaries (collectively referred as the "Group"), which comprise the statement of financial position as at December 31, 2018, and the consolidated statement of income, consolidated statement of income and expenses recognized under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

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

2) Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("InAS") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 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.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of transition to TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
As disclosed in footnote XXIV of Section 3; as of 1 January 2018, the Group adopted the TFRS 9 "Financial Instruments" standart began to recognize expected credit losses for financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since; • Amount of on and off balance sheet items that are subject to TFRS 9 expected credit loss calculation is material to the financial statements. • The effect of TFRS 9 transition on the Group's equity is %2 • There are complex and comprehensive requirements of TFRS 9 • The classification of financial instruments is based on the Group's business models and the characteristics of contractual cash flows in line with TFRS 9 and the Gruop uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments • The Group determines the fair value of financial assets presented at fair value with respect to its relevant business model category and determines the financial inputs that are not-observable in the fair value measurement as Level 3 due to the existence of significant estimates and assumptions • Policies implemented by the Group management include compliance risk to the regulations and other practices • New or re-structured processes of TFRS 9 are advanced and complex • Estimations and assumptions used in expected credit losses are new, important and complex. • Complex and comprehensive disclosure requirements of TFRS 9.	In addition to our current audit procedures, our audit procedures include: • Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices • Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists • Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices • Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's business model • Analysis of the Group's financial instruments classification and measurement models (financial instruments identified as fair value hierarchy level 3) and comparison with the requirements of the TFRS 9 standard • Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regutations and Group's past performance. Evaluating the compliance of those forward looking parameters to Group's internal processes where applicable • Assessing of the accuracy and completeness of information used during the calculation of expected credit losses • Testing the mathematical accuracy of expected credit loss calculation on sample basis • Evaluating the judgments and estimates used for the individually assessed financial assets. • Evaluating the accuracy and the necessity of post-model adjustments • Auditing of disclosures related to TFRS 9.

Derivative Financial Instruments	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.b.3.and Note II.b. Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management fair value calculations of the selected derivative financial instruments and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.

4) Responsibilities of Management and Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's and its subsidiaries 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 and its subsidiaries 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

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' 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 and its subsidiaries' 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 auditor's report. However, future events or conditions may cause the Bank and its subsidiaries' 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to 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) Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2018 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Partner

21 February 2019
İstanbul, Türkiye

DENİZBANK A.Ş.
CONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2018

Address of the Bank's Headquarters
Büyükdere Caddesi No:141
34394 –ESENTEPE/İSTANBUL

Telephone and Fax Numbers
Tel : 0.212.348 20 00
Faks : 0.212.336 61 86

Website of the Bank
www.denizbank.com

E-mail address of the Bank
yatirimciiliskileri@denizbank.com

The consolidated financial report package prepared in accordance with the statement "Financial Statements and Related Disclosures and Footnote to be Announced to Public" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE CONSOLIDATED GROUP
- DISCLOSURES AND Footnote TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND Footnote
- INDEPENDENT AUDITOR'S REPORT

Our structured entity and subsidiaries whose financial statements have been consolidated under this consolidated financial report are as follows:

	Subsidiaries
1	Denizbank AG, Vienna
2	Eurodeniz International Banking Unit Ltd.
3	Deniz Yatırım Menkul Kıymetler A.Ş.
4	JSC Denizbank, Moscow
5	Deniz Portföy Yönetimi A.Ş.
6	Deniz Finansal Kiralama A.Ş.
7	Deniz Faktoring A.Ş.
8	Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.
9	CR Erdberg Eins GmbH & Co KG

	Structured Entity
1	DFS Funding Corp.

The consolidated financial statements and related disclosures and Footnote that were subject to independent audit, are prepared in accordance with the "Regulation on Accounting Principles and Documentations", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in Thousands of Turkish Lira.

21 February 2019

HAKAN ELVERDİ
Senior Vice President
Financial Reporting
And Accounting

RUSLAN ABİL
Executive Vice President
Financial Affairs

HAKAN ATEŞ
Member of Board of Directors
and President and Chief
Executive Officer

HERMAN GREF
Chairman of Board of
Directors

PAVEL BARCHUGOV
Member of Board of Directors
and Audit Committee

WOUTER G.M VAN ROSTE
Member of Board of Directors
and Audit Committee

NİHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:
Name/Title: İmge İhtiyar / Department Head, International Reporting and Consolidation Department
Tel No :0 212 348 5997
Fax No :0 212 336 6186

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DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

SECTION ONE
GENERAL INFORMATION

I. Parent Bank's date of establishment, beginning statute, its history including changes in its statute

Denizbank A.Ş. ("the Bank") was established as a public bank to provide financing services to the marine sector in 1938. In 1992, as a result of the resolution of the Government to merge some public banks, the Bank was merged to Emlakbank. Following the resolution of the High Council of Privatization numbered 97/5 and dated 20 March 1997 to privatize 100% of shares of Denizbank A.Ş., share sale agreement between Zorlu Holding A.Ş. and the Privatization Administration was signed on 29 May 1997 and the Bank started its activities on 25 August 1997 upon obtaining a permission to operate. Bank's shares have been quoted on Borsa Istanbul ("BIST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 31 December 2018.

Dexia Participation Belgique SA, owned 100% directly and indirectly by Dexia SA/NV, acquired 75% of the outstanding shares of the Bank from Zorlu Holding A.Ş. on 17 October 2006, and subsequent to the transfer of shares, Dexia Participation Belgique's ownership rate increased to 99,85%.

Dexia has transferred 99,85% of shares of the Parent Bank to Sberbank with a total consideration of TL 6.469.140.728(*) (Euro 2.790 million) which is the Preliminary Purchase Price determined as per the sale and purchase agreement as of 28 September 2012. Following the completion of the adjustment process of the Preliminary Purchase Price to Purchase Price in accordance with the terms in the Share Purchase Agreement, an additional amount of Euro 185 million which is equivalent of TL 430.947.685(*) was paid on 27 December 2012. Ultimately the process was completed with a total Purchase Price of TL 6.900.088.413(*) (Euro 2.975 million).

(*) Amounts are in full TL.

II. Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and if exists, changes on these issues and the Group that the Parent Bank belongs to

Current Period

Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
Total	3.316.100.000	100,00

Prior Period

Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
Total	3.316.100.000	100,00

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and shares of the Parent Bank they possess and their areas of responsibility

Name	Title	Shares owned (%)
Chairman of the Board of Directors		
Herman Gref	Chairman	--
Board of Directors		
Nihat Sevinç	Deputy Chairman	--
Hakan Ateş	Member, President and CEO	0,000002
Dzhangir Dzhangirov [1]	Member	--
Deniz Ülke Arıboğan	Member	--
Wouter G.M. Van Roste	Member	--
Timur Kozintsev	Member	--
Derya Kumru	Member	--
Alexander Morozov	Member	--
Pavel Barchugov	Member	--
Alexander Titov	Member	--
Igor Kolomeyskiy	Member	--
Audit Committee		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Pavel Barchugov	Member	--
Executive Vice Presidents [2]		
Bora Böcügöz	Treasury and Financial Institutions	--
Ruslan Abil	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services and Investment Group	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu	Corporate and Commercial Banking	--
Mustafa Saruhan Özel	Economic Research, Strategy and Program Management	--
Cem Demirağ	Head of Internal Control Unit and Compliance	--
Ali Murat Dizdar	Chief Legal Advisor	--
Ayşenur Hıçkıran	Payment Systems and Non-Branch Channels	--
Selim Efe Teoman	Corporate and Commercial Credits	--
Ramazan Işık	Head of Internal Audit	--
Murat Kulaksız	SME Banking	
Necip Yavuz Elkin	Human Resources and Deniz Academy	--
Burak Koçak	Agricultural Banking	--
Oğuzhan Özark	Retail Banking	--
Cemil Cem Önenç	Private Banking and Investment Group	--
Sinan Yılmaz	Head of Risk Management Group	--
Edip Kürşad Başer	Credit Policy and Retail, SME, Agricultural Banking	
Credits Allocation	--	
Murat Çıtak	IT Security and Digital–Card Payment Operations --	
Verda Beril Yüzer Oğuz	Financial Institutions	--
Hayri Cansever	Secretariat General and Sberbank Coordination	--
Umut Özdoğan	Digital Transformation and Process Management	--

[1] As of October 1, 2018, it was decided to appoint Dzhangir Dzhangirov with the decision of the Board of Directors dated October 2, 2018 instead of Alexander Vedyakhin, who resigned from his duty as a member of the Board of Directors.
[2] Hakan Turan Pala, who has been serving as the Executive Vice President in charge of Corporate, Commercial and OBI Loans, has resigned from his duty as of September 30, 2018.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

IV. Explanations regarding the real person and corporate qualified shareholders at the Parent Bank

Commercial Title	Share Amounts	Share Percentages	Paid-in Capital	Unpaid Capital
Sberbank of Russia	3.311.211	99,85%	3.311.211	--

Sberbank is the controlling party of the Parent Bank's capital having both direct and indirect qualified shares.

As of 31 December 2018 the capital structure of Sberbank is as follows:

Shareholders	Share Percentages
Central Bank of Russia	50,00 %
Publicly traded	50,00 %
Total	100,00 %

Central Bank of the Russian Federation holds 50%+1 share within 22.586.948.000 ordinary and preferred shares in total in Sberbank of Russia (the rate in 21.586.948.000 ordinary shares corresponds to 52,32%).

V. Type of services provided and the areas of operations of the Parent Bank

The Parent Bank is a private sector deposit bank which provides banking services to its customers through 710 domestic and 1 foreign branch as of 31 December 2018.

Activities of the Parent Bank as stated in the 3rd clause of the Articles of Association are as follows:

In accordance with the Banking Law and regulations;

- Performing all kinds of banking activities,
- Dealing with transactions on all kinds of capital market instruments within the limits set by the related regulations and Capital Market Law regulations,
- Establishing domestic and/or foreign entities and participating in existing entities. Entering into loan and intelligence agreements with domestic and international financial institutions. Participating in consortiums and syndications,
- Incorporating insurance companies, operating insurance agencies, participating in insurance companies which are existing or planned to be founded.

Apart from the above-mentioned activities, in case different activities deemed advantageous and necessary for the company are to be undertaken in the future, they will be submitted to approval of the General Assembly based on Board of Director's decision and the company will be able to implement activities after the relevant decision is made by General Assembly.

VI. A short explanation on the differences between the communiqué 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.

Banks are obligated to prepare consolidated financial statements with their associates and subsidiaries qualifying as credit institutions and financial subsidiaries based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is no difference between the consolidated financial statements based on the related Communiqué and those prepared in accordance with Turkish Accounting Standards except the scope difference regarding non-financial associates and subsidiaries. Information in regards to consolidated subsidiaries and consolidation methods are given in Note III of Section Three.

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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DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	ASSETS	Footnote	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	FINANCIAL ASSETS (Net)		13.630.894	37.461.422	51.092.316
1.1	Cash and Cash Equivalents		2.642.099	32.117.658	34.759.757
1.1.1	Cash and Balances at Central Bank	(5.I.a)	2.374.157	25.750.052	28.124.209
1.1.2	Banks	(5.I.c)	258.162	6.367.606	6.625.768
1.1.3	Due from Money Markets		9.780	-	9.780
1.2	Financial Assets at Fair Value through Profit or Loss	(5.I.b)	91.872	97.612	189.484
1.2.1	Public Debt Securities		90.381	1.767	92.148
1.2.2	Equity Instruments		-	95.845	95.845
1.2.3	Other Financial Assets		1.491	-	1.491
1.3	Financial Assets at Fair Value through Other Comprehensive Income	(5.I.d)	5.838.928	2.075.561	7.914.489
1.3.1	Public Debt Securities		5.838.150	1.516.476	7.354.626
1.3.2	Equity Instruments		778	200	978
1.3.3	Other Financial Assets		-	558.885	558.885
1.4	Financial Assets Measured at Amortised Cost	(5.I.f)	3.779.643	2.460.167	6.239.810
1.4.1	Public Debt Securities		3.779.643	2.460.167	6.239.810
1.4.2	Other Financial Assets		-	-	-
1.5	Derivative Financial Assets		1.279.280	715.031	1.994.311
1.5.1	Portion of Derivative Financial Assets Reflected to Profit or Loss	(5.I.b)	1.279.280	715.031	1.994.311
1.5.2	Portion of Derivative Financial Assets Reflcted to Other Comprehensive Income	(5.I.k)	-	-	-
1.6	Non-Performing Financial Assets		-	-	-
1.7	Expected Credit Losses (-)		928	4.607	5.535
II.	LOANS (Net)		63.316.573	75.740.032	139.056.605
2.1	Loans	(5.I.e)	60.971.274	73.791.025	134.762.299
2.1.1	Measured at Amortised Cost		60.971.274	73.467.398	134.438.672
2.1.2	Measured at Fair Value through Profit or Loss		-	323.627	323.627
2.1.3	Measured at Fair Value through Other Comprehensive Income		-	-	-
2.2	Lease Receivables	(5.I.j)	435.404	2.137.925	2.573.329
2.2.1	Financial Lease Receivables		583.081	2.609.301	3.192.382
2.2.2	Operational Lease Receivables		6.150	-	6.150
2.2.3	Unearned Income (-)		153.827	471.376	625.203
2.3	Factoring Receivables		1.905.867	210.829	2.116.696
2.3.1	Measured at Amortised Cost		1.905.867	210.829	2.116.696
2.3.2	Measured at Fair Value through Profit or Loss		-	-	-
2.3.3	Measured at Fair Value through Other Comprehensive Income		-	-	-
2.4	Non-Performing Loans	(5.I.e)	6.433.838	215.806	6.649.644
2.5	Expected Credit Losses (-)	(5.I.e)	6.429.810	615.553	7.045.363
2.5.1	12-Month Expected Credit Losses (Stage 1)		776.810	330.539	1.107.349
2.5.2	Significant Increase in Credit Risk (Stage 2)		1.580.559	276.344	1.856.903
2.5.3	Credit-Impaired (Stage 3)		4.072.441	8.670	4.081.111
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	(5.I.n)	-	-	-
3.1	Held for Sale		-	-	-
3.2	Held from Discontinued Operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		806.290	211	806.501
4.1	Investments in Associates (Net)	(5.I.g)	10.833	-	10.833
4.1.1	Accounted by Using Equity Method		-	-	-
4.1.2	Non-Consolidated Associates		10.833	-	10.833
4.2	Investments in Subsidiaries (Net)	(5.I.h)	792.657	211	792.868
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		792.657	211	792.868
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	(5.I.i)	2.800	-	2.800
4.3.1	Accounted by Using Equity Method		-	-	-
4.3.2	Non-Consolidated Associates		2.800	-	2.800
V.	TANGIBLE ASSETS (Net)		681.372	200.412	881.784
VI.	INTANGIBLE ASSETS (Net)		240.158	31.033	271.191
6.1	Goodwill		-	-	-
6.2	Other		240.158	31.033	271.191
VII.	INVESTMENT PROPERTY (Net)	(5.I.l)	202.001	-	202.001
VIII.	CURRENT TAX ASSETS		8.975	564	9.539
IX.	DEFERRED TAX ASSETS	(5.I.m)	1.062.119	151.504	1.213.623
X.	OTHER ASSETS	(5.I.o)	2.034.138	1.743.738	3.777.876
	TOTAL ASSETS		81.982.520	115.328.916	197.311.436

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	ASSETS	Footnote	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(5.I.a)	3.066.837	13.901.975	16.968.812
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.I.b)	560.050	497.713	1.057.763
2.1	Financial Assets Held For Trading		560.050	497.713	1.057.763
2.1.1	Public Sector Debt Securities		76.232	4.479	80.711
2.1.2	Share Certificates		-	95	95
2.1.3	Positive Value of Trading Purpose Derivatives		482.669	493.139	975.808
2.1.4	Other Securities		1.149	-	1.149
2.2	Financial Assets Designated at Fair Value		-	-	-
2.2.1	Public Sector Debt Securities		-	-	-
2.2.2	Share Certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Securities		-	-	-
III.	BANKS	(5.I.c)	819.136	9.838.492	10.657.628
IV.	DUE FROM MONEY MARKETS		785.672	-	785.672
4.1	Interbank Money Market		-	-	-
4.2	Istanbul Stock Exchange		34.886	-	34.886
4.3	Reverse Repurchase Agreements		750.786	-	750.786
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.I.d)	5.760.627	1.285.406	7.046.033
5.1	Share Certificates		3.956	59.182	63.138
5.2	Public Sector Debt Securities		5.756.671	657.574	6.414.245
5.3	Other Securities		-	568.650	568.650
VI.	LOANS AND RECEIVABLES	(5.I.e)	60.228.273	50.153.033	110.381.306
6.1	Loans and Receivables		59.339.736	50.145.479	109.485.215
6.1.1	Loans Utilized to the Bank's Risk Group		13.638	-	13.638
6.1.2	Public Sector Debt Securities		-	-	-
6.1.3	Others		59.326.098	50.145.479	109.471.577
6.2	Loans under Follow-Up		4.006.824	17.790	4.024.614
6.3	Specific Provisions (-)		3.118.287	10.236	3.128.523
VII.	FACTORING RECEIVABLES		1.781.817	64.328	1.846.145
VIII.	INVESTMENT HELD TO MATURITY (Net)	(5.I.f)	3.555.857	1.779.782	5.335.639
8.1	Public Sector Debt Securities		3.555.857	1.779.782	5.335.639
8.2	Other Securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(5.I.g)	10.833	-	10.833
9.1	Associates accounted for Under Equity Method		-	-	-
9.2	Unconsolidated Associates		10.833	-	10.833
9.2.1	Financial Associates		1.508	-	1.508
9.2.2	Non-Financial Associates		9.325	-	9.325
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(5.I.h)	41.543	158	41.701
10.1	Unconsolidated Financial Subsidiaries		-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		41.543	158	41.701
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.I.i)	2.800	-	2.800
11.1	Joint Ventures accounted for Under Equity Method		-	-	-
11.2	Unconsolidated Joint Ventures		2.800	-	2.800
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		2.800	-	2.800
XII.	LEASE RECEIVABLES (Net)	(5.I.j)	540.830	2.061.111	2.601.941
12.1	Financial Lease Receivables		712.179	2.531.230	3.243.409
12.2	Operational Lease Receivables		2.557	-	2.557
12.3	Others		-	-	-
12.4	Unearned Income (-)		173.906	470.119	644.025
XIII.	HEDGING PURPOSE DERIVATIVES	(5.I.k)	-	-	-
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
XIV.	TANGIBLE ASSETS (Net)	(5.I.l)	603.216	146.298	749.514
XV.	INTANGIBLE ASSETS (Net)	(5.I.m)	173.557	15.194	188.751
15.1	Goodwill		869	-	869
15.2	Others		172.688	15.194	187.882
XVI.	INVESTMENT PROPERTIES (Net)	(5.I.n)	171.467	-	171.467
XVII.	TAX ASSETS	(5.I.o)	223.175	-	223.175
17.1	Current Tax Assets		6.557	-	6.557
17.2	Deferred Tax Assets		216.618	-	216.618
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.I.p)	-	-	-
18.1	Held For Sale		-	-	-
18.2	Discontinued Operations		-	-	-
XIX.	OTHER ASSETS	(5.I.q)	1.345.926	1.008.024	2.353.950
	TOTAL ASSETS		79.671.616	80.751.514	160.423.130

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnote	CURRENT PERIOD (31/12/2018) TL	FC	Total
I.	DEPOSITS	(5.II.a)	48.184.217	91.757.259	139.941.476
II.	FUNDS BORROWED	(5.II.c)	1.829.916	14.532.244	16.362.160
III.	DUE TO MONEY MARKETS	(5.II.d)	1.415.797	-	1.415.797
IV.	SECURITIES ISSUED (Net)		3.086.177	901.682	3.987.859
4.1	Bills		3.079.013	-	3.079.013
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		7.164	901.682	908.846
V.	FUNDS		-	-	-
5.1	Borrower Funds		-	-	-
5.2	Other		-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		908.105	1.141.758	2.049.863
7.1	Portion of Derivative Financial Assets Reflected to Profit or Loss	(5.II.b)	908.105	1.141.758	2.049.863
7.2	Portion of Derivative Financial Assets Reflcted to Other Comprehensive Income	(5.II.g)	-	-	-
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES	(5.II.f)	-	-	-
9.1	Financial Lease Payables		-	-	-
9.2	Operational Lease Payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	PROVISIONS	(5.II.h)	926.309	18.859	945.168
10.1	Provision for Restructuring		-	-	-
10.2	Reserves for Employee Benefits		205.580	17.480	223.060
10.3	Insurance Technical Reserves (Net)		-	-	-
10.4	Other Provisions		720.729	1.379	722.108
XI.	CURRENT TAX LIABILITIES	(5.II.i)	295.779	67.170	362.949
XII.	DEFERRED TAX LIABILITIES	(5.II.i)	1.050	24.778	25.828
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)		-	-	-
13.1	Held for Sale		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	SUBORDINATED DEBT		-	6.274.450	6.274.450
14.1	Loans		-	6.274.450	6.274.450
14.2	Other Debt Instruments		-	-	-
XV.	OTHER LIABILITIES	(5.II.e)	3.984.658	6.455.958	10.440.616
XVI.	SHAREHOLDERS` EQUITY	(5.II.j)	8.078.680	7.426.590	15.505.270
16.1	Paid-in Capital		3.316.100	-	3.316.100
16.2	Capital Reserves		67.576	-	67.576
16.2.1	Share Premium		15	-	15
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		67.561	-	67.561
16.3	Other Comprehensive Income That Will Not Be Reclassified in Profit or Loss		776.465	39.211	815.676
16.4	Other Comprehensive Income That Will Be Reclassified in Profit or Loss		(3.915.648)	3.906.078	(9.570)
16.5	Profit Reserves		5.095.616	16.192	5.111.808
16.5.1	Legal Reserves		346.810	5.019	351.829
16.5.2	Statutory Reserves		-	-	-
16.5.3	Extraordinary Reserves		4.748.806	11.173	4.759.979
16.5.4	Other Profit Reserves		-	-	-
16.6	Profit or Loss		2.724.175	3.465.109	6.189.284
16.6.1	Prior Years' Profits or Losses		1.593.545	2.396.092	3.989.637
16.6.2	Current Period Net Profit or Loss		1.130.630	1.069.017	2.199.647
16.7	Minority Interest	(5.II.j)	14.396	-	14.396
	TOTAL EQUITY AND LIABILITIES		68.710.688	128.600.748	197.311.436

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnote	PRIOR PERIOD (31/12/2017) TL	FC	Total
I.	DEPOSITS	(5.II.a)	41.936.959	69.473.505	111.410.464
1.1	Deposits of the Bank's Risk Group		62.314	802.160	864.474
1.2	Others		41.874.645	68.671.345	110.545.990
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.b)	653.127	632.338	1.285.465
III.	FUNDS BORROWED	(5.II.c)	2.108.197	12.572.045	14.680.242
IV.	DUE TO MONEY MARKETS		3.616.119	391.047	4.007.166
4.1	Interbank Money Market		-	-	-
4.2	Istanbul Stock Exchange		30.055	-	30.055
4.3	Repurchase Agreements		3.586.064	391.047	3.977.111
V.	SECURITIES ISSUED (Net)	(5.II.d)	2.572.688	1.100.070	3.672.758
5.1	Bills		2.296.203	-	2.296.203
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		276.485	1.100.070	1.376.555
VI.	FUNDS		-	-	-
6.1	Borrowers Funds		-	-	-
6.2	Others		-	-	-
VII.	SUNDRY CREDITORS	(5.II.e)	1.716.752	232.655	1.949.407
VIII.	OTHER EXTERNAL RESOURCES	(5.II.e)	1.088.450	1.638.702	2.727.152
IX.	FACTORING PAYABLES		-	-	-
X.	LEASE PAYABLES (Net)	(5.II.f)	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operational Lease Payables		-	-	-
10.3	Others		-	-	-
10.4	Deferred Financial Leasing Expenses (-)		-	-	-
XI.	HEDGING PURPOSE DERIVATIVES	(5.II.g)	-	-	-
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		-	-	-
11.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
XII.	PROVISIONS	(5.II.h)	2.190.447	37.365	2.227.812
12.1	General Provisions		1.440.765	-	1.440.765
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Benefits		131.983	11.675	143.658
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		617.699	25.690	643.389
XIII.	TAX LIABILITIES	(5.II.i)	281.619	66.115	347.734
13.1	Current Tax Liability		277.379	43.138	320.517
13.2	Deferred Tax Liability		4.240	22.977	27.217
XIV.	LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DICSOUNTINUED OPERATIONS (Net)	(5.II.j)	-	-	-
14.1	Held For Sale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(5.II.k)	-	5.261.523	5.261.523
XVI.	SHAREHOLDERS' EQUITY	(5.II.l)	8.272.022	4.581.385	12.853.407
16.1	Paid-In Capital		3.316.100	-	3.316.100
16.2	Supplementary Capital		(2.075.711)	3.520	(2.072.191)
16.2.1	Share Premium		15	-	15
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Securities Revaluation Reserve		(428.373)	(19.026)	(447.399)
16.2.4	Revaluation Fund on Tangible Assets		95.214	22.546	117.760
16.2.5	Revaluation Fund on Intangible Assets		-	-	-
16.2.6	Revaluation Fund on Investment Properties		13.397	-	13.397
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		708	-	708
16.2.8	Hedging Funds (Effective Portion)		(1.741.301)	-	(1.741.301)
16.2.9	Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-
16.2.10	Other Supplementary Capital		(15.371)	-	(15.371)
16.3	Profit Reserves		4.214.396	2.121.575	6.335.971
16.3.1	Legal Reserves		252.819	5.019	257.838
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		3.915.414	11.173	3.926.587
16.3.4	Other Profit Reserves		46.163	2.105.383	2.151.546
16.4	Profit or Loss		2.807.593	2.456.290	5.263.883
16.4.1	Prior Periods' Profits / Losses		1.286.033	2.077.092	3.363.125
16.4.2	Current Period Profit / Loss		1.521.560	379.198	1.900.758
16.5	Minority Shares		9.644	-	9.644
	TOTAL LIABILITIES AND EQUITY		64.436.380	95.986.750	160.423.130

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		Footnote	CURRENT PERIOD (31/12/2018)		
			TL	FC	Total
	A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		70.119.981	133.267.437	203.387.418
I.	GUARANTEES	(5.III.a)	10.758.483	22.919.571	33.678.054
1.1.	Letters of Guarantee		10.744.708	15.583.822	26.328.530
1.1.1.	Guarantees Subject to State Tender Law		-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		79.021	102.658	181.679
1.1.3.	Other Letters of Guarantee		10.665.687	15.481.164	26.146.851
1.2.	Bank Acceptances		7.826	215.538	223.364
1.2.1.	Import Letter of Acceptance		7.826	215.538	223.364
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letters of Credit		5.949	3.505.885	3.511.834
1.3.1.	Documentary Letters of Credit		5.949	1.838.619	1.844.568
1.3.2.	Other Letters of Credit		-	1.667.266	1.667.266
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 Related Guarantees		-	-	-
1.8.	Other Collaterals		-	3.614.326	3.614.326
1.9.	Other Sureties		-	-	-
II.	COMMITMENTS	(5.III.a)	34.851.430	8.808.308	43.659.738
2.1.	Irrevocable Commitments		33.975.209	8.808.308	42.783.517
2.1.1.	Asset Purchase and Sale Commitments		1.409.987	3.754.663	5.164.650
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4.	Loan Granting Commitments		11.210.043	85.027	11.295.070
2.1.5.	Securities Issuance Brokerage Commitments		-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7.	Commitments for Cheque Payments		1.815.134	-	1.815.134
2.1.8.	Tax and Fund Obligations from Export Commitments		1.584	-	1.584
2.1.9.	Commitments for Credit Card Limits		19.225.849	-	19.225.849
2.1.10.	Commitments for Promotional Operations Re-Credit Cards and Banking Services		4.592	-	4.592
2.1.11.	Receivables from "Short" Sale Commitments On Securities		-	-	-
2.1.12.	Payables for "Short" Sale Commitments On Securities		-	-	-
2.1.13.	Other Irrevocable Commitments		308.020	4.968.618	5.276.638
2.2.	Revocable Commitments		876.221	-	876.221
2.2.1.	Revocable Loan Granting Commitments		875.662	-	875.662
2.2.2.	Other Revocable Commitments		559	-	559
III.	DERIVATIVE FINANCIAL INSTRUMENTS		24.510.068	101.539.558	126.049.626
3.1.	Hedging Purpose Derivatives		-	-	-
3.1.1.	Fair Value Hedge		-	-	-
3.1.2.	Cash Flow Hedge		-	-	-
3.1.3.	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
3.2.	Trading Purpose Derivatives		24.510.068	101.539.558	126.049.626
3.2.1.	Forward Foreign Currency Purchases/Sales		2.721.070	4.761.386	7.482.456
3.2.1.1.	Forward Foreign Currency Purchases		1.236.475	2.478.261	3.714.736
3.2.1.2.	Forward Foreign Currency Sales		1.484.595	2.283.125	3.767.720
3.2.2.	Currency and Interest Rate Swaps		13.733.466	83.753.085	97.486.551
3.2.2.1.	Currency Swaps-Purchases		2.128.687	33.874.794	36.003.481
3.2.2.2.	Currency Swaps-Sales		5.004.779	31.897.280	36.902.059
3.2.2.3.	Interest Rate Swaps-Purchases		3.300.000	8.990.506	12.290.506
3.2.2.4.	Interest Rate Swaps-Sales		3.300.000	8.990.505	12.290.505
3.2.3.	Currency, Interest Rate and Security Options		7.949.933	10.666.955	18.616.888
3.2.3.1.	Currency Options-Purchases		3.833.002	5.435.419	9.268.421
3.2.3.2.	Currency Options-Sales		4.116.931	5.099.984	9.216.915
3.2.3.3.	Interest Rate Options-Purchases		-	65.776	65.776
3.2.3.4.	Interest Rate Options-Sales		-	65.776	65.776
3.2.3.5.	Securities Options-Purchases		-	-	-
3.2.3.6.	Securities Options-Sales		-	-	-
3.2.4.	Currency Futures		78.768	72.355	151.123
3.2.4.1.	Currency Futures-Purchases		6	72.350	72.356
3.2.4.2.	Currency Futures-Sales		78.762	5	78.767
3.2.5.	Interest Rate Futures		-	-	-
3.2.5.1.	Interest Rate Futures-Purchases		-	-	-
3.2.5.2.	Interest Rate Futures-Sales		-	-	-
3.2.6.	Others		26.831	2.285.777	2.312.608
	B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		562.778.979	207.384.353	770.163.332
IV.	ITEMS HELD IN CUSTODY		81.167.104	9.015.106	90.182.210
4.1.	Customers' Securities and Portfolios Held		137.780	-	137.780
4.2.	Securities Held in Custody		78.009.150	6.886.818	84.895.968
4.3.	Checks Received for Collection		1.451.819	1.609.409	3.061.228
4.4.	Commercial Notes Received for Collection		1.567.103	384.389	1.951.492
4.5.	Other Assets Received for Collection		-	-	-
4.6.	Assets Received for Public Offering		-	-	-
4.7.	Other Items under Custody		1.252	134.490	135.742
4.8.	Custodians		-	-	-
V.	PLEDGED ITEMS		481.305.305	196.994.274	678.299.579
5.1.	Securities		3.116.269	55.289	3.171.558
5.2.	Guarantee Notes		308.431.632	65.320.900	373.752.532
5.3.	Commodities		16.082.123	9.287.813	25.369.936
5.4.	Warrants		-	-	-
5.5.	Immovables		95.095.000	64.695.435	159.790.435
5.6.	Other Pledged Items		58.580.281	57.634.837	116.215.118
5.7.	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		306.570	1.374.973	1.681.543
	TOTAL OFF BALANCE SHEET ITEMS (A+B)		632.898.960	340.651.790	973.550.750

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		Footnote	PRIOR PERIOD (31/12/2017) TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		75.180.832	92.264.597	167.445.429
I.	GUARANTEES	(5.III.a)	11.155.239	17.216.027	28.371.266
1.1.	Letters of Guarantee		11.139.665	11.391.546	22.531.211
1.1.1.	Guarantees Subject to State Tender Law		-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		79.021	82.929	161.950
1.1.3.	Other Letters of Guarantee		11.060.644	11.308.617	22.369.261
1.2.	Bank Acceptances		4.773	199.768	204.541
1.2.1.	Import Letter of Acceptance		4.773	199.768	204.541
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letters of Credit		-	3.132.744	3.132.744
1.3.1.	Documentary Letters of Credit		-	1.881.082	1.881.082
1.3.2.	Other Letters of Credit		-	1.251.662	1.251.662
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 Related Guarantees		-	-	-
1.8.	Other Collaterals		10.801	2.491.969	2.502.770
1.9.	Other Sureties		-	-	-
II.	COMMITMENTS	(5.III.a)	31.054.695	2.890.154	33.944.849
2.1.	Irrevocable Commitments		28.369.992	2.890.154	31.260.146
2.1.1.	Asset Purchase and Sale Commitments		530.844	1.425.284	1.956.128
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4.	Loan Granting Commitments		11.104.113	57.533	11.161.646
2.1.5.	Securities Issuance Brokerage Commitments		-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7.	Commitments for Cheque Payments		2.375.880	-	2.375.880
2.1.8.	Tax and Fund Obligations from Export Commitments		1.451	-	1.451
2.1.9.	Commitments for Credit Card Limits		14.216.415	-	14.216.415
2.1.10.	Commitments for Promotional Operations Re-Credit Cards and Banking Services		2.856	-	2.856
2.1.11.	Receivables from "Short" Sale Commitments On Securities		-	-	-
2.1.12.	Payables for "Short" Sale Commitments On Securities		-	-	-
2.1.13.	Other Irrevocable Commitments		138.433	1.407.337	1.545.770
2.2.	Revocable Commitments		2.684.703	-	2.684.703
2.2.1.	Revocable Loan Granting Commitments		2.684.144	-	2.684.144
2.2.2.	Other Revocable Commitments		559	-	559
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.b)	32.970.898	72.158.416	105.129.314
3.1.	Hedging Purpose Derivatives		-	-	-
3.1.1.	Fair Value Hedge		-	-	-
3.1.2.	Cash Flow Hedge		-	-	-
3.1.3.	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
3.2.	Trading Purpose Derivatives		32.970.898	72.158.416	105.129.314
3.2.1.	Forward Foreign Currency Purchases/Sales		2.496.842	5.539.818	8.036.660
3.2.1.1.	Forward Foreign Currency Purchases		1.265.138	2.764.943	4.030.081
3.2.1.2.	Forward Foreign Currency Sales		1.231.704	2.774.875	4.006.579
3.2.2.	Currency and Interest Rate Swaps		22.402.421	57.694.946	80.097.367
3.2.2.1.	Currency Swaps-Purchases		3.547.926	24.602.208	28.150.134
3.2.2.2.	Currency Swaps-Sales		10.854.495	16.104.300	26.958.795
3.2.2.3.	Interest Rate Swaps-Purchases		4.000.000	8.494.219	12.494.219
3.2.2.4.	Interest Rate Swaps-Sales		4.000.000	8.494.219	12.494.219
3.2.3.	Currency, Interest Rate and Security Options		8.071.635	6.658.244	14.729.879
3.2.3.1.	Currency Options-Purchases		2.776.904	3.662.687	6.439.591
3.2.3.2.	Currency Options-Sales		3.694.731	2.880.717	6.575.448
3.2.3.3.	Interest Rate Options-Purchases		800.000	57.420	857.420
3.2.3.4.	Interest Rate Options-Sales		800.000	57.420	857.420
3.2.3.5.	Securities Options-Purchases		-	-	-
3.2.3.6.	Securities Options-Sales		-	-	-
3.2.4.	Currency Futures		-	-	-
3.2.4.1.	Currency Futures-Purchases		-	-	-
3.2.4.2.	Currency Futures-Sales		-	-	-
3.2.5.	Interest Rate Futures		-	-	-
3.2.5.1.	Interest Rate Futures-Purchases		-	-	-
3.2.5.2.	Interest Rate Futures-Sales		-	-	-
3.2.6.	Others		-	2.265.408	2.265.408
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		479.731.903	115.201.810	594.933.713
IV.	ITEMS HELD IN CUSTODY		93.039.880	2.886.737	95.926.617
4.1.	Customers' Securities and Portfolios Held		137.901	-	137.901
4.2.	Securities Held in Custody		89.855.087	1.511.039	91.366.126
4.3.	Checks Received for Collection		1.454.634	988.911	2.443.545
4.4.	Commercial Notes Received for Collection		1.592.258	289.431	1.881.689
4.5.	Other Assets Received for Collection		-	-	-
4.6.	Assets Received for Public Offering		-	-	-
4.7.	Other Items under Custody		-	97.356	97.356
4.8.	Custodians		-	-	-
V.	PLEDGED ITEMS		386.418.449	111.062.703	497.481.152
5.1.	Securities		3.141.980	39.804	3.181.784
5.2.	Guarantee Notes		271.955.458	45.280.793	317.236.251
5.3.	Commodities		16.002.073	5.554.934	21.557.007
5.4.	Warrants		-	-	-
5.5.	Immovables		76.549.760	39.435.161	115.984.921
5.6.	Other Pledged Items		18.769.178	20.752.011	39.521.189
5.7.	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		273.574	1.252.370	1.525.944
	TOTAL OFF BALANCE SHEET ITEMS (A+B)		554.912.735	207.466.407	762.379.142

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	INCOME STATEMENT	Footnote	CURRENT PERIOD (01/01-31/12/2018
I.	INTEREST INCOME	(5.IV.a)	17.876.835
1.1	Interest on loans		15.279.502
1.2	Interest received from reserve deposits		193.978
1.3	Interest received from banks		256.573
1.4	Interest received from money market transactions		13.579
1.5	Interest received from marketable securities portfolio		1.752.421
1.5.1	Financial assets at fair value through profit or loss		24.001
1.5.2	Financial assets at fair value through other comprehensive income		861.440
1.5.3	Financial assets measured at amortised cost		866.980
1.6	Financial lease income		251.393
1.7	Other interest income		129.389
II.	INTEREST EXPENSES	(5.IV.b)	10.841.929
2.1	Interest on deposits		8.497.008
2.2	Interest on funds borrowed		1.310.826
2.3	Interest on money market transactions		386.020
2.4	Interest on securities issued		591.069
2.5	Other interest expenses		57.006
III.	NET INTEREST INCOME/EXPENSE (I - II)		7.034.906
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		2.228.387
4.1	Fees and commissions received		3.150.681
4.1.1	Non-cash loans		316.958
4.1.2	Other	(5.IV.l)	2.833.723
4.2	Fees and commissions paid		922.294
4.2.1	Non-cash loans		6.400
4.2.2	Other	(5.IV.l)	915.894
V.	PERSONNEL EXPENSES (-)	(5.IV.g)	1.586.909
VI	DIVIDEND INCOME	(5.IV.c)	2.432
VII.	TRADING PROFIT/LOSS (Net)	(5.IV.d)	(430.271)
7.1	Profit/losses from capital market transactions		(401)
7.2	Profit/losses from derivative financial transactions		1.646.385
7.3	Foreign exchange profit/losses		(2.076.255)
VIII.	OTHER OPERATING INCOME	(5.IV.e)	448.967
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		7.697.512
X.	EXPECTED CREDIT LOSSES (-)	(5.IV.f)	2.898.577
XI.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	2.099.651
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		2.699.284
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV.	NET MONETORY POSITION GAIN/LOSS		-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	(5.IV.h)	2.699.284
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.IV.i)	(495.196)
17.1	Current tax provision		(390.081)
17.2	Expense effect of deferred tax (+)		(4.431.703)
17.3	Income effect of deferred tax (-)		4.326.588
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	(5.IV.j)	2.204.088
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)	(5.IV.j)	-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	(5.IV.k)	2.204.088
24.1	Group`s profit/loss		2.199.647
24.2	Minority shares		4.441
	Earnings / Losses per Share (Per thousand share)		1,00

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	INCOME AND EXPENSE ITEMS	Footnote	PRIOR PERIOD (01/01-31/12/2017)
I.	INTEREST INCOME	(5.IV.a)	12.824.198
1.1	Interest from Loans		11.047.206
1.2	Interest from Reserve Deposits		101.420
1.3	Interest from Banks		220.226
1.4	Interest from Money Market Transactions		22.355
1.5	Interest from Securities Portfolio		1.107.426
1.5.1	Trading Securities		16.906
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-
1.5.3	Available for Sale Securities		582.069
1.5.4	Held to Maturity Securities		508.451
1.6	Interest from Financial Leases		229.782
1.7	Other Interest Income		95.783
II.	INTEREST EXPENSE	(5.IV.b)	6.543.040
2.1	Interest on Deposits		5.043.299
2.2	Interest on Funds Borrowed		878.431
2.3	Interest on Money Market Transactions		186.091
2.4	Interest on Securities Issued		336.432
2.5	Other Interest Expense		98.787
III.	NET INTEREST INCOME (I - II)		6.281.158
IV.	NET FEES AND COMMISSION INCOME /EXPENSE		1.604.985
4.1	Fees and Commissions Received		2.119.558
4.1.1	Non-Cash Loans		234.108
4.1.2	Other	(5.IV.l)	1.885.450
4.2	Fees and Commissions Paid		514.573
4.2.1	Non-Cash Loans		2.710
4.2.2	Other	(5.IV.l)	511.863
V.	DIVIDEND INCOME	(5.IV.c)	1.230
VI.	TRADING INCOME/LOSS (Net)	(5.IV.d)	-977.861
6.1	Profit / Loss on Securities Trading		-40.082
6.2	Profit / Loss on Derivative Financial Transactions		-975.940
6.3	Foreign Exchange Gains / Losses		38.161
VII.	OTHER OPERATING INCOME	(5.IV.e)	741.580
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		7.651.092
IX.	PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.943.927
X.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	3.215.527
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		2.491.638
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII.	INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-
XV.	P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.h)	2.491.638
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	-589.506
16.1	Current Tax		-425.560
16.2	Deferred Tax		-163.946
XVII.	NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.j)	1.902.132
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS		-
18.1	Assets Held for Sale		-
18.2	Profit on Sale of Associates, Subsidiaries and Joint Ventures		-
18.3	Other		-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1	Assets Held for Sale		-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-
19.3	Other		-
XX.	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-
21.1	Current Tax		-
21.2	Deferred Tax		-
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(5.IV.j)	-
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.902.132
23.1	Group's Profit / Loss		1.900.758
23.2	Minority Shares		1.374
	Earnings / Losses per Share (Per thousand share)		0,57

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		CURRENT PERIOD (01/01-31/12/2018)
I.	CURRENT PERIOD PROFIT OR LOSS	2.204.088
II.	OTHER COMPREHENSIVE INCOME	204.912
2.1	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	165.392
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	24.597
2.1.2	Gains (Losses) on Revaluation of Intangible Assets	-
2.1.3	Gains (Losses) on Remeasurements of Defined Benefit Plans	(38.690)
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	176.702
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	2.783
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	39.520
2.2.1	Exchange Differences on Translation	1.966.038
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income	(444.256)
2.2.3	Income (Loss) Related to Cash Flow Hedges	(37.704)
2.2.4	Income (Loss) Related to Hedges of Net Investments in Foreign Operations	(1.988.721)
2.2.5	Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	544.163
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	2.409.000

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		PRIOR PERIOD (01/01-31/12/2017)
I.	ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	120.600
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	15.921
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	986.823
V.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	616
VI.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	-961.055
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-13.703
IX.	DEFERRED TAXES OF VALUATION DIFFERENCES	211.278
X.	NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	360.480
XI.	CURRENT PERIOD PROFIT/LOSS	1.902.132
1.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	-48.436
1.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	-300
1.3	Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-
1.4	Other	1.950.868
XII.	TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.262.612

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	CHANGES IN SHAREHOLDERS' EQUITY		Paid-In Capital	Share Premium	Share Cancellation Profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss: Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and OtherAccumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss: Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves	Prior Period Net Profit / (Loss)	Current Period Net Profit / (Loss)	Total Equity Except Minority Shares	Minority Shares	Total Equity
	CURRENT PERIOD 01/01-31/12/2018																	
I.	Balances at the Beginning of Period		3.316.100	15	--	67.561	64.304	-15.371	--	2.151.546	-447.399	-1.741.301	4.184.426	3.363.124	1.900.758	12.843.763	9.644	12.853.407
II.	Adjustment in Accordance with TMS 8	(5.V.c)	--	--	--	--	--	--	601.351	--	-11.936	--	--	-346.863	--	242.552	--	242.552
2.1	Effect of Adjustment Related to Errors		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2	Effect of Changes in Accounting Policies		--	--	--	--	--	--	601.351	--	-11.936	--	--	-346.863	--	242.552	--	242.552
III.	New Balance (I+II)		3.316.100	15	--	67.561	64.304	-15.371	601.351	2.151.546	-459.335	-1.741.301	4.184.426	3.016.261	1.900.758	13.086.315	9.644	13.095.959
IV.	Total Comprehensive Income	(5.V.e)	--	--	--	--	18.889	-30.199	176.702	1.966.038	-345.907	-1.580.611	--	--	2.199.647	2.404.559	4.441	2.409.000
V.	Capital Increase in Cash	(5.V.a)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI.	Capital Increase through Internal Reserves	(5.V.a)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII.	Issued Capital Inflation Adjustment		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII.	Convertible Bonds		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX.	Subordinated Debt		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X.	Increase (Decrease) through Other Changes		--	--	--	--	--	--	--	--	--	--	--	--	--	--	311	311
XI.	Profit Distribution	(5.V.d)	--	--	--	--	--	--	--	--	--	--	927.382	973.376	-1.900.758	--	--	--
11.1	Dividends Paid		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2	Transfer to Legal Reserves	(5.V.f)	--	--	--	--	--	--	--	--	--	--	927.382	973.376	-1.900.758	--	--	--
11.3	Other		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
	Balances at the End of Period (III+IV+.....+X+XI)		3.316.100	15	--	67.561	83.193	-45.570	778.053	4.117.584	-805.242	-3.321.912	5.111.808	3.989.637	2.199.647	15.490.874	14.396	15.505.270

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

	CHANGES IN SHAREHOLDERS' EQUITY		Paid-In Capital	Inflation Adjustments to Paid-In Capital (*)	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves		Other Reserves	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Securities Revaluation Reserve	Revaluation Fund of Tang./ Intang.A.	Bonus Shares Obtained from Associates	Hedging Reserves	Val.Diff. Related to Assets Held for Sale /Disc.Opr.	Total Equity Attrib.to Equity Holders of the Parent	Minority Interest	Total Shareholders' Equity
	PRIOR PERIOD 01/01-31/12/2017																				
I.	Balances at the Beginning of Period		3.316.100	-	15	-	187.374	-	3.780.706		1.159.921	1.400.027	2.246.297	-555.295	53.892	11	-1.007.220	-	10.581.828	8.270	10.590.098
	Changes in the Period																				
II.	Increase / Decrease Related to Mergers		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
III.	Valuation Differences of Securities		-	-	-	-	-	-	-	-		-	-	107.896	-	-	-	-	107.896	-	107.896
IV.	Hedging Transactions (Effective Portion)		-	-	-	-	-	-	-	-		-	-	-	-	-	-734.081	-	-734.081	-	-734.081
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-		-	-	-	-	-	616	-	616	-	616
4.2	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-		-	-	-	-	-	-734.697	-	-734.697	-	-734.697
V.	Revaluation Fund of Tangible Assets		-	-	-	-	-	-	-	-		-	-	-	10.411	-	-	-	10.411	-	10.411
VI.	Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-		-	-	-	-	697	-	-	697	-	697
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	986.823		-	-	-	-	-	-	-	986.823	-	986.823
IX.	Changes Related to Sale of Assets		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
X.	Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase	(5.V.a)	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Capital Stock	(5.V.b)	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
XV.	Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-10.569		-	-	-	-	-	-	-	-10.569	-	-10.569
XVII.	Period Net Profit / Loss		-	-	-	-	-	-	-	-		1.900.758	-	-	-	-	-	-	1.900.758	1.374	1.902.132
XVIII.	Profit Distribution	(5.V.d)	-	-	-	-	70.464	-	145.881	-		-1.400.027	1.116.828	-	66.854	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
18.2	Transfer to Reserves	(5.V.f)	-	-	-	-	70.464	-	145.881	-		-1.400.027	1.116.828	-	66.854	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
	Balances at the End of Period (I+II+III+...+XVI+XVII+XVIII)		3.316.100	-	15	-	257.838	-	3.926.587	2.136.175		1.900.758	3.363.125	-447.399	131.157	708	-1.741.301	-	12.843.763	9.644	12.853.407

(*) The column "Other Reserves" amounting to TL (15.371) and relating to the "actuarial loss/profit" calculated as per TAS 19 "Employee Benefits" is stated under "Other Capital Reserves" in consolidated financial statements.

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2018

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

			CURRENT PERIOD (01/01-31/12/2018)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities (+)		2.776.840
1.1.1	Interest received (+)		16.231.267
1.1.2	Interest paid (-)		10.561.239
1.1.3	Dividends received (+)		2.432
1.1.4	Fees and commissions received (+)		3.150.681
1.1.5	Other income (+)		229.706
1.1.6	Collections from previously written off loans and other receivables (+)		1.335.215
1.1.7	Cash payments to personnel and service suppliers (-)		1.598.065
1.1.8	Taxes paid (-)		497.589
1.1.9	Other (+/-)	(5.VI.c)	(5.515.568)
1.2	Changes in operating assets and liabilities subject to banking operations		9.076.094
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(37.092)
1.2.2	Net increase (decrease) in due from banks (+/-)		(73.987)
1.2.3	Net increase (decrease) in loans		(13.915.921)
1.2.4	Net increase (decrease) in other assets (+/-)		2.847.247
1.2.5	Net increase (decrease) in bank deposits (+/-)		(2.474.757)
1.2.6	Net increase (decrease) in other deposits (+/-)		16.751.892
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 (+/-)		2.694.904
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(5.VI.c)	3.283.808
I.	Net cash provided from banking operations(+/-)		11.852.934
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities(+/-)		(701.521)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures (-)		-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures (+)		-
2.3	Cash paid for the purchase of tangible and intangible asset (-)		444.820
2.4	Cash obtained from the sale of tangible and intangible asset (+)		180.964
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		1.713.761
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		914.571
2.7	Cash paid for the purchase of financial assets at amortised cost (-)		-
2.8	Cash obtained from sale of financial assets at amortised cost (+)		-
2.9	Other (+/-)		361.525
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flows from financing activities (+/-)		(4.024.514)
3.1	Cash obtained from funds borrowed and securities issued (+)		15.224.714
3.2	Cash outflow from funds borrowed and securities issued (-)		19.249.228
3.3	Equity instruments issued (+)		-
3.4	Dividends paid (-)		-
3.5	Payments for finance lease liabilities (-)		-
3.6	Other (+/-)		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents(+/-)	(5.VI.c)	3.695.321
V.	Net increase/decrease in cash and cash equivalents (I+II+III+IV)	(5.VI.c)	10.822.220
VI.	Cash and cash equivalents at beginning of the period (+)	(5.VI.a)	16.636.028
VII.	Cash and Cash Equivalents at the End of Period	(5.VI.a)	27.458.248

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

			PRIOR PERIOD (01/01-31/12/2017)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit before Changes in Operating Assets and Liabilities (+)		5.172.376
1.1.1	Interest Received (+)		12.051.576
1.1.2	Interest Paid (-)		6.285.331
1.1.3	Dividend Received (+)		1.230
1.1.4	Fees And Commissions Received (+)		2.022.578
1.1.5	Other Income (+)		733.376
1.1.6	Collections from Previously Written-Off Loans and Other Receivables (+)		955.067
1.1.7	Payments to Personnel and Service Suppliers (-)		1.472.355
1.1.8	Taxes Paid (-)		389.752
1.1.9	Other (+/-)	(5.VI.c)	(2.444.013)
1.2	Changes in Operating Assets and Liabilities		(3.604.437)
1.2.1	Net (Increase) Decrease in Trading Securities (+/-)		15.529
1.2.2	Net (Increase) Decrease in Financial Assets Designated at FV (+/-)		-
1.2.3	Net (Increase) Decrease in Banks (+/-)		350.265
1.2.4	Net (Increase) Decrease in Loans (+/-)		(14.425.185)
1.2.5	Net (Increase) Decrease in Other Assets (+/-)		(3.497.508)
1.2.6	Net Increase (Decrease) in Bank Deposits (+/-)		1.834.205
1.2.7	Net Increase (Decrease) in Other Deposits (+/-)		10.084.672
1.2.8	Net Increase (Decrease) in Funds Borrowed (+/-)		2.397.411
1.2.9	Net Increase (Decrease) in Due Payables (+/-)		-
1.2.10	Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.c)	(363.826)
I.	Net Cash (Used in)/Provided from Banking Operations (+/-)		1.567.939
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Used in) Investing Activities (+/-)		791.638
2.1	Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)		29.451
2.2	Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)		-
2.3	Fixed Assets Purchases (-)		272.831
2.4	Fixed Assets Sales (+)		144.741
2.5	Cash Paid for Purchase of Investments Available for Sale (-)		859.756
2.6	Cash Obtained From Sale of Investments Available for Sale (+)		1.698.327
2.7	Cash Paid for Purchase of Investment Securities (-)		-
2.8	Cash Obtained from Sale of Investment Securities (+)		-
2.9	Other (+/-)		110.608
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from / (Used in) Financing Activities (+/-)		(288.314)
3.1	Cash Obtained from Funds Borrowed and Securities Issued (+)		12.571.136
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued (-)		12.859.450
3.3	Capital Increase (+)		-
3.4	Dividends Paid (-)		-
3.5	Payments for Finance Leases (-)		-
3.6	Other (+/-)		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	(5.VI.c)	602.221
V.	Net Increase / (Decrease) in Cash and Cash Equivalents	(5.VI.c)	2.673.484
VI.	Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.a)	13.962.544
VII.	Cash and Cash Equivalents at the End of Period	(5.VI.a)	16.636.028

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED PROFIT DISTRIBUTION TABLES FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

		CURRENT PERIOD (01/01-31/12/2018)	PRIOR PERIOD (01/01-31/12/2017)
I.	DISTRIBUTION OF CURRENT YEAR INCOME (*)		
1.1	CURRENT YEAR INCOME	-	-
1.2	TAXES AND DUTIES PAYABLE (-)	-	-
1.2.1	Corporate Tax (Income Tax)	-	-
1.2.2	Income witholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	NET INCOME FOR THE YEAR (1.1-1.2)	-	-
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)]	-	-
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owner of ordinary shares	-	-
1.6.2	To owner of preferred shares	-	-
1.6.3	To owner of preferred shares (preem private rihgts)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit or 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 owner of ordinary shares	-	-
1.9.2	To owner of preferred shares	-	-
1.9.3	To owner of preferred shares (preem private rihgts)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit or loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	GENERAL 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 owner of ordinary shares	-	-
2.3.2	To owner of preferred shares	-	-
2.3.3	To owner of preferred shares (preem private rihgts)	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit or 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	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILAGED SHARES	-	-
3.4	TO OWNERS OF PRIVILAGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILAGED SHARES	-	-
4.4	TO OWNERS OF PRIVILAGED SHARES (%)	-	-

(*) According to Turkish Commercial Code, profit distribution table is prepared based on unconsolidated financial statements and not on consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

SECTION THREE
ACCOUNTING POLICIES

I. Basis of presentation

a. Preparation of the consolidated financial statements and the accompanying Footnote in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents

Consolidated financial statements have been prepared in accordance with the regulations, communiqués, explanations and circulars published with respect to accounting and financial reporting principles by the Banking Regulation and Supervision Authority ("BRSA") within the framework of the provisions of the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Document Keeping published in the Official Gazette no. 26333 dated 1 November 2006 in relation with the Banking Law no. 5411, as well as the Turkish Accounting Standards (TAS") and Turkish Financial Reporting Standards ("TFRS") enforced by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the annexes and commentaries relating to these Standards (hereinafter collectively referred to as "Turkish Accounting Standards" or "TAS") if there are no specific regulations made by BRSA. The form and content of the consolidated financial statements which have been drawn up and which will be disclosed to public have been prepared in accordance with the "Communiqué on the financial Statements to be Disclosed to the Public by Banks and the Related Explanations and Footnote" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" as well as the communiqués that introduce amendments and additions to this Communiqué. The parent shareholder Bank keeps its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Law and Turkish Tax legislation.

Consolidated financial statements have been prepared based on historical cost principle, except the financial assets and liabilities indicated at their fair values.

The amounts in the consolidated financial statements and explanations and Footnote relating to these statements have been denoted in Thousand Turkish Liras unless otherwise stated.

In the preparation of consolidated financial statements according to TAS, the management of the parent shareholder Bank should make assumptions and estimations regarding the assets and liabilities in the balance sheet. These assumptions and estimations are reviewed regularly, the necessary corrections are made and the effects of these corrections are reflected in the income statement. The assumptions and estimations used are explained in the related foot notes.

The Parent Bank and its consolidated subsidiaries are classified as "DFS Group" in the Footnote related to the consolidated financial statements.

Explanations on TFRS 16 Leases Standard

"TFRS 16 Leases" Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. According to this standard, the difference between operating leases and financial leases has been eliminated and leasing transactions will be shown by the lessee on the balance sheet as the asset (utilization right) and financial debt related to lease payment.

DFS Group will apply this standard from 1 January 2019, that is the mandatory application date. DFS Group plans to use the simplified migration application and not to rearrange the comparable amounts for the prior year to the first implementation.

b. Accounting policies and changes in the presentation of 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").

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(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of Consolidated Financial Report Originally Issued In Turkish, See Note 3.I.c

In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated and presented in Section two.

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 year 2017 are included in Section three notes XXV. Impacts of transition to TFRS 9 and its adoption is disclosed in Section three notes XXIV.

c. Additional paragraph for convenience translation:

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the 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.

II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies

a. Strategy for the use of financial instruments

DFS Group's external sources of funds are comprised of deposits with various maturity periods, and short-term borrowings. These funds are fixed rate in general and are utilized in high yield financial assets. The majority of the funds are allocated to high yield, floating rate instruments, such as Turkish Lira and foreign currency government securities and Eurobonds, and to loans provided to customers on a selective basis in order to increase revenue and support liquidity. The liquidity structure that ensures meeting all liabilities falling due, is formed by keeping sufficient levels of cash and cash equivalents by diversifying the sources of funds. The Bank assesses the maturity structure of the sources, and the maturity structure and yield of placements at market conditions and adopts a high yield policy in long-term placements.

DFS Group assumes risks within pre-determined risk limits in short-term currency, interest and price movements in money and capital markets and market conditions. These positions are closely monitored by the Risk Management System of the Parent Bank and the necessary precautions are taken if the limits are exceeded or should there be a change in the market environment. In order to avoid interest rate risk, assets and liabilities with fixed and floating interests are kept in balance, taking the maturity structure into consideration. The asset-liability balance is monitored on a daily basis in accordance with the maturity structure and foreign currency type. The risks associated with short-term positions are hedged through derivatives such as forwards, swaps and options. No risks are taken as far as possible on foreign currencies other than US Dollar and Euro. Transactions are made under the determined limits to cover the position.

Net foreign currency position of DFS Group in foreign enterprises is considered along with the position of the Parent Bank and the specific position is evaluated within the risk limits.

b. Transactions denominated in foreign currencies

Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements

DFS Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of the balance sheet date are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities are translated into TL by using foreign currency exchange rates of the Parent Bank and the resulting exchange differences are recorded as foreign exchange gains and losses. The Parent Bank's foreign currency exchange rates are as follows:

	31 December 2018	31 December 2017
US Dollar	TL 5,2810	TL 3,7719
Euro	TL 6,0422	TL 4,5155

Foreign exchange gains and losses included in the income statement

As of 31 December 2018, net foreign exchange loss included in the income statement amounts to TL 2.076.255 (1 January – 31 December 2017: TL 38.161 net foreign exchange profit).

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
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Total amount of valuation fund arising from foreign currency exchange rate differences

The assets and liabilities of foreign operations are translated to TL at foreign exchange rates of the Parent Bank ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to TL at yearly average foreign exchange rates of the Parent Bank. The foreign exchange differences derived from translation of income statements of consolidated subsidiaries, and arising from the difference between TL equivalent of their equities and the Parent Bank's share in their net assets are recorded in "other profit reserves".

As of 31 December 2018, total foreign exchange differences in equity amount to TL 4.048.506 (31 December 2017: TL 2.105.383).

The foreign exchange difference of TL 69.078 (31 December 2017: TL 46.163) arising from the translation of the financial statements of Bahrain branch of the Parent Bank to Turkish Lira per TAS 21 is recorded in "other profit reserves".

DFS Group applies net investment hedge accounting to hedge from the foreign currency exchange risk arising from conversion of its investments in foreign currency denominated subsidiaries on a consolidated basis. Part of foreign currency deposits to the net investment amount is designated as hedging instrument and the effective portion of the foreign exchange difference of these financial liabilities is recognized under hedging funds in equity.

III. Information regarding the consolidated subsidiaries

Consolidated financial statements are prepared in accordance with TFRS 10, the "Turkish Accounting Standard for Consolidated Financial Statements".

The Parent Bank owns, directly or indirectly, the shares of Deniz Yatırım Menkul Kıymetler A.Ş. (Deniz Yatırım), Eurodeniz International Banking Unit Ltd. (Eurodeniz), Deniz Portföy Yönetimi A.Ş. (Deniz Portföy), Denizbank AG, JSC Denizbank, Deniz Finansal Kiralama A.Ş. (Deniz Leasing), Deniz Faktoring A.Ş. (Deniz Faktoring), Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz GYO), and CR Erdberg Eins GmbH & Co KG (CR Erdberg) and these subsidiaries are consolidated fully.

DFS Funding Corp., which is a structured entity, is also included in the scope of consolidation.

The non-financial subsidiaries of the parent bank; Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ("Intertech"), Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Deniz Kültür") and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") which is jointly controlled company and affiliates of Intertech; Deniz Kartlı Ödeme Sistemleri A.Ş. and Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş.; Ekspres Bilgi İşlem ve Ticaret Anonim Şirketi ("Ekspres Bilgi İşlem") subsidiary of Deniz Yatırım, and Deniz Immobilien Service GMBH ("Deniz Immobilien") subsidiary of Denizbank AG, since they are non-financial subsidiaries are excluded from the consolidation process.

Important changes on consolidated subsidiaries in reporting period

On 6 December 2018, the Parent Bank increased the share capital of Denizbank AG by Euro 50 million in cash.

Consolidation principles for subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method.

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.

According to this method, the financial statements of the Parent Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income, expenses and off-balance sheet items, in preparing consolidated financial statements. Minority interests are presented separately in the consolidated balance sheet and consolidated income statement.

The carrying amount of the Parent Bank's investment in each subsidiary and the Parent Bank's portion of equity of each subsidiary are eliminated.

All intercompany transactions and intercompany balances between the consolidated subsidiaries and the Parent Bank are eliminated.

The financial statements which have been used in the consolidation are prepared as of 31 December 2018 and appropriate adjustments are made to financial statements to use uniform accounting policies for transactions and events alike in similar circumstances, in accordance with the principal of materiality.

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(Currency: Thousands of TL - Turkish Lira)

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IV. Explanations on forward transactions, options and derivative instruments

DFS Group's derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

In accordance with TFRS 9, forward foreign currency purchase/sale contracts, swaps, options and futures are classified as "Derivative Financial Assets/Liabilities at Fair Value Through Profit or Loss". Derivative transactions are recorded with their fair values at contract date. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

The derivative transactions are valued at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets/Liabilities at Fair Value Through Profit or Loss" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. Gains and losses arising from a change in the fair value are recognized in the income statement. Fair values of derivatives are calculated using either discounted cash flow model or market value.

V. Explanations on interest income and expenses

Interest income and expenses are recognized by applying the effective interest method. As of January 1, 2018, DFS Group has started to calculate accruals for its non-performing loans. The net book value of the non-performing loans (Gross Book Value - Expected Loss) is discounted with effective interest rate and recorded on the gross carrying amount of the non-performing loan.

VI. Explanations on fees and commissions income and expenses

Fees and commissions income and expenses are accounted for on an accrual basis or effective interest method and TFRS 15 "Revenue from Contracts with Customers" standard according to their nature excluding wage income related to certain banking transactions that are recorded as income in the period in which they are collected. Revenues provided through contracts or through services related to transactions such as the purchase or sale of assets for a third party or legal entity are recognized as income at the time of collection.

VII. Explanations on financial assets

DFS Group categorizes its financial assets as "Fair Value Through Profit or 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.

DFS Group recognizes 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 the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent 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 fair value through profit or loss

"Financial assets at fair value through profit or 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.

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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 an entity 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.

DFS Group has government securities with a maturity of 5-10 years and indexed to CPI in the 3 month real coupon ratios that remain constant throughout the maturity in the "Fair value through other comprehensive income" and "Measured at amortized cost" securities portfolios. As stated by Secretary of Treasury in CPI indexed investor guide, the reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of two months ago. DFS Group predicts the inflation rate in parallel to those.

VIII. Explanations on expected credit loss

As of 1 January 2018, the Bank allocates provisions for expected credit loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income, also loan commitments and non cash loans that are not carried at fair value through profit or loss in accordance with TFRS 9 'Financial Instruments' standard 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.

The expected credit loss provision is weighted according to the probabilities determined by taking into consideration possible results and reflects the time value of money as a unbiased amount, past events, current conditions and forecasts of future economic conditions as reasonable and supportable information that can be obtained without incurring excessive cost or effort at the reporting date.

According to TFRS 9, after each financial instrument has been recognized for the first time in the financial statements for which there is a need for an impairment assessment, if there is a significant increase in the credit risk at each reporting date.

Estimated credit loss provision is calculated to estimate the loss if the financial instrument defaulted.

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Due to the deterioration in credit quality since their initial recognition, financial instruments are allocated to one of the following stages:

Stage 1: Financial instruments with 12-months expected credit loss provision calculated, no significant increase in credit risk;
Stage 2: Financial instruments with a significant increase in credit risk and where the expected credit loss provision is calculated for lifetime;
Stage 3: impaired, non-performing (defaulted) loans.

The financial instruments in Stage 1 are financial instruments that has been recognized for the first time in the financial statements or do not have a significant increase in the credit risk after the initial recognition in the financial statements. For these instruments, credit risk impairment provision is calculated as the expected credit loss provision for 12-months default risk from the reporting date.

After the initial reporting period, a significant increase is observed in the credit risk and result of the provision for credit risk impairment for the financial instruments mentioned in Stage 2 is calculated as the expected loss provision over the remaining life from the reporting date.

Financial instruments in Stage 3 are assumed to be defaulted and therefore impaired. For these assets, lifetime expected credit losses are recognized.

The expected credit loss provision is calculated as whole (collective) or seperate (individual).

Financial instruments with common credit risk characteristics are grouped for the expected loan loss provisions calculated collectively.

In the Parent Bank, grouping of credit risks according to common characteristics was made according to 'risk segments'. The standards for the separation of credit risks by risk segments have been prepared in accordance with the Basel II recommendations for the assessment of capital adequacy based on credit risk in the context of the standard internal rating-based approach ("IRB"). The purpose of classifying credit risks according to risk segments is to determine the approach for analyzing and evaluating credit risk for the relevant risk segment.

The credit risk classification is as follows:

- Segment classification for non-retail loans is made at the counterparty level to collect all the risks of the counterparty only to a risk segment based on the credit products requested by the counterparty;
- Segment classification for retail loans is based on both product level and counterparty characteristics. This means that Credit risks of the other party can be classified into different risk segments.

The main groupings based on risk segments for the expected credit loss provision calculation are as follows:

- Corporate / Commercial loans
- OBI loans
- KBI loans
- Agricultural loans
- Consumer loans
- Mortgage loans
- Vehicle loans
- Overdraft
- Credit cards
- Loans granted to local governments
- Project financing loans
- Central administrations
- Banks

The expected loan loss provisions calculated collectively are calculated by using the components such as default amount (DA), default probability (DP), loss in default (LiD) and effective interest rate of the loan.

Default amount

The default amount is the expected economic receivable at the time of default.

In order to calculate the expected loan loss provision, the DA value of each loan is calculated by discounting the expected principal and interest payments from the future dates to the reporting date using the effective interest rate. The loan conversion rate is also applied to the DA value.

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Probability of default

The probability of default indicates the probability of default of the debtor in a certain period of time.

There are two types of PD values calculated in accordance with TFRS 9 requirements:

- 12-month PD: Estimate the probability of default for 12 months after the reporting date of the financial instrument.
- Lifetime default probability: Estimated probability of default over the life of the financial instrument.

The credit ratings of the internal rating systems used by the Parent Bank in credit allocation processes are used to classify the customers in the expected credit loss provision calculations.

Internal rating systems used for non-individual customers are mainly divided into Corporate / Commercial, OBI, CBI and Agriculture model groups. The internal ratings in the Corporate / Commercial and OBI model groups take into account quantitative characteristics such as indebtedness, liquidity and size of the customer as well as qualitative assessment elements. The internal ratings in the KBI and Agriculture model groups reflect behavioral information such as the trend in the use rate of the entire banking sector in the banking sector, the duration of use of the CBM product in the Parent Bank, or the recent frequency of delays in loan payments.

Internal rating systems for retail consumers are differentiated at level Consumer, Mortgage, Vehicle Loans, Overdraft and Credit Card products group. In order to produce these scores, behavioral data such as the customer's trend in the limit usage rate in the Bank and the sector, the frequency of the delays in the current period, customers' ownerships of the cross products and their payment habits of the other products are used.

In the first step, the outputs of the internal rating systems are grouped on the basis of risk segments according to the common characteristics of credit risks for PD calculations in accordance with TFRS 9. Historical default data of these groups were prepared. A basket creation analysis was performed for the default data obtained for the purpose of obtaining reasonable and valid accumulated default rates.

PD curves are drawn by running regression method used by proper distribution through data obtained for the baskets. Since the PD values obtained represent PD values 'throughout the life cycle', they were converted to 'instant' PD values in accordance with TFRS 9. In the last step, macroeconomic expectations for PD value are reflected.

For credit risk groups that do not have sufficient historical default data, external default statistics or minimum PD rates in Basel documentation are used.

The internal validation of the process described above was carried out at the end of 2018.

Loss given default

In case of default, the loss refers to the ratio of the economic loss to the debtor has defaulted.

For the purpose of calculating the expected credit loss provision, two types of LGD rate is calculated: LGD ratio for the unsecured credit risk and LGD ratio for the collateralized credit risk.

The LGD ratio for unsecured credit risk was calculated using the Parent Bank's previous collection data and grouped on the basis of risk segments based on common characteristics of credit risks.

The following TFRS 9 requirements are taken into account for the LGD ratio calculation for unsecured credit risk:

- Long-term LGD is used (excluding regression effect)
- In the case of conservative approach it is excluded
- Excludes indirect costs in the case of existence
- The result figures are discounted by the effective interest rate

The LGD ratio for collateralized credit risk is calculated by considering the collateral structure for each loan. To calculate this ratio, the rates of consideration taken for the Parent Bank's collateral type, the periods of cash conversion and the effective interest rate of the loan to which the collateral belongs are used. Historical data and in the case of absent of it best estimates are used to determine the relevant rates of consideration and cash-through periods.

For unsecured credit risk groups with insufficient historical collection data, the standard rate included in the Basel documentation is used.

The internal validation of the process described above was carried out at the end of 2018.

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Effective interest rate

The effective interest rate is the discount rate that equals the future expected cash receipts and collections that are expected to occur over the expected life of the financial asset or liability to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

Other than the expected credit loss provisions calculated collectively, the expected credit loss provisions of the financial instruments that are subject to a coverage over a certain risk or which will be determined by the Parent Bank management are calculated based on the seperate (individual) evaluation. In accordance with the Guideline on Calculation of Provision for Loan Losses in Accordance with TFRS 9 announced by the BRSA on 26 February 2018, the calculation was made using at least two scenarios for each financial instrument in accordance with the discounted cash flow method. The ultimate expected credit loss provision of the financial instrument is based on the fact that the expected credit loss provisions calculated for the related scenarios are weighted by the probability of realization of the scenarios.

Low credit risk

In accordance with TFRS 9, the risk of the default of the financial instrument is low, the borrower has a strong structure to meet the contractual cash flow obligations in the short term, and the negative changes in the economic conditions and operating conditions in the longer term reduce the power of the debtor to fulfill the contractual cash flow obligations. the credit risk of the financial instrument is considered to be low.

It has not been concluded that financial instruments have a low credit risk only if the risk of loss of the financial instruments is considered to be low due to the value of the collateral and if the credit risk of the related financial instrument is not evaluated as low.

Furthermore, it is not considered that the financial instruments have a low credit risk only because they have less risk than the other financial instruments of the enterprise or the credit risk of the region where the business is operating.

In the case of low risk determination of any financial instrument and also assuming that the first contact of the credit risk is not significantly increased after the financial statements, the relevant financial instrument is evaluated in Stage 1.

Financial instruments considered to have a low credit risk under TFRS 9 are presented below:

- Receivables from CBRT.
- Risks in the case of the counterparty is the TC Treasury
- Loans to subsidiaries of the main shareholder.
- Transactions with banks with AAA rating

The Participation of Senior Management of the Bank to the IFRS 9 Process

Principles and Procedures for the Classification of Loans and Provisions to be Reserved in the Official Gazette dated June 22, 2016 and numbered 29750 within the scope of the regulations related to internal systems, risk management, corporate governance and credit classification, which are issued pursuant to the Banking Law No. 5411 In accordance with Article 20 of the By-Law, 'TFRS 9 Management Committee' has been established in accordance with the 'Guide on the Calculation of Provision for Loan Loss Expected under TFRS 9' prepared by the BRSA.

In accordance with TFRS 9, the Committee is responsible for the control of the classification and measurement of financial instruments, the approval of business models and an adequate calculation of the expected credit loss provision. The Committee is also responsible for ensuring that the DFS Group's existing policies and processes' control to establish and maintain in accordance with TFRS 9 and relevant good practice guidelines

The Committee is responsible for ensuring that the expected credit loss provisions are based on reliable and robust methods, that these methods are documented, developed, updated in a timely manner and are accounted for as required.

Executive Board Member responsible for Loans, Assistant General Manager responsible for Financial Affairs, Assistant General Managers responsible for the duties of the Board member charging with loans and Assistant General Manager responsible for Risk Management are the among of members of Commitee.

IX. Explanations on offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the DFS 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.

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X. Explanations on sale and repurchase agreements and transactions related to the lending of securities

Government bonds and treasury bills sold to customers under repurchase agreements are classified according to purpose of being hold into portfolio on the assets side of the accompanying consolidated balance sheet within "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" and are measured according to valuation principles of relating portfolio. Funds obtained from repurchase agreements are presented on the liability side of the consolidated balance sheet within the account of "Receivables from money market". The accrual amounts corresponding to the period is calculated over the sell and repurchase price difference determined in repurchase agreements. Accrued interest expenses calculated for funds obtained from repurchase agreements are presented in "Due to money markets" account in liability part of the consolidated balance sheet.

Securities received with resale commitments are presented under "Due from money markets" line in the balance sheet. The accrual amounts for the corresponding part to the period of the resale and repurchase price difference determined in reverse repurchase agreements are calculated using the effective interest method. The Parent Bank has no securities which are subject to borrowing activities.

XI. Explanations on assets held for sale and discontinued operations and related liabilities

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

A discontinued operation is a division of a bank that is either disposed or held for sale and represents a separate major line of business or geographical area of operations; or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

As 31 December 2018, DFS Group does not have non-current assets held for sale and discontinued operations.

XII. Explanations on goodwill and other intangible assets

a. Goodwill

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles. Assets of the acquired company which are not presented on financial statements but separated from goodwill represented with fair values of tangible assets (credit card brand equity, customer portfolio etc.) and/or contingent liabilities to financial statements in process of acquisition.

In accordance with "TFRS 3 – Business Combinations", the goodwill is not amortized. It is tested yearly or if there is any indication of impairment according to "Turkish Accounting Standard 36 (TAS 36) - Impairment of Assets".

b. Other intangible assets

Intangible assets are initially measured at acquisition cost and other costs which are required for activation of the financial asset in accordance with TAS 38 "Intangible Assets" standard. Intangible assets are evaluated over excess value of net cost that derived from accumulated depreciation and accumulated impairment after recognition period.

The Group's intangible assets consist of software, license rights, data/telephone line, total values of credit cards and personal loans portfolio.

Intangible assets purchased before 1 January 2003 and after 31 December 2006 are amortized on a straight-line basis; and those purchased between the aforementioned dates are amortized by using the double-declining method. Useful life of an asset is estimated by assessment of the expected life span, technical, and technological wear outs of the asset. The amortization rates used approximate the useful lives of the assets.

Maintenance costs associated with the computer software that are in use are expensed at the period of occurrence.

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XIII. Explanations on tangible assets

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use as of 31 December 2016, while it tracks all of its remaining tangible fixed assets by cost model in accordance with TAS 16. Positive differences between property value in expertise reports prepared by licensed valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are posted to the income statement.

	Estimated Economic Life (Year)	Depreciation Rate
Movables		
- Office machinery	4 Years	10 % - 50 %
- Furniture and fixtures	5 Years	10 % - 50 %
- Motor vehicles	5 Years	20 % - 50 %
- Other equipment	10 Years	2,50 % - 50 %
Real estate	50 Years	2 % - 3,03 %

Maintenance and repair costs that are routinely made on tangible assets are expensed. 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.

There are no restrictions such as pledges and mortgages on tangible assets or no purchase commitments.

XIV. Explanations on investment properties

Land and buildings that are held for rental yields or for capital appreciation or both, rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment property is carried at fair value. Gains or losses arising from a change in the fair value of investment property are recognized in the income statement in the period in which they occur.

Investment property is derecognized through disposal or withdrawal from use and when no future economic benefit is expected from its disposal. Gains or losses arising from the disposal of investment property are recognized in the related statement of income or expense accounts in the period in which they occur.

XV. Explanations on leasing activities

Fixed assets acquired through financial leasing are recognized in tangible assets and depreciated in line with the fixed assets group they relate to. The obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement.

DFS Group has finance lease transactions as "lessor" via its subsidiary, Deniz Leasing. The lease receivables related to leased assets are recorded as finance lease receivables. 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 unrecognized 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.

XVI. Explanations on provisions and contingent liabilities

Provisions other than specific and general provisions for loans and other receivables and free provisions for probable risks, contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by DFS Group management. Whenever the amount of such obligations cannot be measured, they are regarded as "Contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can be measured reliably, a provision is recognized. If the amount of the obligation cannot be measured reliably or the possibility of an outflow of resources embodying economic benefits is remote, such liabilities are disclosed in the Footnote.

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XVII. Explanations on obligations for employee benefits

Provision for employee benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

The Parent Bank in accordance with existing legislation in Turkey, is required to make retirement and notice payments to each employee whose employment is terminated due to reasons other than resignation or misconduct. Except to the this extents, the Parent Bank is required to make severance payment to each employee whose employment is terminated due to retirement, death, military service and to female employees following their marriage within one year leave the job of their own accords by fourteenth clause of Labor Law.

DFS Group, in accordance with TAS 19 "Employee Benefits" realized provision registry under the condition of prediction of present value of possible liability in the future related to employee termination benefits. Losses and gains which occur after 1 January 2013 are adjusting under the Equity Accounts in accordance with updated TAS 19 Standard.

The Bank has recognized vacation pay liability amount which is calculated from unused vacation to financial statement as a provision.

XVIII. Explanations on taxation

a. Current taxes

By the provisional article added to Corporate Tax Law no.5520 by the Clause 91 of law no.7061, current tax rate is declared to be 22% for corporations in 2018, 2019 and 2020 taxation periods.

Companies file their corporate tax returns between the 1st and 25th days of the following four months period after to which they relate and the payments are made until the end of that month.

The provision for corporate tax for the period is reflected as the "Current Tax Liability" in the liabilities and "Current Tax Provision" in the income statement.

In accordance with the Corporate Tax Law, tax losses can be carried forward for five years. The tax authorities can inspect tax returns and the related accounting records back to a maximum period of five years.

Besides institutions reside in Turkey, dividends paid to the offices or the institutions earning through their permanent representatives in Turkey are not subject to withholding tax. According to the decision no. 2006/10731 of the Council of Ministers published in the Official Gazette no. 26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. In this respect, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the institutions residing in Turkey is 15%. While applying the withholding tax rates on dividend payments to the foreign based institutions and the real persons, the withholding tax rates covered in the related Avoidance of Double Taxation Treaty are taken into account. Addition of profit to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The foreign subsidiaries of DFS Group that operate in Austria, the Russian Federation and Cyprus are subject to corporate tax rates of 25%, 20% and 2%, respectively.

Tax effects of items that are accounted for under the shareholders' equity are also recorded under equity accounts.

b. Deferred taxes

In accordance with TAS 12 "Income Taxes", DFS Group accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Individual deferred tax assets and liabilities of the consolidated entities have been offset in their separate financial statements, but have not been offset in the consolidated balance sheet. As a result of offsetting, as of 31 December 2018 deferred tax assets of TL 1.213.623 (31 December 2017: TL 216.618) and deferred tax liabilities of TL 25.828 (31 December 2017: TL 27.217) have been recognized in the accompanying financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset was not computed over 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 assets has started to be recognized over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

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c. Transfer pricing

In the framework of the provisions on "Disguised Profit Distribution Through Transfer Pricing" regulated under article 13 of Corporate Tax Law no. 5520, pursuant to the Corporate Tax Law General Communiqué no. 1, which became effective upon its promulgation in the Official Gazette dated 3 April 2007 and numbered 26482, Corporate Tax Law General Communiqué no. 3, which became effective upon its promulgation in the Official Gazette dated 20 November 2008 and numbered 27060, Council of Ministers Decree no. 2007/12888, which became effective upon its promulgation in the Official Gazette dated 6 December 2007 and numbered 26722, Council of Minister Decree no. 2008/13490, which became effective upon its promulgation in the Official Gazette dated 13 April 2008 and numbered 26846, "General Communiqué No. 1 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 18 November 2007 and numbered 26704 and "General Communiqué No. 2 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 22 April 2008 and numbered 26855, "General Communiqué No. 3 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 7 December 2017 and numbered 30263, profits shall be deemed to have been wholly or partially distributed in a disguised manner through transfer pricing if companies engage in the sales or purchases of goods or services with related parties at prices or amounts defined contrary to the arm's length principle. Buying, selling, manufacturing and construction operations and services, renting and leasing transactions, borrowing or lending money, bonuses, wages and similar payments are deemed as purchase of goods and services in any case and under any condition.

Corporate taxpayers are obliged to fill in the "The Form on Transfer Pricing, Controlled Foreign Corporation and Thin Capital" regarding the purchases or sales of goods or services they perform with related parties during a fiscal period and submit it to their tax office in the attachment of the corporate tax return.

Furthermore, the taxpayers registered in the Large Taxpayers Tax Administration (Büyük Mükellefler Vergi Dairesi Başkanlığı) must prepare the "Annual Transfer Pricing Report" in line with the designated format for their domestic and cross-border transactions performed with related parties during a fiscal period until the filing deadline of the corporate tax return, and if requested after the expiration of this period, they must submit the report to the Administration or those authorized to conduct tax inspection.

XIX. Additional explanations on borrowings

Borrowings are initially recognized at cost representing their fair value and remeasured at amortized cost based on the internal rate of return at next periods. Foreign currency borrowings have been translated using the foreign currency buying rates of the Parent Bank at the balance sheet date. Interest expense incurred for the period has been recognized in the accompanying financial statements.

General hedging techniques are used for borrowings against liquidity and currency risks. The Parent Bank, if required, borrows funds from domestic and foreign institutions. The Parent Bank also borrows funds in the forms of syndication loans and securitization loans from foreign institutions.

XX. Explanations on issuance of share certificates

As at 31 December 2018 and 2017, the Parent Bank does not have issuance of share certificates.

XXI. Explanations on acceptances

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

As of the balance sheet date, there are no acceptances recorded as liability in return for assets.

XXII. Explanations on government grants

As of the balance sheet date, DFS Group does not have any government grants.

XXIII. Explanations on segment reporting

Segment reporting is presented in Note XII of Section Four.

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XXIV. Explanations on TFRS 9 financial instruments standard

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 replaced TAS 39 Financial Instruments: recognition and measurement. TFRS 9 sets out the new 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 DFS Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets, features that modify consideration for the time value of money.

DFS 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, amortized cost or fair value through other comprehensive income. 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.

Explanations of the effect of DFS Group's application of TFRS 9 can be found below.

a. Classification and measurement of financial assets

	Before TFRS 9		In scope of TFRS 9	
	Measurement base	Book value	Measurement base	Book value
Financial assets		31 December 2017		1 January 2018
Cash and Balances with the Central Bank	Amortized cost	16.968.812	Amortized cost	16.968.812
Banks and Money Markets	Amortized cost	11.443.300	Amortized cost	11.443.300
Securities	Fair value through profit or loss	81.955	Fair value through profit or loss	141.114
Securities	Fair value through other comprehensive income	7.046.033	Fair value through other comprehensive income	6.983.669
Securities	Amortized cost	5.335.639	Amortized cost	5.335.639
Derivative Financial Assets	Fair value through profit or loss	975.808	Fair value through profit or loss	975.808
Unconsolidated and Non-financial Subsidiaries	Historical cost	41.701	Fair value through other comprehensive income	645.552
Loans (Gross)	Amortized cost	117.957.915	Amortized cost	117.957.915

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b. Reconciliation of statement of financial position balances from TAS 39 to TFRS 9

Financial assets	Book value before TFRS 9 31 Dec. 2017	Reclassifications	Remeasurements	Book value after TFRS 9 1 Jan. 2018
Fair value through profit or loss				
Balance before reclassification (trading purpose)	81.955			
Reclassified from available for sale financial assets		59.159	-	
Balance after reclassification				141.114
Fair value through other comprehensive income				
Balance before reclassification (available for sale)	7.046.033			
Valuation difference on available for sale fin. asset		-	(3.205)	
Reclassified to fin. assets at fair value through profit or loss		(59.159)	-	
Balance after reclassification				6.983.669
Unconsolidated and non-financial subsidiaries				
Balance before TFRS 9	41.701			
Fair value difference		-	603.851	
Balance after TFRS 9				645.552

The reasons for the classification of certain financial assets held by DFS Group as above in accordance with the TFRS 9 classification and measurement provisions are explained below.

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 59.159, 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.

Classification of financial instruments based on equity in accordance with TFRS 9 standard

The Group has decided to measure its unconsolidated and non-financial subsidiary, Intertech, which is not traded in an organized market, at Fair Value Through Other Comprehensive Income, irrevocably. The accumulated fair value changes of this subsidiary will not be reclassified to profit and loss if it is disposed of.

Reclassification of categorized items without a change in measurement

In addition to the statements above, since the previous categories under TAS 39 of the debt instruments below were "out of use", they 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".

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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 DFS 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	**4.828.247**	**884.279**	**5.712.526**
Stage 1	1.015.986	110.857	1.126.843
Stage 2	299.763	1.184.549	1.484.312
Stage 3	3.121.676	(20.305)	3.101.371
Others (*)	390.822	(390.822)	-
Financial assets (**)	**26.310**	**(13.841)**	**12.469**
Non-cash loans (***)	**204.037**	**472**	**204.509**
Stage 1 and Stage 2	105.552	67.749	173.301
Stage 3	98.485	(67.277)	31.208
Total	**5.058.594**	**870.910**	**5.929.504**

(*) Includes free provisions that have been booked among "12.5 Other provisions" for certain risks that could have risen in the future by DFS Group at 31 December 2017.
(**) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks, Receivables from Money Markets and Other Assets.
(***) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12.1 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. TFRS 9 transition effects on equity

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standard, 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 TFRS 9 presented in the equity items under the scope of this article are given below.

Negative difference of TL 870.910 between the provision for impairment of the previous period of DFS Group and the provision for expected credit loss that is measured in accordance with TFRS 9 as of 1 January 2018 is classified as "Prior Period Net Profit / (Loss)" while difference of TL 2.904 is classified as "Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss " 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 credit loss provisions for Stage 1 and Stage 2 loans), recognition of deferred tax assets has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 535.517 have been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior Period Net Profit / (Loss)" in shareholders' equity. For the specific provisions (TFRS 9 expected credit loss provisions for Stage 3 loans), which have been cancelled due to TFRS 9 transition, corporate tax loss amounting to TL 26.310 is also classified under "Prior Period Net Profit / (Loss)" in equity as of 1 January 2018.

Negative remeasurement difference amounting TL 2.500, after tax, for the security amounting to TL 3.205 priorly classified among available for sale securities and measured at historical cost before 1 January 2018 and reclassified to fair value through other comprehensive income after TFRS 9, is classified as "Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss" in shareholders' equity. Additionally, remeasurement difference amounting TL 14.839, after tax, for the security amounting to TL 59.159 priorly classified among available for sale securities before 1 January 2018 and reclassified to fair value through profit or loss after TFRS 9, has given way to a transition between "Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss" and "Prior Period Net Profit / (Loss)" in shareholders' equity. Remeasurement difference amounting TL 603.851 for Intertech, the unconsolidated and non-financial subsidiary of DFS Group, which was being measured at historical cost and that is reclassified to fair value through other comprehensive income after TFRS 9, is classified as "Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss" in shareholders' equity.

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XXV. Explanations on prior period accounting policies not valid for the current period

TFRS 9 standard came into effect instead of TAS 39 standard as of 1 January 2018. Accounting policies that have lost their validity with the transition of TFRS 9 are given below:

Financial assets are classified in four categories; as financial assets at fair value through profit or loss, financial assets available-for-sale, investments held-to-maturity, and loans and receivables. 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 fair value through profit or loss

Financial assets held for trading

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 aimed at short-term profit making.

Trading financial assets are recognized at their fair value in the balance sheet and remeasured at their fair value after recognition.

All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of a financial asset and its discounted value are recognized in "Interest Income"; and in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account. In the case that the financial asset is sold before its maturity, consisted gains or losses are accounted with the same principals.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes.

Financial assets designed at fair value through profit or loss

DFS Group does not have any securities designated as "financial assets at fair value through profit or loss".

b. Investment securities available-for-sale

Available-for-sale assets are financial assets that are not loans and receivables, held to maturity investments and financial assets at fair value through profit or loss.

After the recognition, financial assets available for sale are remeasured at fair value. Interest income arising from available for sale calculated with "Effective interest method" and dividend income from equity securities are reflected to the income statement. Unrealized gains and losses arising from the differences of fair value of securities classified as available for sale and that is representing differences between amortized cost calculated with effective interest method and fair value of financial assets are recognized under the account of "Marketable securities valuation differences" under shareholder's equity. Unrealized profits and losses are not reclassified to the income statement until these securities are sold or matured and the related fair value differences accumulated in the shareholders' equity are then transferred to the income statement.

c. Investment securities held-to-maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold 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 reflects the fair value of the those instruments and subsequently recognized at amortized cost by using effective interest rate method.

Interest income obtained from held to maturity financial assets are presented in the line of "interest received from securities portfolio – investment securities held-to-maturity" in the consolidated statement of income.

There are no financial assets that are banned from being classified as investment securities held-to maturity for two years due to the violation of the tainting rule.

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DFS Group has government securities with a maturity of 5-10 years and indexed to CPI in the 3 month real coupon ratios that remain constant throughout the maturity in the available for sell and held to maturity securities portfolios. As stated by Secretary of Treasury in CPI indexed investor guide, the reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of 2 months ago. DFS Group predicts the inflation rate in parallel to those.

d. Loans and specific provisions

Loans and receivables are non-derivative financial assets that are not classified as either financial assets at fair value through profit or loss or financial assets available for sale, 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 to transaction costs which reflect fair value and subsequently recognized at the discounted value calculated using the "Effective interest rate method".

Foreign currency loans are subject to evaluation and currency exchange differences arising from such re-measurements are reflected in "Foreign Exchange Gains/Losses" account in the consolidated income statement. Foreign currency-indexed loans are initially recognized in their Turkish Lira equivalents; repayments are calculated with exchange rate at payment date, and currency exchange differences occurred are reflected in profit/loss accounts.

Specific and general allowances are calculated in accordance with the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside" published in the Official Gazette numbered 26333 dated 1 November 2006. On the other hand, deferred tax asset is not allocated over the amount of general loan loss provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

When collections are made from loans that have been provided for, they are credited to the income statement accounts "Provision for Loan Losses or Other Receivables" if the provision was made in the current year, otherwise such collections are credited to "Other Operating Income" account with respect to allowances made in prior years. The interest income recovered is booked in "Other Interest Income" account.

e. Explanations on impairment of financial assets

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest method" and its carrying value. Regarding available-for-sale financial assets, when there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

XXVI. Explanations on other matters

None.

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SECTION FOUR
CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations related to the consolidated shareholders' equity

Capital and capital adequacy ratio are calculated in accordance with the "Regulation on Equities of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The current period equity of the Group is TL 22.751.004 (31 December 2017: TL 18.393.397) while its capital adequacy standard ratio is 14,93% as of 31 December 2018 (31 December 2017: 15,30%).

a. Components of consolidated capital

	Current Period 31 December 2018	Amount 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	3.316.100	
Share issue premiums	15	
Reserves	5.111.808	
Gains recognized in equity as per TAS [1]	2.295.369	
Profit	6.189.284	
Current Period Profit	2.199.647	
Prior Period Profit	3.989.637	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	708	
Minorities' Share	14.396	
Common Equity Tier 1 Capital Before Deductions	**16.927.680**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	--	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	858.359	
Improvement costs for operating leasing	90.968	
Goodwill (net of related tax liability)	--	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	271.191	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	296.702	
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	**1.517.220**	
Total Common Equity Tier 1 Capital	**15.410.460**	

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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 (-)	--
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)	15.410.460
TIER II CAPITAL	
Debt instruments and share issue premiums deemed suitable by the BRSA	5.606.183
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)	1.749.362
Tier II Capital Before Deduction	7.355.545
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 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	--
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	7.355.545
Total Capital (The sum of Tier I Capital and Tier II Capital)	22.766.005
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 (-)	15.001
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 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	--
TOTAL CAPITAL	
Total Capital ((The sum of Tier I Capital and Tier II Capital)	22.751.004
Total risk weighted amounts	152.368.431
CAPITAL ADEQUACY RATIOS	
Core Capital Adequacy Ratio (%)	10,11
Tier 1 Capital Adequacy Ratio (%)	10,11
Capital Adequacy Ratio (%)	14,93

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BUFFERS	
Total additional Common Equity Tier 1 Capital requirement ratio	1,989
Bank specific total common equity tier 1 capital ratio (%)	1,875
Capital conservation buffer requirement (%)	0,114
Systemic significant bank buffer ratio (%)	--
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	1,063
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	
General provisions for standard based receivables (before one hundred twenty five in ten thousand limitation)	3.221.135
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.749.362
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 [2]	--
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--

[1] As of May, 2018, the difference between the expected loan loss provisions calculated in accordance with TFRS 9 and the total provision amount calculated before the application of TFRS 9 has been recorded in "Prior Years' Profit and Loss" account. Therefore, in accordance with Provisional Article 5 of the "Regulation on Equity of Banks", this amount has started to be shown net in the calculation of equity by adding 80% of the portion after deduction of the tax amount resulting from the difference.

[2] There are no credits included in Tier 2 capital related to "Temporary Article 4".

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	Prior Period 31 December 2017	Amounts subject to treatment before 1/1/2014
Common Equity Tier 1 capital		
Directly issued qualifying common share capital plus related stock surplus	3.316.100	
Share premium	15	
Legal reserves	4.184.425	
Projected gains to shareholders' equity of the accounting standards in Turkey	545.662	
Profit	5.263.883	
Net current period profit	1.900.758	
Prior period profit	3.363.125	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognized in profit	708	
Minority shares	9.644	
Common Equity Tier 1 capital before regulatory adjustments	13.320.437	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	--	
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	467.030	
Development cost of operating lease	110.176	
Goodwill (net of related tax liability)	695	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.304	187.882
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1.154	
Cash-flow hedge reserve	--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--	
Gains from securitization transactions	--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--	
Defined-benefit pension fund net assets	--	
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	--	
Reciprocal cross-holdings in common equity	--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% thresh	--	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold)	--	
Mortgage servicing rights (amount above 10% threshold)	--	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	--	
Amount exceeding the 15% threshold	--	
of which: significant investments in the common stock of financials	--	
of which: mortgage servicing rights	--	
of which: deferred tax assets arising from temporary differences	--	
National specific regulatory adjustments	--	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	--	
Total regulatory adjustments to Common equity Tier 1	729.359	
Common Equity Tier 1 capital (CET1)	12.591.078	
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	--	
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	--	
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	--	
The additional Tier 1 capital shares of third parties	--	
The additional Tier 1 capital shares of third parties (Under Temporary Article 3)	--	
Additional Tier 1 capital before regulatory adjustments	--	
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	--	
Reciprocal cross-holdings in Additional Tier 1 instruments	--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (-)	--	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible long positions)	--	
National specific regulatory adjustments	--	
The process of transition will continue to reduce from Tier 1 Capital	--	
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	37.752	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes to the sub paragraph to the Provisional Article 2 of the Regulation on Banks Own Funds (-)	289	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	--	
Total regulatory adjustments to Additional Tier 1 capital	38.041	
Additional Tier 1 capital (AT1)	(38.041)	
Tier 1 capital (T1 = CET1 + AT1)	12.553.037	

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Tier 2 capital: instruments and provisions	
Directly issued qualifying Tier 2 instruments plus related stock surplus	4.479.778
Directly issued qualifying Tier 2 instruments plus related stock surplus (Covered by temporary Article 4)	--
The additional Tier 1 capital shares of third parties	--
The additional Tier 1 capital shares of third parties (Covered by temporary Article 3)	--
Provisions	1.376.307
Tier 2 capital before regulatory adjustments	5.856.085
Tier 2 capital: regulatory adjustments	
Investments in own Tier 2 instruments (-)	--
Reciprocal cross-holdings in Tier 2 instruments	--
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (-)	--
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible long positions)	--
National specific regulatory adjustments (-)	--
Total regulatory adjustments to Tier 2 capital	--
Tier 2 capital (T2)	5.856.085
Total capital (TC = T1 + T2)	18.409.122
Total risk weighted assets	
Loans extended being non-compliant with articles 50 and 51 of the Law	--
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	--
National specific regulatory adjustments	15.725
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital	
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--

Capital	
Total capital	18.393.397
Total risk weighted items	120.211.594
CAPITAL ADEQUACY RATIOS	
Consolidated Core Capital Adequacy Ratio (%)	10,47
Consolidated Tier 1 Capital Adequacy Ratio (%)	10,44
Consolidated Capital Adequacy Standard Ratio (%)	15,30
Institution specific buffer requirement	1,302
Capital conservation buffer requirement (%)	1,250
Bank specific countercyclical buffer requirement (%)	0,052
Systemically important Bank buffer (%)	--
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	
Amounts below the thresholds for deduction (before risk weighting)	
Non-significant investments in the capital of other financials	--
Significant investments in the common stock of financials	--
Mortgage servicing rights (net of related tax liability)	--
Deferred tax assets arising from temporary differences (net of related tax liability)	--
Applicable caps on the inclusion of provisions in Tier 2	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1.440.765
Cap on inclusion of provisions in Tier 2 under standardized approach	1.376.307
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	--
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	--
Capital instruments subject ta phase-out arrangement (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	--
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds (*)	--
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--

(*) There are no credits included in Tier 2 capital related to "Temporary Article 4".

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b. Information on debt instruments included in the calculation of equity

Issuer	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Governing law(s) of the instrument	"Regulations on Banks' Equity " dated 5 September 2013.	"Regulations on Banks' Equity " dated 5 September 2013.	"Regulations on Banks' Equity " dated 5 September 2013.	"Regulations on Banks' Equity " dated 1 November 2006.	"Regulations on Banks' Equity " dated 1 November 2006.
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Not Deducted	Not Deducted	Not Deducted	Not Deducted	Not Deducted
Eligible at solo/group/group&solo	Eligible	Eligible	Eligible	Eligible	Eligible
Instrument type	Loan	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	695	792	1.585	1.267	1.267
Par value of instrument	695	792	1.585	1.584	1.584
Accounting classification	3470102	3470102	3470102	3470102	3470102
Original date of issuance	30.09.2014	30.04.2014	31.01.2014	30.09.2013	28.06.2013
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.
Subsequent call dates, if applicable	None.	None.	None.	None.	None.
Coupons/Dividends*					
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	First five year 6,2%, after irs +5,64	First five year 7,93%, after irs +6,12	7,50%	7,49%	6,10%
Existence of a dividend stopper	None.	None.	None.	None.	None.
Fully discretionary, partially discretionary or mandatory	--	--	--	--	--
Existence of step up or other incentive to redeem	None.	None.	None.	None.	None.
Noncumulative or cumulative	--	--	--	--	--
Convertible or non-convertible					
If convertible, conversion trigger (s)	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.
If convertible, fully or partially	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.
If convertible, conversion rate	--	--	--	--	--
If convertible, mandatory or optional conversion	--	--	--	--	--
If convertible, specify instrument type convertible into	--	--	--	--	--
If convertible, specify issuer of instrument it converts into	--	--	--	--	--
Write-down feature					
If write-down, write-down trigger(s)	None.	None.	None.	None.	None.
If write-down, full or partial	--	--	--	--	--
If write-down, permanent or temporary	--	--	--	--	--
If temporary write-down, description of write-up mechanism	--	--	--	--	--
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	--	--	--	--	--

c. Main differences between "Equity" amount mentioned in the prior tables' equity statements and "Equity" amount in consolidated balance sheet arise from general provisions and subordinated loans. The portion of main amount to credit risk of general provision up to 1,25% and subordinated credits are considered as supplementary capital in the calculation of "Equity" amount included in equity statement as result of deductions mentioned in scope of Regulation on Equity of Banks. Additionally, Losses reflected to equity are determined through excluding losses sourcing from cash flow hedge reflected in equity in accordance with TAS which are subjects of discount from Core Capital. On the other hand, leasehold improvement costs monitored under Plant, Property and Equipment in balance sheet, intangible assets and deferred tax liabilities related to intangible assets, net carrying value of properties acquired in return for receivables and kept for over three years and certain other accounts determined by the Board are taken into consideration in the calculation as assets deducted from capital.

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d. Explanations on provisional article 5 of the regulation on the equity of banks

EQUITY COMPONENTS	T	T-1	T-2	T-3	T-4
Core Capital	15.410.460	15.410.460	15.410.460	15.410.460	15.410.460
Transition Process Unapplied Core Capital	*14.875.817*	*15.009.478*	*15.143.138*	*15.276.799*	*15.410.460*
Tier I Capital	15.410.460	15.410.460	15.410.460	15.410.460	15.410.460
Transition Process Unapplied Main Capital	*14.875.817*	*15.009.478*	*15.143.138*	*15.276.799*	*15.410.460*
Equity	22.751.004	22.751.004	22.751.004	22.751.004	22.751.004
Transition Process Unapplied Equity	*22.216.361*	*22.350.022*	*22.483.682*	*22.617.343*	*22.751.004*
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	152.368.431	152.368.431	152.368.431	152.368.431	152.368.431
CAPITAL ADEQUACY RATIO					
Core Capital Adequacy Ratio (%)	**10,11**	**10,11**	**10,11**	**10,11**	**10,11**
Transition Process Unapplied Core Capital Adequacy Ratio (%)	*9,76*	*9,85*	*9,94*	*10,03*	*10,11*
Main Capital Adequacy Ratio (%)	**10,11**	**10,11**	**10,11**	**10,11**	**10,11**
Transition Period Unapplied Main Capital Adequacy Ratio (%)	*9,76*	*9,85*	*9,94*	*10,03*	*10,11*
Capital Adequacy Ratio (%)	**14,93**	**14,93**	**14,93**	**14,93**	**14,93**
Transition Process Unapplied Capital Adequacy Ratio (%)	*14,58*	*14,67*	*14,76*	*14,84*	*14,93*
LEVERAGE RATIO					
Total Leverage Ratio Risk Exposure	**272.452.747**	**272.452.747**	**272.452.747**	**272.452.747**	**272.452.747**
Leverage Ratio	**5,59**	**5,59**	**5,59**	**5,59**	**5,59**
Transition Process Unapplied Leverage Ratio	*5,39*	*5,44*	*5,49*	*5,53*	*5,58*

II. Explanations related to the consolidated credit risk

a. Information on risk concentrations by debtors or group of debtors or geographical regions and sectors, basis for risk limits and the frequency of risk appraisals

Credit risk is the risk and losses likely to incur due to the counterparties of the Parent Bank and/or its consolidated subsidiaries and associates not meeting in full or in part their commitments arising from the contracts.

Credit risk limits of the customers are allocated based on the customers' financial strength and the credit requirement, within the credit authorization limits of the branches, the credit evaluation group, the regional directorates, the executive vice presidents responsible from loans, the general manager, the credit committee and the Board of Directors; on condition that they are in compliance with the related regulations.

Credit risk limits are determined for debtors or group of debtors. Credit risk limits of the debtors, group of debtors and sectors are monitored on a weekly basis.

Information on determination and distribution of risk limits for daily transactions, monitoring of risk concentrations related to off-balance sheet items per customer and dealer basis

Risk limits and allocations relating to daily transactions are monitored on a daily basis. Off-balance sheet risk concentrations are monitored by on-site and off-site investigations.

Information on periodical analysis of creditworthiness of loans and other receivables per legislation, inspection of account vouchers taken against new loans, if not inspected, the reasons for it, credit limit renewals, collaterals against loans and other receivables

The Group targets a healthy loan portfolio and in order to meet its target there are process instructions, follow-up and control procedures, close monitoring procedures and risk classifications for loans in accordance with the banking legislation.

In order to prevent the loans becoming non-performing either due to cyclical changes or structural problems, the potential problematic customers are determined through the analysis of early warning signals, and the probable performance problems are aimed to be resolved at an early stage.

It is preferred to obtain highly liquid collaterals such as bank guarantees, real estate and ship mortgages, pledges on securities, bills of exchange and sureties of the persons and companies.

Explanations related to the definitions of the loans, which have been overdue and impaired, value adjustments and provisions

Explanation is given in Note VIII-c-4-i of Section Four.

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types

	Risk classifications	Current Period (*)	Average (**)
1	Receivables from central governments and Central Banks	41.876.261	38.227.389
2	Receivables from regional or local governments	1.018.511	612.779
3	Receivables from administrative bodies and non-commercial enterprises	--	--
4	Receivables from multilateral development banks	--	--
5	Receivables from international organizations	--	--
6	Receivables from banks and brokerage houses	11.622.897	10.202.865
7	Receivables from corporate portfolio	95.561.669	85.268.271
8	Receivables from retail portfolio	49.916.206	50.837.383
9	Receivables secured by residential mortgages	4.123.178	4.859.318
10	Receivables secured by commercial mortgages	12.834.523	12.132.297
11	Past due receivables	2.584.577	1.855.675
12	Receivables defined in high risk category by BRSA	38.486	17.834
13	Securities collateralized by mortgages	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--
15	Investments similar to collective investment funds	488	3.152
16	Other receivables	5.064.284	5.714.855
17	Equity investments	810.272	855.268
18	Total	225.451.352	210.587.086

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.
(**) Arithmetical average of the quarterly reported amounts.

	Risk classifications	Prior Period (*)	Average (**)
1	Receivables from central governments and Central Banks	35.203.725	31.836.789
2	Receivables from regional or local governments	415.902	453.970
3	Receivables from administrative bodies and non-commercial enterprises	--	--
4	Receivables from multilateral development banks	--	--
5	Receivables from international organizations	--	--
6	Receivables from banks and brokerage houses	6.281.976	6.201.393
7	Receivables from corporate portfolio	71.888.308	66.127.326
8	Receivables from retail portfolio	45.325.335	42.904.165
9	Receivables secured by residential mortgages	5.122.699	5.397.267
10	Receivables secured by commercial mortgages	10.289.215	11.387.785
11	Past due receivables	1.003.419	1.059.195
12	Receivables defined in high risk category by BRSA	--	249
13	Securities collateralized by mortgages	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--
15	Investments similar to collective investment funds	219	193
16	Other receivables	4.539.843	4.579.635
17	Equity investments	266.425	81.765
18	Total	180.337.066	170.029.732

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.
(**) Arithmetical average of the quarterly reported amounts.

b. Information on the control limits of the Group for forward transactions, options and similar contracts, management of credit risk for these instruments together with the potential risks arising from market conditions

The Group has control limits defined for the positions arising from forward transactions, options and similar contracts. Credit risk for these instruments is managed together with those arising from market conditions.

c. Information on whether the Group decreases the risk by liquidating its forward transactions, options and similar contracts in case of facing a significant credit risk or not

Forward transactions can be realized at maturity. However, if it is required, reverse positions of the current positions are purchased to decrease the risk.

d. Information on whether the indemnified non-cash loans are evaluated as having the same risk weight as non-performing loans or not

Indemnified non-cash loans are treated as having the same risk weight as non-performing loans.

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Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not

Loans that are renewed and rescheduled are included in a new rating group as determined by the risk management system, other than the follow-up plan defined in the banking regulations.

Long term commitments are accepted as having more risk than short term commitments which results in a diversification of risk and are monitored periodically.

e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities

There is no significant credit risk since the Parent Bank's foreign operations and credit transactions are conducted in OECD and EU member countries in considering their economic climate.

Evaluation of the Bank's competitive credit risk as being an active participant in the international banking transactions market

Being an active participant in the international banking transactions market, the Parent Bank does not have significant credit risk as compared to other financial institutions.

f. DFS Group's

1. The share of the top 100 and 200 cash loan customers in the total cash loans portfolio

The share of the top 100 and 200 cash loan customers comprises 39% and 47% of the total cash loans portfolio (31 December 2017: 30%, 36%).

2. The share of the top 100 and 200 non-cash loan customers in the total non-cash loans portfolio

The share of the top 100 and 200 non-cash loan customers comprises 50% and 62% of the total non-cash loans portfolio (31 December 2017: 43%, 55%).

3. The share of the total cash and non-cash loan balance of the top 100 and 200 loan customers in the total assets and off-balance sheet items

The share of the total cash and non-cash loans from its top 100 and 200 loan customers comprise 26% and 33% of the total assets and off-balance sheet items (31 December 2017: 20%, 26%).

g. DFS Group's general loan provision for its loans

As at 31 December 2018, DFS Group's general loan provision amounts to TL 3.221.135 (31 December 2017: TL 1.440.765).

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h. Information on loans and expected loss provisions

Current Period - 31 December 2018	Balance	Provision
Loans	**146.101.968**	**7.045.363**
Stage 1	116.110.592	1.107.349
Stage 2	23.018.105	1.856.903
Stage 3	6.649.644	4.081.111
Financial assets at fair value through profit or loss	323.627	--
Financial Assets	**51.097.851**	**5.535**
Other	**3.787.863**	**9.987**
Non-cash Loans	**72.456.641**	**329.466**
Stage 1 and 2	72.173.142	241.361
Stage 3	283.499	88.105
Total	**273.444.323**	**7.390.351**

i. Information on expected loss provisions for loans

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period (1 January 2018)	**1.126.843**	**1.484.312**	**3.101.371**	**5.712.526**
Transfers	**(75.422)**	**(319.714)**	**395.136**	**--**
Stage 1	186.127	(185.266)	(861)	--
Stage 2	(227.511)	239.994	(12.483)	--
Stage 3	(34.038)	(374.442)	408.480	--
Loans addition in the period	310.265	997.191	1.703.474	3.010.930
Disposals from loans in the period	(131.944)	(400.379)	(196.508)	(728.831)
Provisions changes during the period (*)	(209.935)	2.654	298.461	91.180
Loans written off	--	--	(237.211)	(237.211)
Loans sold	--	--	(986.271)	(986.271)
Foreign exchange differences	87.542	92.839	2.659	183.040
Balance at the end of the period (31 December 2018)	**1.107.349**	**1.856.903**	**4.081.111**	**7.045.363**

(*) The related amounts include the changes in the expected loss provision for the period of the loans remaining at the same stage during the year and the expected loss created by the transfers between the stages within the year.

j. Informations about loans movements (*)

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period (1 January 2018)	**102.001.154**	**11.932.147**	**4.024.614**	**117.957.915**
Transfers	**(12.502.783)**	**9.217.300**	**3.285.483**	**--**
Stage 1	2.568.321	(2.566.983)	(1.338)	--
Stage 2	(13.629.069)	13.670.559	(41.490)	--
Stage 3	(1.442.035)	(1.886.276)	3.328.311	--
Loans addition in the period	28.293.701	3.922.467	885.125	33.101.293
Disposals from loans in the period	(12.992.705)	(2.518.501)	(276.479)	(15.787.685)
Loans written off (**)	--	--	(237.211)	(237.211)
Loans sold	--	--	(1.042.362)	(1.042.362)
Foreign exchange differences	11.311.225	464.692	10.474	11.786.391
Balance at the end of the period (31 December 2018)	**116.110.592**	**23.018.105**	**6.649.644**	**145.778.341**

(*) The balances of loans at fair value through profit or loss are not included.
(**)The Parent Bank has deducted the total amount of TL 237.211 of its loans, which it has classified under loans under follow-up with the other shareholders at amount of TL 605.495, to the main shareholder of a company operating in the telecommunication sector and with the other financial institutions.

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k. Profile of significant exposures in major regions

	Risk Classifications (*)(***)																	
Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	27.172.689	939.627	-	--	--	1.134.849	51.769.092	45.802.619	3.740.822	9.921.337	2.501.089	38.593	--	--	--	4.681.197	3.771	147.705.685
European Union Countries	13.992.398	72.751	-	--	--	3.107.219	15.073.779	330.047	24.219	5.837	12.188	--	--	--	--	324.810	--	32.943.248
OECD Countries (**)	--	--	-	--	--	121.017	3.740.920	3.070	2.325	--	199	--	--	--	--	--	--	3.867.531
Off-Shore Banking Regions	--	--	-	--	--	295	1.056.432	12.358	458	1.511	1	--	--	--	--	--	--	1.071.055
USA, Canada	685.523	--	-	--	--	3.423.564	317.790	5.995	2.513	--	261	--	--	--	--	--	--	4.435.646
Ohter Countries	--	--	-	--	--	688.001	3.946.729	490.772	59.003	1.631.802	12.781	(107)	--	--	--	58.277	--	6.887.258
Subsidiares,Associates and jointly controlled companies	--	--	-	--	--	--	--	--	--	--	--	--	--	--	--	--	806.501	806.501
UnallocatedAssets/Liabilities	25.651	6.133	-	--	--	3.147.952	19.656.927	3.271.345	293.838	1.274.036	58.058	--	--	--	488	--	--	27.734.428
Total	41.876.261	1.018.511	-	--	--	11.622.897	95.561.669	49.916.206	4.123.178	12.834.523	2.584.577	38.486	--	--	488	5.064.284	810.272	225.451.352

	Risk Classifications (*)(***)																	
Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	27.386.734	351.455	--	--	--	1.888.000	43.527.589	42.073.804	4.786.023	7.608.770	943.267	--	--	--	--	4.280.766	211.091	133.057.499
European Union Countries	7.727.039	54.363	--	--	--	1.789.619	8.627.181	65.602	53.317	8.572	7.862	--	--	--	--	203.738	--	18.537.293
OECD Countries (**)	--	--	--	--	--	35.432	648.088	3.289	2.899	--	611	--	--	--	--	--	--	690.319
Off-Shore Banking Regions	--	--	--	--	--	45.462	505.913	3.120	966	1.458	--	--	--	--	--	--	--	556.919
USA, Canada	--	--	--	--	--	346.616	249.443	6.949	1.530	115	1.149	--	--	--	--	--	--	605.802
Ohter Countries	--	--	--	--	--	471.926	2.893.042	58.392	77.515	1.850.380	11.624	--	--	--	--	55.339	--	5.418.218
Subsidiares,Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	55.334	55.334
UnallocatedAssets/Liabilities	89.952	10.084	--	--	--	1.704.921	15.437.052	3.114.179	200.449	819.920	38.906	--	--	--	219	--	--	21.415.682
Total	35.203.725	415.902	--	--	--	6.281.976	71.888.308	45.325.335	5.122.699	10.289.215	1.003.419	--	--	--	219	4.539.843	266.425	180.337.066

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

1: Receivables from central governments and Central Banks
Receivables secured by mortgages
2: Receivables from regional or local governments
Past due receivables
3: Receivables from administrative bodies and non-commercial enterprises
4: Receivables from multilateral development banks
5: Receivables from international organizations
6: Receivables from banks and brokerage houses
7: Receivables from corporate portfolio
8: Receivables from retail portfolio
9: Receivables secured by residential mortgages
10: Receivables secured by commercial mortgages
11: Past due receivables
12: Receivables defined in high risk category by BRSA
13: Securities collateralized by mortgages
14: Short-term receivables from banks, brokerage houses and corporate portfolio
15: Investments similar to collective investment funds
16: Other receivables
17: Equity investments

(**) OECD countries except for EU countries, USA and Canada
(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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I. Risk Profile by Sectors or Counterparties

Current Period: 31 December 2018	Risk Classifications (*)(**)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	--	--	--	--	--	--	4.882.272	11.359.744	165.831	1.663.892	153.929	2.045	--	--	--	4	--	13.787.786	4.439.931	18.227.717
Farming and Cattle	--	--	--	--	--	--	3.115.717	11.343.002	165.721	1.662.494	153.014	1.731	--	--	--	4	--	13.771.599	2.670.084	16.441.683
Forestry	--	--	--	--	--	--	1.765.995	4.396	57	1.075	57	53	--	--	--	--	--	4.807	1.766.826	1.771.633
Fishing	--	--	--	--	--	--	560	12.346	53	323	858	261	--	--	--	--	--	11.380	3.021	14.401
Manufacturing	--	--	--	--	--	--	21.361.966	2.458.174	255.398	1.800.417	230.477	2.741	--	--	--	6	--	4.898.382	21.210.797	26.109.179
Mining	--	--	--	--	--	--	760.464	159.845	15.035	37.941	85.621	612	--	--	--	--	--	453.437	606.081	1.059.518
Production	--	--	--	--	--	--	11.345.519	2.216.622	231.393	1.709.339	143.665	2.129	--	--	--	6	--	3.867.094	11.781.579	15.648.673
Electric, Gas, Water	--	--	--	--	--	--	9.255.983	81.707	8.970	53.137	1.191	--	--	--	--	--	--	577.851	8.823.137	9.400.988
Construction	--	10.215	--	--	--	50	9.977.272	2.003.182	355.574	1.103.807	194.372	15.404	--	--	--	3.316	2.800	5.651.421	8.014.571	13.665.992
Services	12.740.505	21.846	--	--	--	11.459.204	34.266.868	9.783.392	779.458	6.034.163	1.302.265	12.655	--	--	31	324.885	795.978	22.387.265	55.133.985	77.521.250
Wholesale and Retail Trade	12	11.202	--	--	--	--	7.503.645	6.181.851	485.876	1.456.186	418.398	6.936	--	--	--	205	--	9.308.655	6.755.656	16.064.311
Hotel and Restaurant Services	--	--	--	--	--	--	8.997.968	611.794	102.689	3.396.090	592.115	138	--	--	--	--	--	2.030.599	11.670.195	13.700.794
Transportation and telecommunication	--	--	--	--	--	--	9.813.821	1.332.702	111.229	319.945	63.592	5.320	--	--	--	201	--	2.191.169	9.455.641	11.646.810
Financial institution	12.740.493	84	--	--	--	11.459.204	1.919.945	1.216.593	19.245	88.486	177.037	11	--	--	31	324.479	795.978	6.412.244	22.329.342	28.741.586
Real estate and letting services	--	169	--	--	--	--	743.087	145.655	35.622	62.212	2.956	125	--	--	--	--	--	274.019	715.807	989.826
Self-employement services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Education services	--	9.359	--	--	--	--	1.163.469	169.165	13.428	544.310	2.523	72	--	--	--	--	--	1.445.283	457.043	1.902.326
Health and social services	--	1.032	--	--	--	--	4.124.933	125.632	11.369	166.934	45.644	53	--	--	--	--	--	725.296	3.750.301	4.475.597
Other	29.135.756	986.450	--	--	--	163.643	25.073.291	24.311.714	2.566.917	2.232.244	703.534	5.641	--	--	457	4.736.073	11.494	45.781.582	44.145.632	89.927.214
Total	41.876.261	1.018.511	--	--	--	11.622.897	95.561.669	49.916.206	4.123.178	12.834.523	2.584.577	38.486	--	--	488	5.064.284	810.272	92.506.436	132.944.916	225.451.352

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

1: Receivables from central governments and Central Banks
2: Receivables from regional or local governments
3: Receivables from administrative bodies and non-commercial enterprises
4: Receivables from multilateral development banks
5: Receivables from international organizations
6: Receivables from banks and brokerage houses
7: Receivables from corporate portfolio
8: Receivables from retail portfolio
9: Receivables secured by residential mortgages
10: Receivables secured by commercial mortgages
11: Past due receivables
12: Receivables defined in high risk category by BRSA
13: Securities collateralized by mortgages
14: Short-term receivables from banks, brokerage houses and corporate portfolio
15: Investments similar to collective investment funds
16: Other receivables
17: Equity investments

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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	Risk Classifications (*)(**)																			
Prior Period: 31 December 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	--	--	--	--	--	--	981.772	10.186.650	158.779	1.484.945	77.270	--	--	--	--	1	--	12.197.265	692.152	12.889.417
Farming and Cattle	--	--	--	--	--	--	979.726	10.174.991	158.644	1.483.692	72.292	--	--	--	--	1	--	12.180.673	688.673	12.869.346
Forestry	--	--	--	--	--	--	--	6.099	123	991	29	--	--	--	--	--	--	6.161	1.081	7.242
Fishing	--	--	--	--	--	--	2.046	5.560	12	262	4.949	--	--	--	--	--	--	10.431	2.398	12.829
Manufacturing	77.970	--	--	--	--	--	17.961.262	2.509.844	176.976	1.129.412	153.418	--	--	--	--	4	--	5.258.401	16.750.485	22.008.886
Mining	--	--	--	--	--	--	3.350.480	177.669	8.926	43.431	21.473	--	--	--	--	--	--	411.710	3.190.269	3.601.979
Production	77.970	--	--	--	--	--	9.936.668	2.309.660	160.062	1.033.535	82.133	--	--	--	--	3	--	4.270.807	9.329.224	13.600.031
Electric, Gas, Water	--	--	--	--	--	--	4.674.114	22.515	7.988	52.446	49.812	--	--	--	--	1	--	575.884	4.230.992	4.806.876
Construction	--	--	--	--	--	--	11.990.622	1.722.642	378.068	995.418	136.723	--	--	--	--	--	2.800	5.694.909	9.531.364	15.226.273
Services	22.721.994	5.430	--	--	--	6.158.036	27.309.225	8.560.785	1.230.131	5.632.713	411.734	--	--	--	44	212.530	88.570	21.844.783	50.486.409	72.331.192
Wholesale and Retail Trade	--	1	--	--	--	--	8.245.122	6.636.686	595.446	1.453.556	207.701	--	--	--	--	125	--	9.966.651	7.171.986	17.138.637
Hotel and Restaurant Services	--	--	--	--	--	--	8.193.224	293.156	454.348	3.320.829	101.941	--	--	--	--	--	30.947	1.991.689	10.402.756	12.394.445
Transportation and telecommunication	--	--	--	--	--	--	5.270.992	1.176.603	108.357	325.628	64.887	--	--	--	--	24	--	2.444.313	4.502.178	6.946.491
Financial institution	22.721.994	8	--	--	--	6.158.036	723.604	78.124	9.754	36.145	7.918	--	--	--	44	212.381	57.623	4.926.545	25.079.086	30.005.631
Real estate and letting services	--	810	--	--	--	--	295.547	117.578	30.137	18.891	2.440	--	--	--	--	--	--	276.457	188.946	465.403
Self-employement services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Education services	--	4.611	--	--	--	--	1.255.114	118.263	16.454	337.226	2.551	--	--	--	--	--	--	1.346.999	387.220	1.734.219
Health and social services	--	--	--	--	--	--	3.325.622	140.375	15.635	140.438	24.296	--	--	--	--	--	--	892.129	2.754.237	3.646.366
Other	12.403.761	410.472	--	--	--	123.940	13.645.427	22.345.414	3.178.745	1.046.727	224.274	--	--	--	175	4.327.308	175.055	42.446.696	15.434.602	57.881.298
Total	35.203.725	415.902	--	--	--	6.281.976	71.888.308	45.325.335	5.122.699	10.289.215	1.003.419	--	--	--	219	4.539.843	266.425	87.442.054	92.895.012	180.337.066

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

1: Receivables from central governments and Central Banks
2: Receivables from regional or local governments
3: Receivables from administrative bodies and non-commercial enterprises
4: Receivables from multilateral development banks
5: Receivables from international organizations
6: Receivables from banks and brokerage houses
7: Receivables from corporate portfolio
8: Receivables from retail portfolio
9: Receivables secured by residential mortgages
10: Receivables secured by commercial mortgages
11: Past due receivables
12: Receivables defined in high risk category by BRSA
13: Securities collateralized by mortgages
14: Short-term receivables from banks, brokerage houses and corporate portfolio
15: Investments similar to collective investment funds
16: Other receivables
17: Equity investments

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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m. Analysis of maturity-bearing exposures according to remaining maturities

Current Period

	Risk classifications	Undistributed (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1	Receivables from central governments and Central Banks	20.265.169	7.282.469	324.395	528	1.194.405	12.809.295
2	Receivables from regional or local governments	--	206	1.276	5.025	44.380	967.624
3	Receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4	Receivables from multilateral development banks	--	--	--	--	--	--
5	Receivables from international organizations	--	--	--	--	--	--
6	Receivables from banks and brokerage houses	4.589.598	1.570.269	1.834.424	265.008	744.120	2.619.478
7	Receivables from corporate portfolio	95.874	7.931.111	5.110.722	6.107.771	11.767.957	64.548.234
8	Receivables from retail portfolio	1.473	9.205.421	2.475.997	3.040.373	8.785.860	26.407.082
9	Receivables secured by residential mortgages	21	180.349	144.002	234.706	329.810	3.234.290
10	Receivables secured by commercial mortgages	7	370.521	519.028	606.513	1.067.568	10.270.886
11	Past due receivables	2.584.577	--	--	--	--	--
12	Receivables defined in high risk category by BRSA	38.486	--	--	--	--	--
13	Securities collateralized by mortgages	--	--	--	--	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--
15	Investments similar to collective investment funds	--	488	--	--	--	--
16	Other receivables	4.836.678	13.363	--	--	--	214.243
17	Equity investments	810.272	--	--	--	--	--
18	Total	33.222.155	26.554.197	10.409.844	10.259.924	23.934.100	121.071.132

(*) Amounts without determined maturities are included.

Prior Period

	Risk classifications	Undistributed (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1	Receivables from central governments and Central Banks	2.568.859	12.566.417	7.796.184	385.815	270.566	11.615.884
2	Receivables from regional or local governments	--	1.576	641	2.615	52.384	358.686
3	Receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4	Receivables from multilateral development banks	--	--	--	--	--	--
5	Receivables from international organizations	--	--	--	--	--	--
6	Receivables from banks and brokerage houses	1.033.951	1.613.576	1.433.516	319.027	499.201	1.382.705
7	Receivables from corporate portfolio	59.159	4.534.876	6.002.928	3.035.829	8.227.044	50.028.472
8	Receivables from retail portfolio	--	8.121.430	2.017.180	2.543.395	6.543.339	26.099.991
9	Receivables secured by residential mortgages	--	152.681	172.865	199.439	252.488	4.345.226
10	Receivables secured by commercial mortgages	--	349.126	350.171	350.411	864.121	8.375.386
11	Past due receivables	931.572	4.478	566	1.927	1.892	62.984
12	Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13	Securities collateralized by mortgages	--	--	--	--	--	--
14	Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--
15	Investments similar to collective investment funds	--	174	45	--	--	--
16	Other receivables	4.395.485	144.358	--	--	--	--
17	Equity investments	266.425	--	--	--	--	--
18	Total	9.255.451	27.488.692	17.774.096	6.838.458	16.711.035	102.269.334

(*) Amounts without determined maturities are included.

n. Risk Classifications

Ratings issued by Fitch, international credit rating agency, are being used in determining risk weights for the regulatory calculation of capital adequacy.

The scope of asset classes that the credit ratings are considered are receivables from central governments or central bank, receivables from banks and brokerage houses as being limited with those residing abroad and corporate receivables from residing abroad.

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Current Period

Credit Quality Grade	Risk Rating Fitch	Risk Classifications: Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities Less Than 3 Months	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities More Than 3 Months	Corporate Receivables
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC CC C D	%150	%150	%150	%150

Prior Period

Credit Quality Grade	Risk Rating Fitch	Risk Classifications: Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities Less Than 3 Months	Receivables from Banks and Brokerage Houses: Receivables with Remaining Maturities More Than 3 Months	Corporate Receivables
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC CC C D	%150	%150	%150	%150

o. Exposures by risk weights

Current Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before Credit Risk Mtigation	39.398.817	--	7.805.957	--	4.607.344	55.683.825	116.961.828	993.581	--	--	--	1.532.221
Exposures after Credit Risk Mtigation	48.897.774	--	8.512.133	3.847.135	13.694.444	44.459.096	94.246.904	991.999	--	--	--	1.532.221

Prior Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before CreditRisk Mtigation	34.149.665	--	3.447.421	--	2.479.456	51.137.641	88.700.410	205.854	--	216.619	--	783.125
Exposures after Credit Risk Mtigation	43.116.345	--	4.006.058	4.916.423	9.816.018	40.115.076	71.200.716	204.646	--	216.619	--	783.125

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p. Information by major sectors and type of counterparties (*)

Current Period: 31 December 2018

	Loans (**)		Provisions
	Impaired (TFRS 9)		
Important Sectors/Counterparties	Significant Increase in Credit Risk (Stage 2)	Credit Impaired (Stage 3)	Expected Loan Loss Provisions (TFRS 9) (***)
Agricultural	274.278	162.308	111.055
Farming and Cattle	258.062	155.814	105.647
Forestry	2.877	2.546	1.828
Fishing	13.339	3.948	3.580
Manufacturing	3.048.274	606.372	660.505
Mining	479.846	191.888	145.923
Production	1.751.487	406.668	474.112
Electric, Gas, Water	816.941	7.816	40.470
Construction	1.634.125	552.706	512.486
Services	11.237.943	3.090.510	2.699.583
Wholesale and Retail Trade	2.340.540	1.241.069	1.034.664
Hotel and Restaurant Services	5.205.794	1.005.250	1.030.443
Transportation & telecommunication	383.264	448.291	179.378
Financial institution	794.939	16.699	29.503
Real estate and letting services	397.309	92.950	108.606
Self-employement services	25.119	3.422	4.488
Education services	102.206	20.746	20.162
Health and social services	1.988.772	262.083	292.339
Other	6.823.485	2.237.748	1.954.385
Total	23.018.105	6.649.644	5.938.014

(*) The balance is not included in the balance of loans at fair value through profit or loss.
(**) Cash loans are given.
(***) Includes the second and third stage provisions.

Prior Period: 31 December 2017

	Loans			
Important Sectors/Counterparties	Impaired	Past Due	Value Adjustments(*)	Provisions (**)
Agricultural	225.754	771.314	14.314	150.663
Farming and Cattle	217.958	770.123	14.295	147.822
Forestry	454	98	2	427
Fishing	7.342	1.093	17	2.414
Manufacturing	416.964	167.318	28.288	279.707
Mining	54.689	32.326	424	34.336
Production	280.046	120.427	27.649	211.461
Electric, Gas, Water	82.229	14.565	215	33.910
Construction	285.778	238.013	4.493	185.285
Services	1.472.510	1.786.881	334.212	1.087.060
Wholesale and Retail Trade	905.419	496.790	7.131	707.687
Hotel and Restaurant Services	154.223	503.807	204.590	53.238
Transportation and telecommunication	272.195	729.418	121.802	208.712
Financial institution	20.562	5.178	64	13.668
Real estate and letting services	11.044	12.123	190	8.769
Self-employement services	--	--	--	--
Education services	20.896	21.836	253	18.398
Health and social services	88.171	17.729	182	76.588
Other	1.623.608	2.506.963	66.274	1.425.808
Total	4.024.614	5.470.489	447.581	3.128.523

(*) Representing the general and free provision of past due loans.
(**) Representing specific provision amounts.

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q. Movements in valuation adjustments and provisions

Current Period: 31 December 2018	Opening Balance (Before TFRS 9)31 December 2017	Remeasurements	Opening Balance (After TFRS 9) 1 January 2018	Charge for the period	Other Adjustments (*)	Ending Balance
Default (Third Stage / Specific Provision)	3.121.676	(20.305)	3.101.371	2.200.573	(1.220.833)	4.081.111
12 Months Expected Loss Provision (First Stage) (**)	1.406.808	(279.965)	1.126.843	(107.018)	87.524	1.107.349
Significant Increase in Credit Risk (Second Stage)	299.763	1.184.549	1.484.312	279.724	92.867	1.856.903

(*) It includes write-offs and sales made from the portfolio of non-performing loans.
(**) The provisions of the Bank in the financial statements as at 31 December 2017, stated under liabilities 12.5 Other Provisions (in the balance sheet, for the future risks of certain risks that may arise in the loan portfolio are included in the provisions 12-Month Expected Loss Provision (Stage One).

Prior Period: 31 December 2017	Opening Balance	Charge fort he period	Releases for provisions	Other Adjustments(*)	Ending Balance
Specific Provisions	2.647.955	1.449.404	(273.546)	(695.290)	3.128.523
General Provisions	1.269.354	171.411	--	--	1.440.765

(*) It includes sales made from non-performing loans and exchange differences amount of TL 1.032.

r. Risk involved in counter-cyclical capital buffer calculations:

Current Period

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	109.455.126	109.001	109.564.127
England	4.762.969	--	4.762.969
Switzerland	4.019.126	--	4.019.126
Netherlands	3.830.546	--	3.830.546
Germany	2.716.302	--	2.716.302
United Arab Emirates	1.532.767	--	1.532.767
Other	6.349.217	--	6.349.217

Prior Period

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	92.031.191	27.881	92.059.072
Malta	2.815.516	--	2.815.516
Germany	2.152.017	149	2.152.166
Netherlands	1.629.446	--	1.629.446
Other	5.653.288	--	5.653.288

III. Explanations related to the consolidated foreign exchange rate risk

a. Foreign exchange rate risk the Group is exposed to, related impact estimations, and the limits set by the Board of Directors of the Parent Bank for positions which are monitored daily

Foreign currency exchange rate risk can be taken by DFS Group within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

Foreign exchange rate risk is monitored along with potential evaluation differences in foreign currency transactions in accordance with "Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process". Value at Risk approach is used to measure the exchange rate risk for trading positions and calculations are made on a daily basis.

Based on general economic environment and market conditions the Parent Bank's Board of Directors reviews the risk limits and makes changes where necessary.

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b. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

In accordance with TFRS 9, DFS Group applies net investment hedge accounting to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments in its consolidated financial statements.

Information relating to investment hedge to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments are explained in Note XI-a of Section Four.

c. Foreign currency risk management strategy

Foreign exchange risk can be taken by DFS Group within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

d. The Parent Bank's spot foreign exchange bid rates as of the balance sheet date and for each of the five days prior to that date

US Dollar purchase rate as at the balance sheet date TL 5,2810
Euro purchase rate as at the balance sheet date TL 6,0422

Date	US Dollar	Euro
25 December 2018	5,3034	6,0419
26 December 2018	5,2832	6,0185
27 December 2018	5,2889	6,0245
28 December 2018	5,2609	6,0280
31 December 2018	5,2810	6,0422

e. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days prior to the balance sheet date

The arithmetical average US Dollar and Euro purchase rates for December 2018 are TL 5,3010 and TL 6,0359.

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f. Information on currency risk

Current Period	EURO	USD	Other FC [5]	Total
Assets				
Cash Equivalents and Central Bank	17.203.872	5.718.289	2.827.891	25.750.052
Banks	1.375.585	4.738.492	253.529	6.367.606
Financial Assets at Fair Value through Profit or Loss (Net) [1]	217.682	190.642	--	408.324
Due from Money Markets	--	--	--	--
Financial Assets at Fair Value through Other Comprehensive Income	322.271	1.654.733	98.557	2.075.561
Loans [2]	47.722.372	29.376.114	1.414.615	78.513.101
Investments in Associates, Subsidiaries and Joint Ventures	211	--	--	211
Financial Assets Measured at Amortized Cost	164.640	2.295.527	--	2.460.167
Hedging Derivative Financial Assets	--	--	--	--
Tangible Assets (Net)	199.731	91	590	200.412
Intangible Assets (Net) [3]	--	--	--	--
Other Assets [4]	1.090.509	587.710	85.336	1.763.555
Total Assets	68.296.873	44.561.598	4.680.518	117.538.989
Liabilities				
Bank Deposits	1.774.895	258.138	98.124	2.131.157
Foreign Currency Deposits	59.175.718	28.677.380	1.773.004	89.626.102
Due to Money Markets	--	--	--	--
Funds Borrowed	4.007.796	13.709.074	3.089.824	20.806.694
Securities Issued	901.682	--	--	901.682
Miscellaneous Payables	--	--	--	--
Hedging Derivative Financial Liabilities	--	--	--	--
Other Liabilities [6]	1.087.407	5.697.048	48.697	6.833.152
Total Liabilities	66.947.498	48.341.640	5.009.649	120.298.787
Net on Balance Sheet Position	1.349.375	(3.780.042)	(329.131)	(2.759.798)
Net off-Balance Sheet Position [7]	(623.461)	3.309.689	775.877	3.462.105
Financial Derivative Assets	22.861.903	29.344.079	2.172.181	54.378.163
Financial Derivative Liabilities	(23.485.364)	(26.034.390)	(1.396.304)	(50.916.058)
Net Positions	725.914	(470.353)	446.746	702.307
Non Cash Loans	10.210.179	11.937.016	772.376	22.919.571
Prior Period				
Total Assets	42.562.142	36.775.003	4.774.794	84.111.939
Total Liabilities	48.807.183	38.982.595	3.177.837	90.967.615
Net on Balance Sheet Position	(6.245.041)	(2.207.592)	1.596.957	(6.855.676)
Net off-Balance Sheet Position	5.715.095	3.306.105	(1.272.938)	7.748.262
Financial Derivative Assets	16.825.304	22.833.927	1.006.750	40.665.981
Financial Derivative Liabilities	(11.110.209)	(19.527.822)	(2.279.688)	(32.917.719)
Net Positions	(529.946)	1.098.513	324.019	892.586
Non Cash Loans	7.838.497	8.900.181	477.349	17.216.027

[1] : Foreign currency differences of derivative assets amounting to TL 404.319 are excluded.
[2] : Foreign currency indexed loans amounting to TL 2.166.186 are included. Stage 1 and Stage 2 provisions amounting to TL (606.883) are not included.
[3] : Intangible assets amounting to TL 31.033 are excluded.
[4] : Stage 1 and Stage 2 provisions amounting to TL (4.607) are not included. Prepaid expenses at the amount of TL 132.251 are not included.
[5] : There are gold amounts in total assets amounting to TL 3.574.729 and in total liabilities amounting to TL 3.983.065.
[6] : Not including the exchange rate difference of TL 874.049 pertaining to derivative financial assets and the FX equity of TL 7.426.590 and the Stage 1/2 provisions of TL 1.322.
[7] : Net amount of receivables and liabilities from financial derivatives is shown on the table. FX swap transactions that are reported under the "Financial Assets Purchase Pledges" is included in "Net Off-Balance Sheet Position".

g. Informations on currency risk exposure

The table below demonstrates prospective increase and decrease in equities and the statement of income as of 31 December 2018 and 2017 (excluding tax effect) on condition that 10 percent devaluation of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, to be constant.

	Current Period		Prior Period	
	Period Profit/Loss	Equity	Period Profit/Loss	Equity
USD	(34.292)	(48.155)	34.873	30.029
Euro	43.529	27.120	(65.273)	(64.484)
Total (Net)	9.237	(21.035)	(30.400)	(34.455)

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IV. Explanations related to the consolidated interest rate risk

Interest rate risk arises from disagreements between the repricing dates of the assets, liabilities and off-balance sheet items (for floating-rate products) or maturities (for fixed-rate products). Although this dispute is a structural situation in the banking system, it may affect the bank's interest income and expense and the economic value of the balance sheet if there are unexpected changes in interest rates.

The ultimate responsibility for managing the interest rate risk is in the Asset and Liability Committee (ALCO). However, the Treasury and Asset Liability and Capital Management units are responsible for identifying the most appropriate strategies for interest rate risk management and recommending them to decision makers. There are limits approved by the Board of Directors for the control of interest rate risk.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates):

End of The Current Period	Up to 1 Month	1 – 3 Month	3 – 12 Month	1 – 5 Month	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	4.233.671	--	--	--	--	23.890.538	28.124.209
Banks	983.991	96.265	528.084	186.966	33.977	4.796.485	6.625.768
Financial Assets at Fair Value through Profit or Loss (Net)	119.853	298.373	394.415	885.344	388.474	97.336	2.183.795
Due from Money Markets	9.780	--	--	--	--	--	9.780
Financial Assets at Fair Value through Other Comprehensive Income	386.432	1.164.414	3.064.311	2.450.417	847.937	978	7.914.489
Loans	17.557.607	7.775.527	19.591.598	52.771.747	38.791.593	2.568.533	139.056.605
Financial Assets Measured at Amortized Cost	2.323.640	429.190	459.465	1.371.538	1.655.977	--	6.239.810
Other Assets (*)	--	96	--	--	--	7.156.884	7.156.980
Total Assets	**25.614.974**	**9.763.865**	**24.037.873**	**57.666.012**	**41.717.958**	**38.510.754**	**197.311.436**
Liabilities							
Bank Deposits	1.659.705	80.899	337.395	428.113	--	171.775	2.677.887
Other Deposits	52.954.581	17.912.576	17.089.241	18.115.713	1.003.194	30.188.284	137.263.589
Due to Money Markets	1.415.797	--	--	--	--	--	1.415.797
Miscellaneous Payables	--	--	--	--	--	--	--
Securities Issued	1.202.731	2.382.535	402.593	--	--	--	3.987.859
Funds Borrowed	7.650.209	12.047.615	2.418.843	459.638	60.305	--	22.636.610
Other Liabilities (**)	259.771	531.103	922.026	116.850	222.891	27.277.053	29.329.694
Total Liabilities	**65.142.794**	**32.954.728**	**21.170.098**	**19.120.314**	**1.286.390**	**57.637.112**	**197.311.436**
Balance Sheet Long Position	--	--	2.867.775	38.545.698	40.431.568	--	81.845.041
Balance Sheet Short Position	(39.527.820)	(23.190.863)	--	--	--	(19.126.358)	(81.845.041)
Off-balance Sheet Long Position	2.032.518	--	799.309	--	--	--	2.831.827
Off-balance Sheet Short Position	--	(1.217.285)	--	(1.709.835)	(457.257)	--	(3.384.377)
Total Position	**(37.495.302)**	**(24.408.148)**	**3.667.084**	**36.835.863**	**39.974.311**	**(19.126.358)**	**(552.550)**

(*) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, deferred tax assets, investments in subsidiaries, assets to be sold, financial assets and the expected losses of other assets and other assets with balances of TL 881.784, TL 271.191, TL 202.001, TL 13.633, TL 1.213.623, TL 792.868, TL 269.830, (15.522) and TL 3.527.476, respectively.
(**) Other liabilities/non-interest bearings include; shareholders' equity, tax liabilities, deferred tax liabilities, provisions and other liabilities with balances of TL 15.505.270, TL 362.949, TL 25.828, TL 945.168 and TL 10.437.838, respectively.

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End of The Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	4.572.371	--	--	--	--	12.396.441	16.968.812
Due from Banks and Other Fin. Inst.	1.887.910	484.599	199.314	--	--	8.085.805	10.657.628
Financial Assets at Fair Value Through Profit or Loss	167.337	118.981	383.807	209.660	176.733	1.245	1.057.763
Interbank Money Market Placements	785.672	--	--	--	--	--	785.672
Investment Securities Av.-for-Sale	299.270	689.903	2.004.235	2.421.950	1.567.537	63.138	7.046.033
Loans	18.421.600	10.989.095	19.665.866	42.427.944	17.980.710	896.091	110.381.306
Investment Securities Held-to-Mat.	1.855.077	455.846	638.299	910.721	1.475.696	--	5.335.639
Other Assets (*)	774.512	367.881	475.626	1.642.184	1.187.985	3.742.089	8.190.277
Total Assets	**28.763.749**	**13.106.305**	**23.367.147**	**47.612.459**	**22.388.661**	**25.184.809**	**160.423.130**
Liabilities							
Bank Deposits	2.508.919	48.222	917.119	322.762	--	184.537	3.981.559
Other Deposits	45.740.406	12.807.163	13.344.675	11.880.997	765.612	22.890.052	107.428.905
Interbank Money Market Placements	4.007.166	--	--	--	--	--	4.007.166
Miscellaneous Payables	--	--	1.231	--	--	1.948.176	1.949.407
Marketable Securities Issued	529.353	2.097.591	1.045.814	--	--	--	3.672.758
Funds Borrowed from Other Fin. Inst.	4.227.682	5.394.969	5.237.482	518.292	4.563.340	--	19.941.765
Other Liabilities (**)	338.733	101.451	166.547	497.786	187.721	18.149.332	19.441.570
Total Liabilities	**57.352.259**	**20.449.396**	**20.712.868**	**13.219.837**	**5.516.673**	**43.172.097**	**160.423.130**
On Balance Sheet Long Position	--	--	2.654.279	34.392.622	16.871.988	--	53.918.889
On Balance Sheet Short Position	(28.588.510)	(7.343.091)	--	--	--	(17.987.288)	(53.918.889)
Off-Balance Sheet Long Position	4.873.004	2.678.134	6.258.237	3.176.076	3.664.803	--	20.650.254
Off-Balance Sheet Short Position	(2.904.585)	(5.622.927)	(3.350.892)	(4.217.443)	(4.649.295)	--	(20.745.142)
Total Interest Sensitivity Gap	**(26.620.091)**	**(10.287.884)**	**5.561.624**	**33.351.255**	**15.887.496**	**(17.987.288)**	**(94.888)**

(*) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, tax assets, investments in subsidiaries, assets to be sold and other assets with balances of TL 749.514, TL 188.751, TL 171.467, TL 13.633, TL 223.175, TL 41.701, TL 132.302 and TL 2.221.546 respectively.
(**) Other liabilities/non-interest bearings include; shareholders' equity, tax liabilities, provisions, and other liabilities with balances of TL 12.853.407, TL 347.734, TL 2.227.812 and TL 2.720.379 respectively.

b. Average interest rates applied to monetary financial instruments

Current Period – 31 December 2018	EURO %	USD %	Yen %	TL %
Assets				
Cash Equivalents and Central Bank	--	1,90	--	13,00
Banks	1,59	2,24	--	23,85
Financial Assets at Fair Value through Profit or Loss (Net)	3,98	6,39	--	20,14
Due from Money Markets	--	--	--	--
Financial Assets at Fair Value through Other Comprehensive Income	2,89	3,96	--	14,85
Loans	4,59	6,57	5,46	22,04
Financial Assets Measured at Amortized Cost	1,33	5,05	--	22,34
Liabilities				
Bank Deposits	1,31	4,35	--	23,16
Other Deposits	1,51	3,96	0,65	22,70
Due to Money Markets	--	--	--	16,72
Miscellaneous Payables	--	--	--	--
Securities Issued	2,14	--	--	26,98
Funds Borrowed	3,16	5,79	--	24,38

Prior Period – 31 December 2017	EURO %	USD %	Yen %	TL %
Assets				
Cash Equivalents and Central Bank	--	1,29	--	4,00
Banks	0,28	1,77	--	12,77
Financial Assets at Fair Value Through Profit or Loss (Net)	2,17	4,85	--	14,50
Due from Money Markets	--	--	--	12,75
Available-for-sale Financial Assets	0,80	4,63	--	9,35
Loans	4,49	5,97	5,52	17,26
Held-to-maturity Investments	1,33	5,05	--	12,52
Liabilities				
Bank Deposits	0,30	1,62	--	14,09
Other Deposits	1,42	3,55	0,85	13,95
Due to Money Markets	--	3,14	--	10,76
Miscellaneous Payables	--	--	--	--
Securities Issued	2,29	3,00	--	13,10
Funds Borrowed	2,47	4,57	--	13,26

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c. Interest rate risk on banking book

The interest rate risk arising from banking accounts is managed according to the principles stated in the "Interest Rate Risk Management Policy".

Sensitivity limits were determined by the Parent Bank for possible negative developments in the market. Among the metrics; the sensitivity of the net present value of the balance sheet to certain interest rate shocks, the sensitivity of the net interest income, Financial Assets at Fair Value Difference to Other Comprehensive Income has impact and interest rate gap analysis on the CAR. These criteria are not only monitored in weekly ALCOs, but are also submitted to the senior management and the Board of Directors due to the limits set forth in the risk appetite declaration.

Interest rate risk calculation and reporting arising from banking accounts according to the "Regulation on Measurement and Assessment of the Interest Rate Risk from Banking Accounts" published in the Official Gazette no. 28034 dated 23 August 2011. The related ratio is prepared monthly as the other interest rate metrics that the Parent Bank follows. In addition, it is provided with close monitoring by weekly estimation studies and submitted to ALCO.

Cross currency swaps or interest swaps are used to hedge up to 10 years against the negative effects of interest rate risk.

The Group's economic value differences arising from the interest rate fluctuations pursuant to the "Regulation on the Measurement and Assessment of Interest Rate Risk Arising from Banking Accounts According to the Standard Shock Method" in a manner separated by different currencies are demonstrated in the following table as of 31 December 2018.

	Current Period: 31 December 2018 Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity - Losses/Equity
1	TL	(+) 500 bps	(1.700.918)	(7,48%)
2	TL	(-) 400 bps	1.534.786	6,75%
3	Euro	(+) 200 bps	(554.954)	(2,44%)
4	Euro	(-) 200 bps	654.163	2,88%
5	US Dollar	(+) 200 bps	68.445	0,30%
6	US Dollar	(-) 200 bps	(57.231)	(0,25%)
	Total (of positive shocks)		(2.187.427)	(9,62%)
	Total (of negative shocks)		2.131.718	9,38%

	Prior Period: 31 December 2017 Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity - Losses/Equity
1	TL	(+) 500 bps	(2.089.734)	(11,36%)
2	TL	(-) 400 bps	1.920.936	10,44%
3	Euro	(+) 200 bps	(324.235)	(1,76%)
4	Euro	(-) 200 bps	802.248	4,36%
5	US Dollar	(+) 200 bps	(38.422)	(0,21%)
6	US Dollar	(-) 200 bps	65.988	0,36%
	Total (of positive shocks)		(2.452.391)	(13,33%)
	Total (of negative shocks)		2.789.172	15,16%

V. Position risk of equity shares on banking book

a. Comparison of carrying, fair and market values of equity shares

DFS Group does not have unconsolidated associates and subsidiaries traded at BIST markets as of 31 December 2018 and 2017.

b. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capital

None.

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VI. Explanations related to the consolidated liquidity risk

Liquidity risk can form as a result of significant changes which can happen in market liquidity or a general funding risk. Funding risk states the risk of not meeting cash outflows completely because of maturity mismatch between assets and liabilities while market liquidity risk states the risk of not liquidating assets because of a collision in market conditions or insufficient market depth.

Information on liquidity risk management, including the Parent Bank's risk capacity, responsibilities and structure of liquidity risk management, liquidity risk reporting in the Parent Bank, liquidity risk strategy, policy and practices, communication with the board of directors and business lines

Within the Parent Bank, the procedures and principles regarding liquidity risk management are determined by the "Liquidity Risk Management Policy " approved by the Board of Directors. This policy includes the basic duties and principles of liquidity risk management within the Bank including the related methods, procedures, controls and reporting framework. The "Liquidity Emergency Action Plan" was established within the Liquidity Risk Management Policy, enclosing possible precautions which can be taken against unexpected liquidity squeezes.

"Risk Appetite Statement" is reviewed annually in order to manage risks in accordance with the Parent Bank's strategy and its financial power. Risk Appetite Statement includes limits towards liquidity risks besides other risk limits. Risk appetite limits are reported to senior management monthly in scope of risk management activities. In the risk appetite declaration (RAD), limits were set based on the loan / deposit ratio and the LCR criteria for liquidity risk. Other indicators followed outside these metrics are; liquidity buffer, large consistent deposits, and core deposits.

Short-term liquidity management of the Parent Bank is under the responsibility of Treasury Group. Treasury Group weekly reports to Assets and Liabilities Committee (ALCO) related to liquidity structure. ALCO has an active role in establishing related systems and monitoring and decision making processes regarding liquidity risk management. ALCO is also responsible and authorized for monitoring current liquidity position and legal and internal liquidity indicators and taking decisions related to liquidity management taking risk appetite framework into consideration. Different departments of the Parent Bank such as the Treasury Group, Financial Institutions Group, Financial Affairs Group and Risk Management Group contribute to the liquidity management process of the Bank in accordance with the ALCO decisions and also provide the necessary support to the ALCO with the information, analysis and recommendations needed in the decision-making process.

Information on the centralization degree of liquidity management and funding strategy and the functioning of the Parent Bank's partnerships:

Liquidity risk management is performed as par consolidated and non-consolidated. In this context, liquidity monitoring and management in subsidiaries are performed by the related subsidiary and monitored closely by the Parent Bank. In order to meet the liquidity needs of partnerships in case of emergency, limits are allocated by the Parent Bank.

Information on the Bank's funding strategy, including policies on the diversity of fund resources and durations

Management of risk sourcing from funding presents the fundamental of liquidity management activities of the Bank. Main funding source of the Bank is deposits since it is a more stable funding source compared to other sources and it provides a diversified source of funding. Additionally, security issuance and borrowing activities are performed in order to extend the maturity of funding.

On the other hand, the securities portfolio of the Parent Bank carried in order to liquidity risk management that maintain in CBRT and BIST is structured in a way to consist of sovereign securities issued by Treasury of Turkey in order to reduce liquidity risk sourcing from market to minimum level. Criteria and principles related to security investments which shall be received to this portfolio are committed on paper and approved by the related committee.

Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities

A large majority of Bank's liabilities consist of TL, US Dollar, Euro and gold. The main foreign currency funding source of the Parent Bank is deposit and borrowings provided from credit agencies. Foreign currency liquidity risk is at a low level since the foreign currency sources of the Parent Bank are at a higher level and have longer maturity than assets. For this reason, Turkish Lira is created by swap transactions using the current foreign currency liquidity. In other words, foreign currency liabilities are used in the funding of Turkish Lira assets.

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Information on liquidity risk mitigation techniques used

Reducing the liquidity risk continues to prepare and follow up liquidity buffer where possible fund outflows exist. Securities required to manage short-term risks are kept within the balance sheet together. On the other hand, in order to reduce structural liquidity risk, diversified funding sources are aimed to be diversified and the maturity structure will be expanded. Another important element is the strategy of spread to deposit base.

Explanations related to using the stress test

Scenario analyses, including specific conditions having significance with respect to liquidity which have been experienced or which shall possibly be experienced, are performed in order to measure liquidity level under stress conditions. A liquidity level at a sufficient amount to meet all liabilities even under stress conditions is aimed in scope of this scenario analyses through evaluating measures which can be taken. Assumptions related to liquidity stress tests are reviewed annually at minimum. Periodical stress tests are performed within the determined scenarios and liquidity situation is monitored and the duration of the Bank can survive is calculated and the results are compared with the determined limits and presented to the related committees.

General information on the liquidity emergency and contingency plan

In order to be prepared for the liquidity crises that can be experienced and to make the management in a healthy and planned manner, "Liquidity Unexpected Situation Plan Regulation" has been set up to prepare appropriate processes and guide these processes. In this document, early warning indicators, action plans, duties and responsibilities of the units within the Bank are used to determine the unexpected liquidity situation.

In addition, in order to ensure that the Parent Bank maintains its liquidity in all circumstances and meets its liquidity obligations, an emergency liquidity limit to be used by the shareholder to be used within the framework of emergency liquidity management is defined. The mentioned limit is reviewed every year in the budget period and approved by the prevailing partner in the Board of Directors.

a. Liquidity coverage ratio

Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Consolidated foreign currency rate calculated for the last three months is at the lowest level in 311,18 in December and at the highest level in October 374,66 while the liquidity coverage rate is at the lowest level in November 145,07 and at the highest level in December 147,77.

Calculation table of liquidity coverage rate is reported to BRSA monthly and monitored daily in the Bank.

High quality liquid assets consist of cash assets, reserves kept in Central Bank of Republic of Turkey and unrestricted marketable securities. Cash outflows consist of deposits, bank borrowings, non-cash loans, derivatives and other liabilities without a certain maturity. Additionally, several bank borrowings are shown as cash outflow regardless of their maturity since they include contingent early payment condition. In addition, additional collateral liability that may arise from the possible changes in the fair value of derivative transactions within the cash outflows are included. Cash inflows consist of credits having maturity less than 30 days and a certain payment due date and receivables from banks and derivative products.

LCR is considered as an important liquidity management criterion for our Bank. The Bank managed to manage the LCR management in terms of the minimum limits that would reach 80% for the foreign currency in 2019 and 100% for the total by searching by the Regulation in terms of 10% each year. In the Risk Appetite Declaration, internal limits are set above the legal minimum limits for the LCR and the related ratio is reported and monitored at the level of ALCO, senior management and the Board of Directors.

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	Current Period	Total unweighted value (*)		Total weighted value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	Total High Quality Liquid Assets			35.257.953	25.374.179
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which	107.685.131	68.141.659	10.198.065	6.814.166
3	Stable deposits	11.408.948	--	570.447	--
4	Less stable deposits	96.276.183	68.141.659	9.627.618	6.814.166
5	Unsecured wholesale funding, of which	27.723.684	16.292.370	15.464.540	8.027.212
6	Operational deposits	5.274.702	3.486.291	1.318.676	871.573
7	Non-operational deposits	15.235.213	10.060.646	6.939.247	4.416.212
8	Unsecured debt	7.213.769	2.745.433	7.206.617	2.739.427
9	Secured wholesale funding			587.624	--
10	Additional requirements of which	3.789.886	4.479.668	2.437.655	3.464.444
11	Outflows related to derivative exposures and other collateral requirements	1.536.168	2.787.628	1.536.168	2.787.628
12	Outflows related to loss of funding on debt products	--	--	--	--
13	Credit and liquidity facilities	2.253.718	1.692.040	901.487	676.816
14	Other contractual funding obligations	1.033.153	1.032.593	1.032.621	1.032.593
15	Other contingent funding obligations	73.717.589	24.714.358	5.656.597	2.392.594
16	TOTAL CASH OUTFLOWS			35.377.102	21.731.009
CASH INFLOWS					
17	Secured lending	4.088	--	--	--
18	Inflows from fully performing exposures	13.895.332	9.802.605	10.927.647	8.685.132
19	Other cash inflows	288.559	5.409.314	288.559	5.409.314
20	TOTAL CASH INFLOWS	14.187.979	15.211.919	11.216.206	14.094.446
				Total adjusted value	
21	TOTAL HQLA			35.257.953	25.374.179
22	TOTAL NET CASH OUTFLOWS			24.160.896	7.636.563
23	LIQUIDITY COVERAGE RATIO (%)			146,1	339,5

(*) Simple arithmetic average of last three months' month-end values for the last three months

	Prior Period	Total unweighted value (*)		Total weighted value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	Total High Quality Liquid Assets			29.588.220	21.836.573
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which	79.681.377	47.869.830	7.382.518	4.786.983
3	Stable deposits	11.712.387	--	585.619	--
4	Less stable deposits	67.968.990	47.869.830	6.796.899	4.786.983
5	Unsecured wholesale funding, of which	26.919.148	15.164.032	14.948.253	7.893.744
6	Operational deposits	4.930.096	2.626.273	1.232.524	656.568
7	Non-operational deposits	16.508.526	10.800.179	8.237.701	5.500.982
8	Unsecured debt	5.480.526	1.737.580	5.478.028	1.736.194
9	Secured wholesale funding			179.507	120.800
10	Additional requirements of which	5.751.147	9.046.967	2.642.176	6.184.247
11	Outflows related to derivative exposures and other collateral requirements	1.128.438	4.792.936	1.128.438	4.792.936
12	Outflows related to loss of funding on debt products	--	--	--	--
13	Credit and liquidity facilities	4.622.709	4.254.031	1.513.738	1.391.311
14	Other contractual funding obligations	1.233.639	965.277	1.233.107	965.277
15	Other contingent funding obligations	57.406.703	14.970.641	4.285.681	1.443.235
16	TOTAL CASH OUTFLOWS			30.671.242	21.394.286
CASH INFLOWS					
17	Secured lending	250.297	--	--	--
18	Inflows from fully performing exposures	7.988.540	3.209.828	5.419.228	2.283.171
19	Other cash inflows	260.185	9.420.758	260.185	9.420.758
20	TOTAL CASH INFLOWS	8.499.022	12.630.586	5.679.413	11.703.929
				Total adjusted value	
21	TOTAL HQLA			29.588.220	21.836.573
22	TOTAL NET CASH OUTFLOWS			24.991.829	9.690.357
23	LIQUIDITY COVERAGE RATIO (%)			118,4	226,6

(*) Simple arithmetic average of last three months' month-end values for the last three months

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b. Presentation of assets and liabilities according to their residual maturities

End of The Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets								
Cash Equivalents and Central Bank	20.710.409	7.413.800	--	--	--	--	--	28.124.209
Banks	4.796.485	983.986	96.265	562.066	186.966	--	--	6.625.768
Financial Assets at Fair Value through Profit or Loss (Net)	97.336	119.721	298.230	394.350	885.685	388.473	--	2.183.795
Due from Money Markets	--	9.780	--	--	--	--	--	9.780
Financial Assets at Fair Value through Other Comprehensive Income	978	--	439.636	1.381.249	4.662.444	1.430.182	--	7.914.489
Loans	--	14.984.479	5.009.660	24.851.443	53.144.488	38.498.002	2.568.533	139.056.605
Financial Assets Measured at Amortized Cost	--	--	--	--	4.583.833	1.655.977	--	6.239.810
Other Assets	3.315.791	--	96	--	--	--	3.841.093	7.156.980
Total Assets	28.920.999	23.511.766	5.843.887	27.189.108	63.463.416	41.972.634	6.409.626	197.311.436
Liabilities								
Bank Deposits	171.775	1.659.704	80.899	337.395	428.114	--	--	2.677.887
Other Deposits	30.188.284	52.885.616	17.911.558	17.148.532	18.126.405	1.003.194	--	137.263.589
Fund Borrowed	--	2.278.313	7.232.212	4.688.893	5.250.346	3.186.846	--	22.636.610
Due to Money Markets	--	1.415.797	--	--	--	--	--	1.415.797
Securities Issued	--	1.094.051	1.501.032	491.094	901.682	--	--	3.987.859
Miscellaneous Payables	--	--	--	--	--	--	--	--
Other Liabilities	5.317.689	602.858	1.325.767	5.016.361	116.850	222.891	16.727.278	29.329.694
Total Liabilities	35.677.748	59.936.339	28.051.468	27.682.275	24.823.397	4.412.931	16.727.278	197.311.436
Net Liquidity Excess/ (Gap)	(6.756.749)	(36.424.573)	(22.207.581)	(493.167)	38.640.019	37.559.703	(10.317.652)	--
Net Off-balance sheet Position	--	(186.998)	(234.751)	(582.544)	503.145	--	--	(501.148)
Financial Derivative Assets	--	25.156.430	12.314.445	10.634.366	5.923.855	8.745.143	--	62.774.239
Financial Derivative Liabilities	--	(25.343.428)	(12.549.196)	(11.216.910)	(5.420.710)	(8.745.143)	--	(63.275.387)
Non Cash Loans	--	2.939.168	2.945.626	10.076.704	4.606.259	13.110.297	--	33.678.054
End of The Prior Period								
Total Assets	15.793.257	25.183.122	6.356.200	18.917.264	56.202.742	35.438.223	2.532.322	160.423.130
Total Liabilities	26.242.811	56.168.121	18.225.743	24.224.141	14.343.995	5.899.035	15.319.284	160.423.130
Net Liquidity Excess/ (Gap)	(10.449.554)	(30.984.999)	(11.869.543)	(5.306.877)	41.858.747	29.539.188	(12.786.962)	--
Net Off-balance sheet Position	--	(197.415)	(854.628)	931.492	(240.567)	--	--	(361.118)
Financial Derivative Assets	--	21.015.000	7.846.563	9.836.542	7.215.896	6.470.097	--	52.384.098
Financial Derivative Liabilities	--	(21.212.415)	(8.701.191)	(8.905.050)	(7.456.463)	(6.470.097)	--	(52.745.216)
Non Cash Loans	--	3.152.762	2.504.401	7.590.951	4.219.580	10.903.572	--	28.371.266

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non- performing loans (net) and prepaid expenses are included in this column.

c. Financial liabilities according to contractual maturities

The maturity breakdown of the amounts at maturity for major financial liabilities excluding derivatives are provided in below table. The interest payments of the liabilities are included in relevant time buckets.

End of The Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	84.992.060	18.553.168	17.948.122	19.302.364	1.260.757	142.056.471
Funds borrowed (*)	2.819.225	7.896.499	6.878.981	7.638.624	3.174.585	28.407.914
Interbank Money markets	1.415.797	--	--	--	--	1.415.797
Securities issued	1.103.190	1.639.007	723.220	617.389	--	4.082.806
Total	90.330.272	28.088.674	25.550.323	27.558.377	4.435.342	175.962.988

(*) It includes subordinated loans.

End of The Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	72.226.707	13.007.275	15.448.784	12.346.795	922.245	113.951.806
Funds borrowed (*)	3.441.829	4.871.957	8.365.951	2.420.258	4.841.561	23.941.556
Interbank Money markets	4.008.352	--	--	--	--	4.008.352
Securities issued	531.238	1.117.633	1.389.034	681.720	34.896	3.754.521
Total	80.208.126	18.996.865	25.203.769	15.448.773	5.798.702	145.656.235

(*) It includes subordinated loans.

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VII. Explanations related to leverage ratio

Information on matters causing difference between leverage ratios of current period and previous period:

Leverage ratio of DFS Group is 5,59% as of 31 December 2018 (31 December 2017: 5,57%). This ratio is over minimum ratio. Difference between leverage ratios of current and previous period mainly sources from increase in risk amounts regarding assets on balance sheet.

Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS:

		Current Period (**)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (*)	196.991.243
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	(2.918.813)
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	1.275.094
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	--
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	(503)
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	77.105.726
7	Total Risk	272.452.747

(*) 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.
(**) Quarterly average amounts.

		Prior Period (**)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (*)	159.181.296
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	(1.494.450)
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	686.824
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	--
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	(503)
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	63.673.152
7	Total Risk	222.046.319

(*) 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.
(**) Quarterly average amounts.

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Leverage ratio common disclosure template:

		Current Period (*)
	On-balance sheet exposures	
1	On-balance sheet items (exclude derivatives and SFTs; include collateral)	194.072.430
2	(Assets deducted in determining Basel III Tier 1 capital)	(542.344)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	193.530.086
	Derivative exposures	
4	Replacement cost	2.256.385
5	Add-on amount	1.275.094
6	Total derivative exposures (sum of 4 and 5 lines)	3.531.479
	Securities financing transaction exposures	
7	Gross SFT assets (with no recognition of accounting netting)	384.514
8	Agent transaction exposures	
9	Total securities financing transaction exposures (sum of 7 and 8 lines)	384.514
	Other off-balance sheet exposures	
10	Off-balance sheet exposures with gross nominal amount	75.007.171
11	Adjustment amount off-balance sheet exposures with credit conversion factor	(503)
12	Total off-balance sheet exposures (sum of 10 and 11 lines)	75.006.668
	Capital and total exposures	
13	Tier 1 capital	15.211.405
14	Total exposures (sum of 3,6,9 and 12 lines)	272.452.747
	Leverage ratio	
15	Leverage ratio	5,59

(*) Quarterly average amounts.

		Prior Period (*)
	On-balance sheet exposures	
1	On-balance sheet items (exclude derivatives and SFTs; include collateral)	157.686.846
2	(Assets deducted in determining Basel III Tier 1 capital)	(279.116)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	157.407.730
	Derivative exposures	
4	Replacement cost	1.130.446
5	Add-on amount	686.824
6	Total derivative exposures (sum of 4 and 5 lines)	1.817.270
	Securities financing transaction exposures	
7	Gross SFT assets (with no recognition of accounting netting)	220.744
8	Agent transaction exposures	
9	Total securities financing transaction exposures (sum of 7 and 8 lines)	220.744
	Other off-balance sheet exposures	
10	Off-balance sheet exposures with gross nominal amount	62.601.078
11	Adjustment amount off-balance sheet exposures with credit conversion factor	(503)
12	Total off-balance sheet exposures (sum of 10 and 11 lines)	62.600.575
	Capital and total exposures	
13	Tier 1 capital	12.367.759
14	Total exposures (sum of 3,6,9 and 12 lines)	222.046.319
	Leverage ratio	
15	Leverage ratio	5,57

(*) Quarterly average amounts.

VIII. Explanations on Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Standard Approach is used in calculating the Parent Bank's capital adequacy , the tables to be prepared under the Internal Rating Based Approach (IRB) have not been presented yet as of 31 December 2018.

The risk management disclosures were prepared as to comply with the internal control process that is approved by the Board of Directors.

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a. Risk management and overview of risk weighted assets

1. Disclosures related to the risk management approach

Risks, exposed as a result of business model of the Bank, are determined on a consolidated basis through risk identification and materiality assessment of the Bank. Risk mitigation factors and monitoring activities are established for significant risks which are identified. Limits are identified for risks, considered to be significant, in Risk Appetite Declaration of the Bank and those limits are approved by the Board of Directors. Developments with respect to risk limits determined in Risk Appetite Declaration are monitored on a monthly basis and actions which are pre-determined in risk appetite declaration if those limits are excessed.

Denizbank Risk Management Group Directorate is an internal systems unit responsible for carrying out risk management activities working subject to Board of Directors. It directly reports to Board of Directors. Risk Management Group is responsible to carry out processes such as definition and measurement of risks, establishment and application of risk policies and implementation procedures, analysis, monitoring and reporting of risks in the framework of principles determined by Senior Management of the Bank and Risk Management Group and approved by Board of Directors.

Delegation levels of groups, formed by client and clients at the Bank, are determined in accordance with risk categories established based on limit amount and credit grade components within the body of the Bank.

Rating process executed by Credit Analysis department and reviews of Credit Allocation department are periodically audited by Credit Risk Control in line with determined rules and the related outputs are presented to the Rating Committee.

Main components of risk measurement systems and its scope

The Bank, including its subsidiaries, has a comprehensive risk identification process. The process aims to determine significant risks specific to the Bank based on a broad list including inherent risks of banking and it is performed on an annual basis. Opinions and reviews of expert individuals within the body of the Bank during the determination of materiality level of risks. Review outputs are used in reports and form a basis to internal capital adequacy assessment processes of the Bank.

The purpose of the studies made in the scope of measurement of risks includes measuring of financial risks exposed by the Bank and its subsidiaries in order to prepare internal and legal reports and form a relation between carried risks and estimated profitability and evaluation of validity of parameters and assumptions used in risk measurement.

It determines which type of reports shall be prepared as consolidated and unconsolidated. It ensures to establish an effective internal audit system which shall prevent to take risk exceeding targeted risk level and limits determined by regulatory authority. Risk limits, approved by Board of Directors for each type of risk types, are taken into account while controlling and reporting of risks.

There is an effective control system to prevent the risk level from being taken and the limits determined by the regulatory authority. The risk limits that are approved by the Board of Directors are taken into account for each type of risk during the control and reporting of risks.

The Risk Management Group, provides the coordination of the internal capital adequacy assessment process (ICAAP) and the measurement of the risks undertaken by the bank. The annual stress test report, which presents the bank's capital and liquidity, is reported to the BRSA by the scenarios in which the macroeconomic variables are taken into account within the framework of the annual ICAAP report and the 3-year strategic plan. The Bank internally monitors the capital requirement level on a monthly basis.

Disclosures on risk reporting processes provided to Board of Directors and senior management, especially the scope and main content of the reporting

Risk Management Group performs reporting to Senior Management and Board of Directors through Audit Committee, ALCO and Rating Committees. Audit Committee holds quarterly meetings in ordinary situations. Activities performed by the Risk Management Group and risk indicators are presented to the Committee.

ALCO holds weekly meetings. Risk-limit follow-up and detailed analysis related to indicators such as interest and liquidity risk, capital adequacy are presented.

Rating Committee: Rating Committee holds meetings on a quarterly basis. It is the Committee to which the Risk Management presents its evaluation, analysis and findings regarding Internal Rating processes.

Model Risk Management and Validation Committee: It is the committee that the Risk model validation results, prepared within the frame of annual plan, are presented to and approved.

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Risk management, hedging and mitigation strategies of the Bank sourcing from business model and monitoring process with respect to continuing effectiveness of hedging and mitigating components

Limits, which are defined for risks considered to be significant, are monitored on a monthly basis and actions included in risk appetite statement are taken, if required.

In addition, emergency plan related to capital adequacy in order to meet its strategic aims considering stress conditions of the Bank.

2. Overview of risk weighted amount

		Risk Weighted Amount Current Period	Minimum Capital Requirement Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	137.470.531	10.997.642
2	*Standardized approach (SA)*	137.470.531	10.997.642
3	*Internal rating-based (IRB) approach*	--	--
4	Counterparty credit risk	2.476.534	198.123
5	*Standardized approach for counterparty credit risk (SA-CCR)*	2.476.534	198.123
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	1.900	152
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	1.137.450	90.996
17	Standardized approach (SA)	1.137.450	90.996
18	Internal model approaches (IMM)	--	--
19	Operational Risk	11.282.016	902.561
20	*Basic Indicator Approach*	11.282.016	902.561
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)	152.368.431	12.189.474

		Risk Weighted Amount Prior Period	Minimum Capital Requirement Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR)	108.600.182	8.688.015
2	*Standardized approach (SA)*	108.600.182	8.688.015
3	*Internal rating-based (IRB) approach*	--	--
4	Counterparty credit risk	1.502.732	120.219
5	*Standardized approach for counterparty credit risk (SA-CCR)*	1.502.732	120.219
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	1.369	110
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	772.600	61.808
17	Standardized approach (SA)	772.600	61.808
18	Internal model approaches (IMM)	--	--
19	Operational Risk	9.334.711	746.777
20	Basic Indicator Approach	9.334.711	746.777
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)	120.211.594	9.616.929

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b. Linkages between financial statements and exposures

1. Mapping and differences between accounting and regulatory scopes of consolidation

Regulatory 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 8 November 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.

	a	b	c	d	e	f	g
			Carrying values of items under scope of TAS				
Current Period	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisati on 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	28.124.209	28.124.209	28.124.209	--	--	--	--
Banks	6.625.721	6.625.768	6.625.768	--	--	--	--
Due from money markets	9.780	9.780	9.780	--	--	--	--
Financial assets at fair value through profit or loss	189.817	189.484	--	--	--	83.265	--
Financial assets at fair value through other comprehensive income	7.914.488	7.914.489	7.914.489	--	--	--	--
Financial assets measured at amortized cost	6.239.810	6.239.810	6.239.810	--	--	--	--
Derivative financial assets	1.994.311	1.994.311	--	1.994.311	--	--	--
Loans (net)	139.042.980	139.056.605	139.056.605	--	--	--	15.001
Non-currents assets or disposal groups "held for sale" and "from discontinued operations (net)	--	--	--	--	--	--	--
Investments in associates, subsidiaries and joint ventures	809.918	806.501	806.502	--	--	--	--
Tangible assets (net)	949.089	881.784	881.784	--	--	--	90.968
Intangible assets (net)	293.773	271.191	271.191	--	--	--	271.191
Investment properties (net)	202.001	202.001	202.001	--	--	--	--
Current tax assets	10.024	9.539	9.539	--	--	--	--
Deferred tax assets	1.213.967	1.213.623	1.213.623	--	--	--	296.702
Other assets	3.817.382	3.772.341	3.772.341	--	--	--	
Total assets	197.437.270	197.311.436	195.127.642	1.994.311	--	83.265	673.862
Liabilities							
Deposits	139.891.463	139.941.476	--	--	--	--	139.941.476
Funds borrowed	16.388.319	16.362.160	--	--	--	--	16.362.160
Due to money markets	1.415.797	1.415.797	--	1.385.878	--	--	1.415.797
Securities issued (net)	3.987.859	3.987.859	--	--	--	--	3.987.859
Funds	--	--	--	--	--	--	--
Financial liabilities at fair value through profit or loss	--	--	--	--	--	--	--
Derivative financial liabilities	2.049.863	2.049.863	--	--	--	--	2.049.863
Factoring payables	--	--	--	--	--	--	--
Leases payables	--	--	--	--	--	--	--
Provisions	962.481	945.168	--	--	--	--	945.168
Current tax liabilities	369.512	362.949	--	--	--	--	362.949
Deferred tax liabilities	26.173	25.828	--	--	--	--	25.828
Liabilities related to non-current assets "held for sale" and "discontinued operations" (net)	--	--	--	--	--	--	--
Subordinated debts	6.274.450	6.274.450	--	--	--	--	6.274.450
Other liabilities	10.500.980	10.440.616	--	--	--	--	10.440.616
Equity	15.570.373	15.505.270	--	--	--	--	15.505.270
Total liabilities	197.437.270	197.311.436	--	1.385.878	--	--	197.311.436

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	a	b	c	d	e	f	g
			Carrying values of items under scope of TAS				
Prior Period	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisati on 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	16.968.813	16.968.812	16.968.812	--	--	--	--
Financial assets held for trading	1.058.069	1.057.763	--	975.808	--	81.860	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--	--
Banks	10.658.164	10.657.628	10.657.628	--	--	--	--
Receivables from money markets	785.672	785.672	34.886	750.786	--	--	--
Available for sale financial assets (net)	7.046.032	7.046.033	7.046.033	--	--	--	--
Loans and receivables	110.367.723	110.381.306	110.381.306	--	--	--	15.725
Factoring receivables	1.846.145	1.846.145	1.846.145	--	--	--	--
Held to maturity investments (net)	5.335.638	5.335.639	5.335.639	--	--	--	--
Investments in associates (net)	10.833	10.833	10.833	--	--	--	--
Investments in subsidiaries (net)	29.441	41.701	41.701	--	--	--	--
Investments in joint ventures (net)	12.996	2.800	2.800	--	--	--	--
Leasing receivables	2.601.941	2.601.941	2.601.941	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--	--
Tangible assets (net)	812.914	749.514	749.514	--	--	--	110.176
Intangible assets (net)	206.226	188.751	188.751	--	--	--	188.751
Investment properties (net)	171.467	171.467	171.467	--	--	--	--
Tax assets	227.687	223.175	223.175	--	--	--	1.443
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Other assets	2.389.065	2.353.950	2.353.950	--	--	--	--
Total assets	160.528.826	160.423.130	158.614.581	1.726.594	--	81.860	316.095
Liabilities							
Deposits	111.357.200	111.410.464	--	--	--	--	111.410.464
Derivative financial liabilities held for trading	1.285.465	1.285.465	--	--	--	--	1.285.465
Loans	14.709.322	14.680.242	--	--	--	--	14.680.242
Debt to money markets	4.007.167	4.007.166	--	3.977.111	--	--	4.007.166
Debt securities in issue	3.672.757	3.672.758	--	--	--	--	3.672.758
Funds	--	--	--	--	--	--	--
Various debts	2.035.715	1.949.407	--	--	--	--	1.949.407
Other liabilities	2.729.683	2.727.152	--	--	--	--	2.727.152
Factoring debts	--	--	--	--	--	--	--
Debts from leasing transactions	--	--	--	--	--	--	--
Derivative financial liabilities held for hedges	--	--	--	--	--	--	--
Provisions	2.242.162	2.227.812	--	--	--	--	2.227.812
Tax liability	360.878	347.734	--	--	--	--	347.734
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Subordinated debts	5.261.522	5.261.523	--	--	--	--	5.261.523
Equity	12.866.955	12.853.407	--	--	--	--	12.853.407
Total liabilities	160.528.826	160.423.130	--	3.977.111	--	--	160.423.130

2. Main sources of differences between risk exposures and valued amounts in accordance with TAS in financial statements

		a	b	c	d	e
	Current Period	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 TAS	197.311.437	195.127.642	--	1.994.311	83.265
2	Liabilities carrying value amount under TAS		--	--	1.385.878	--
3	Total net amount under regulatory scope of consolidation	197.311.437	195.127.642	--	3.380.189	83.265
4	Off-balance sheet amounts (**)	72.173.142	24.969.603	--	--	--
5	Differences in valuations		--	--	--	--
6	Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7	Differences due to consideration of provisions		--	--	--	--
8	Differences due to prudential filters		--	--	--	1.054.185
9	Differences resulted from considering of the financial guarantees		(10.801.867)	--	--	--
10	Risk exposures	269.484.579	209.295.378	--	3.380.189	1.137.450

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.
(**) It includes risk which are included in credit risk calculation.

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		a	b	c	d	e
	Prior Period	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 TAS	160.423.130	158.544.809	--	1.726.594	81.860
2	Liabilities carrying value amount under TAS		--	--	3.977.111	--
3	Total net amount under regulatory scope of consolidation	160.423.130	158.544.809	--	5.703.705	81.860
4	Off-balance sheet amounts (**)	60.366.644	19.820.274	--	--	--
5	Differences in valuations		--	--	--	--
6	Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7	Differences due to consideration of provisions		--	--	--	--
8	Differences due to prudential filters		--	--	--	690.740
9	Differences resulted from considering of the financial guarantees		(6.745.166)	--	--	--
10	Risk exposures	220.789.774	171.619.917	--	5.703.705	772.600

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.
(**) It includes risk which are included in credit risk calculation.

3. Disclosures on differences between amounts valued in accordance with TAS and risk exposures

Differences between valued amounts in accordance with TAS and risk exposures:

It is obtained through addition of potential risk exposures according to type of transaction and maturity to risk exposure renewal costs in derivative transactions included in counterparty credit risk and through offsetting of cash amount subject to amount adjusted with volatility made to related security in repo and reverse repo transactions.

Amounts of items which are value in accordance with TAS and subject to market risk indicate fair value of financial instruments held for trade. Amounts in line of risk amount related to aforementioned transactions indicate principal amount subject to market risk sourcing from capital requirement calculated related to potential losses which can be caused by interest rate risk, share price risk, exchange rate risks in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy".

Disclosures on controls performed and systems used in order to ensure prudentiality and reliability of valuations estimates of the Bank in accordance with prudential valuation principles and procedures included in accompanying Annex-3 to Communique on Measurement and Evaluation of Bank's Capital Adequacy:

If the financial instruments recognized through fair value have an active and deep market, valuation is performed based on prices included in market in question. Reliability of market data used in valuations is examined periodically. The Bank does not operate in markets which do not have a depth. Discounted cash flow model is mainly used in the evaluation of derivative instruments and generally accepted valuation models are used for derivative transactions including optionality. Accuracy of market data and model outputs used in valuations are periodically controlled and differences between counterparty valuations and bank's evaluations are monitored regularly.

c. Credit risk

1. General qualitative information about credit risk

How does the business model of the Bank transform to components in its credit risk portfolio

Credit risk within the body of the Parent Bank is managed in the framework of Credit Risk Management Policy approved by Board of Directors. Risk, related to credit, are defined, duties of departments are determined and main principles of credit risk management are brought in aforementioned policy document. Departments assigned in credit management and their authorization/responsibilities are defined in aforementioned document.

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In this direction, main limitations related to credit risk are determined in Risk Appetite Statement approved annually by Board of Directors and reported throughout the year by Risk Management Department. Concentration limits on the basis of sector, customer segment and risk groups are determined. Actions which shall be taken in case of a possible overflow are also determined in this document.

In this scope, credit portfolio of the Bank draws a dispersed view with respect to customer segments and sectors.

Criteria and approach used while determining credit risk policy and credit risk limits

Risk limits defined to all counterparties in monitoring of credit risks are tracked on the basis of products, customers and risk groups separately by systems and it is not permitted to take risks exceeding determined limits. Many factors such as ability to pay, features of the sector and possible impacts of geographical and economic conditions are taken into consideration while determining the credit limits of counterparty. If deemed appropriate, it is tried to reduce possible losses of the Bank to minimum through applying required risk mitigation techniques. All documents required by the related legislation should be taken into account during credit examinations. Credit worthiness of counterparty is periodically controlled for limits provided for multi-use and limits are revised considering changes and requirements in the credit worthiness of counterparty. Customers/ transactions are classified based on their credit worthiness by credit allocation officers and respective classes are changed, if required.

Structure and organization of credit risk management and control function

Credit allocation and monitoring is performed in accordance with segregation of duties and therefore, the credit can be reviewed in an objective manner during its economic life. Risk models are used in order to measure credit risk of customers in both allocation and monitoring groups in an accurate and objective manner. Early Warning Systems are used for the monitoring of credit customers and signals received are regularly tracked by Monitoring groups and pre-determined action plans are taken with allocation groups if pre-determined triggers are detected.

Relation between credit risk management, risk control, legal compliance and internal audit functions

The newly developed credit risk models undergo validation process before its implementation, after the approval of The Bank's Model Risk Management and Validation Committee, they are used in the risk management processes. Validation of Credit risk models in use are repeated at least on an annual basis and the results are presented to the Model Risk Management and Validation Committee.

Credit Risk Control periodically presents analysis and results of execution of internal rating systems, evolution of credit rating grades, documentation of changes made in credit grade and compliance to internal limitations to Rating Committee. Compliance of Credit Risk Control activities to intra-bank arrangements and regulations and guides is periodically audited by internal audit departments of the Bank and issue requiring to be developed are monitored following their identification.

Scope and main content of reporting which shall be made to senior management and members of board of directors regarding credit risk management function and exposed credit risk

Board of Directors determines policy of the Group in credit management field and ensures establishment of required conditions to perform determined policies in an effective manner. In this scope, it defines sections related to measurement and management of credit quality and approves documents having primary importance related to credit risk such as Risk Appetite Statement.

2. Credit quality of assets

	Current Period	a	b	c	d
		Gross carrying values of (according to TAS)			
		Defaulted	Non-defaulted	Specific provisions	Net values (a+b-c)
1	Loans	6.649.644	139.452.324	7.045.363	139.056.605
2	Borrowing instruments	--	14.153.321	1.117	14.152.204
3	Off-balance sheet receivables (*)	283.499	71.013.422	329.466	70.967.455
4	Total	6.933.143	224.619.067	7.375.946	224.176.264

(*) It doesn't include revocable commitments and Forward Asset Purhcase –Sales Commitments.

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	Prior Period	a	b	c	d
		Gross carrying values of (according to TAS)			
		Defaulted	Non-defaulted	Specific provisions	Net values (a+b-c)
1	Loans	4.024.614	113.933.301	4.851.915	113.106.000
2	Borrowing instruments	--	12.318.534	1.162	12.317.372
3	Off-balance sheet receivables (*)	183.626	57.491.658	197.518	57.477.766
4	Total	4.208.240	183.743.493	5.050.595	182.901.138

(*) It doesn't include revocable commitments and Forward Asset Purhcase –Sales Commitments.

3. Changes in stock of impaired loans and debt securities

		Current Period
		a (*)
1	Impaired loans and debt securities at end of the previous reporting period	4.024.614
2	Loans and debt securities that have impaired since the last reporting period	5.552.785
3	Receivables that returned to non-impaired status	2.095
4	Amounts written off (**)	1.279.573
5	Other changes	(1.646.087)
6	Impaired loans and debt securities at end of the reporting period (1 + 2 - 3 – 4 ± 5)	6.649.644

(*) It doesn't include off-balance sheet receivables.
(**) It indicates sales made from non-performing loans portfolio and written off transactions.

		Prior Period
		a (*)
1	Impaired loans and debt securities at end of the previous reporting period	3.651.639
2	Loans and debt securities that have impaired since the last reporting period	1.962.958
3	Receivables that returned to non-impaired status	59.000
4	Amounts written off (**)	694.258
5	Other changes	(836.725)
6	Impaired loans and debt securities at end of the reporting period (1 + 2 - 3 – 4 ± 5)	4.024.614

(*) It doesn't include off-balance sheet receivables.
(**) It indicates sales made from non-performing loans portfolio.

4. Additional disclosure related to the credit quality of assets

(i) Scope and definitions of "overdue" receivables and "provisioned" receivables used for purposes of accounting

The Parent Bank considers loans that have overdue principal and interest payments and are classified as second group according to the "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 as "impaired loans."

(ii) Part of overdue receivables (over 90 days) which are not considered as "Provisioned" and reasons for the implementation in question.

Loans that have overdue principal and interest payments for more than 90 days after the maturity date are transferred to "Nonperforming loans" accounts and the Bank calculates "specific provisions" for such loans in compliance with the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

(iii) Definitions of methods used while determining amount of provision

The methods used in the calculation of the provision amount are presented in Note VIII of Section Three.

(iv) Definitions of restructured receivables

The Bank can restructure both of its first and second group credits and its nonperforming credit and receivables. Restructuring in first and second group of credits and in other receivables are made in order to improve repayment ability of the customer as well as including changes made in contract terms with the request of the customer independent from credit risk of the customer. Restructurings made in nonperforming claims and receivables are changes made in payment plan of the credit towards ensuring of collection of the receivable.

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(v) Breakdown of receivables by geographical area

	Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Specific provisions	Write-Offs (*)
		Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1	Domestic	6.537.727	112.816.126	--	13.204.399	279.258	63.137.362	3.995.990	1.279.573
2	EU Countries	81.801	15.435.766	--	164.840	--	946.031	69.339	--
3	OECD Countries	336	3.746.315	--	--	--	1.560.446	137	--
4	Off Shore Zones	4	1.070.760	--	--	--	36.519	3	--
5	USA, Canada	1.189	326.297	--	685.523	--	6.927	928	--
6	Other Countries	28.587	6.057.060	--	98.559	4.241	5.326.137	14.714	--
7	Total	6.649.644	139.452.324	--	14.153.321	283.499	71.013.422	4.081.111	1.279.573

(*) It indicates sales made from non-performing loans portfolio.

	Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Specific provisions	Write-Offs (*)
		Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1	Domestic	3.936.269	98.990.173	--	12.022.936	183.614	54.872.811	3.053.788	694.258
2	EU Countries	77.104	8.754.666	--	136.463	12	671.115	69.242	--
3	OECD Countries	657	654.276	--	--	--	765.545	46	--
4	Off Shore Zones	--	511.456	--	--	--	11.116	--	--
5	USA, Canada	3.038	258.037	--	--	--	17.644	1.888	--
6	Other Countries	7.546	4.764.693	--	159.135	--	1.153.427	3.559	--
7	Total	4.024.614	113.933.301	--	12.318.534	183.626	57.491.658	3.128.523	694.258

(*) It indicates sales made from non-performing loans portfolio.

(vi) Breakdown of receivables by sectors

	Loans		Borrowing instruments		Off-Balance sheet receivables		Specific provisions	Write-Offs (*)
Current Period	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	384.915	17.683.032	--	--	3.166	3.576.791	229.486	7.622
Farming and Cattle	379.835	15.905.718	--	--	2.989	3.556.834	225.603	7.431
Forestry	431	1.769.007	--	--	25	6.038	325	108
Fishing	4.649	8.307	--	--	152	13.919	3.558	83
Manufacturing	552.504	16.144.497	--	99.803	25.082	13.428.251	325.228	48.252
Mining	183.446	710.108	--	--	5.747	499.615	98.528	14.808
Production	364.933	7.010.564	--	76.017	16.916	11.526.341	223.163	31.866
Electric, Gas, Water	4.125	8.423.825	--	23.786	2.419	1.402.295	3.537	1.578
Construction	462.771	8.919.556	--	--	78.343	8.770.931	277.712	26.382
Services	3.178.697	45.194.359	--	423.080	110.268	14.253.563	1.884.329	580.828
Wholesale and Retail Trade	1.285.869	12.277.147	--	--	63.999	8.793.375	871.969	290.463
Hotel and Restaurant Services	998.552	12.574.507	--	--	27.138	857.856	411.967	8.066
Transportation and telecommunication	283.110	10.301.450	--	200	16.408	2.256.512	218.295	273.296
Financial institution	503.395	3.137.818	--	422.880	190	1.714.594	325.196	1.217
Real estate and letting services	13.641	960.602	--	--	789	107.117	10.757	3.640
Self-employement services	--	--	--	--	--	--	--	--
Education services	19.313	1.804.466	--	--	980	214.024	16.884	1.631
Health and social services	74.817	4.138.369	--	--	764	310.085	29.261	2.515
Other	2.070.757	51.510.880	--	13.630.438	66.640	30.983.886	1.364.356	616.489
Total	6.649.644	139.452.324	--	14.153.321	283.499	71.013.422	4.081.111	1.279.573

(*) It indicates sales made from non-performing loans portfolio.

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	Loans		Borrowing instruments		Off-Balance sheet receivables			
Prior Period	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Specific Provisions	Write-Offs (*)
Agricultural	225.754	12.411.996	--	--	2.534	2.991.635	150.663	6.893
Farming and Cattle	217.958	12.400.214	--	--	2.398	2.976.848	147.822	6.601
Forestry	454	4.691	--	--	15	8.046	427	203
Fishing	7.342	7.091	--	--	121	6.741	2.414	89
Manufacturing	416.964	14.362.108	--	99.273	20.755	11.022.973	279.707	30.740
Mining	54.689	3.360.237	--	--	1.809	474.683	34.336	2.954
Production	280.046	6.993.235	--	57.750	13.308	9.699.233	211.461	27.632
Electric, Gas, Water	82.229	4.008.636	--	41.523	5.638	849.057	33.910	154
Construction	285.778	10.895.641	--	--	78.246	8.132.604	185.285	15.132
Services	1.472.510	37.406.447	--	457.820	68.045	15.983.988	1.087.060	188.382
Wholesale and Retail Trade	905.419	13.874.890	--	--	57.835	10.935.042	707.687	154.759
Hotel and Restaurant Services	154.223	11.731.807	--	--	2.366	939.952	53.238	5.632
Transportation and telecommunication	272.195	5.796.234	--	48.782	5.383	2.209.142	208.712	22.914
Financial institution	20.562	689.917	--	409.038	170	1.128.847	13.668	829
Real estate and letting services	11.044	433.544	--	--	654	139.610	8.769	1.723
Self-employement services	--	--	--	--	--	--	--	--
Education services	20.896	1.607.019	--	--	975	279.819	18.398	547
Health and social services	88.171	3.273.036	--	--	662	351.576	76.588	1.978
Other	1.623.608	38.857.109	--	11.761.441	14.046	19.360.458	1.425.808	453.111
Total	4.024.614	113.933.301	--	12.318.534	183.626	57.491.658	3.128.523	694.258

(*) It indicates sales made from non-performing loans portfolio.

(vii) Breakdown of receivables by outstanding maturity

Current Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	--	46.878.762	13.185.454	12.175.506	26.738.042	125.641.302	224.619.066
1 Loans	--	14.029.749	6.408.448	7.304.146	17.724.703	93.985.278	139.452.324
2 Borrowings instruments	--	--	444.500	--	1.408.423	12.300.398	14.153.321
3 Off-balance sheet receivables	--	32.849.013	6.332.506	4.871.360	7.604.916	19.355.626	71.013.421
Defaulted receivables	6.933.143	--	--	--	--	--	6.933.143
1 Loans	6.649.644	--	--	--	--	--	6.649.644
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	283.499	--	--	--	--	--	283.499
Specific Provision	4.081.111	--	--	--	--	--	4.081.111
Total	2.852.032	46.878.762	13.185.454	12.175.506	26.738.042	125.641.302	227.471.098

Prior Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	--	37.131.297	10.362.113	8.499.691	19.436.083	108.314.708	183.743.492
1 Loans	--	10.104.229	7.106.873	4.651.711	12.633.207	79.437.281	113.933.301
2 Borrowings instruments	--	9.626	134.689	374.499	290.345	11.509.375	12.318.534
3 Off-balance sheet receivables	--	27.017.442	3.120.551	3.473.081	6.512.531	17.368.052	57.491.657
Defaulted receivables	4.208.240	--	--	--	--	--	4.208.240
1 Loans	4.024.614	--	--	--	--	--	4.024.614
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	183.626	--	--	--	--	--	183.626
Specific Provision	3.128.523	--	--	--	--	--	3.128.523
Total	1.079.717	37.131.297	10.362.113	8.499.291	19.436.083	108.314.708	184.823.209

(viii) Ageing analysis of Parent Bank's overdue receivables

Current Period	1-30 days	31-60 days	61-90 days	Total
Loans	3.908.956	1.753.278	1.525.569	7.187.803
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

Prior Period	1-30 days	31-60 days	61-90 days	Total
Loans	3.226.448	1.047.860	1.196.181	5.470.489
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

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(ix) Breakdown of restructured receivables according to their provisioning status

	Current Period
Standard loans and restructured from other reciavables	5.338.717
Loans under close monitoring and restructured from other receivables	6.718.709
Restructured from non-performing loans	180.093

	Prior Period
Standard loans and restructured from other reciavables	1.694.451
Loans under close monitoring and restructured from other receivables	4.577.399
Restructured from non-performing loans	298.597

5. Credit risk mitigation techniques

The Parent Bank uses balance sheet netting and / or uses a general netting contract by taking into account the provisions related to risk mitigation of private equity instruments. As of the reporting date, financial collaterals are valued at their latest values and included in the credit risk mitigation process. While the allocation of the collateral amount to the loan is taken into consideration, the risk mitigation effects are calculated over the collateral values by taking into account the possible loss in the value of the collateral in terms of collateral value and credit risk mitigation is made according to the comprehensive financial collateral method. The legal validity of real estate mortgages is ensured by the timely and duly registered registration of the mortgage; material changes in market conditions are followed.

The Parent Bank performs credit risk mitigation according to comprehensive financial collateral method in accordance with "Communique on Credit Risk Mitigation Techniques". Exchange mismatch between receivable and collateral and cut-off rates based on type of collateral are considered through inspecting standard cut-off ratios mentioned in annex of the communique while maturity mismatch between receivable and collateral is taken into account in accordance with method mentioned in the Article 40. In credit risk mitigation, cash, financial debt securities, real estate mortgages and Treasury guaranteed Credit Guarantee Fund bails are used.

Credit policies establish an operational link between the Bank's operations and risk capacity and cover the main areas of activity consistent with the target portfolio structure, risk targets related to expected and unexpected losses in line with risk capacity and limits on risk concentration. It is ensured that the limits are complied with the relevant legislation and the limitations set by the regulatory and supervisory authorities. The Bank uses a holistic approach in concentration risk management in which all risk concentrations are identified, monitored and evaluated. For this reason, not only the loans extended to individuals and companies, but also the market, sector, country and activity areas are taken into consideration. In line with its policy and internal procedures, the Bank takes maximum care to ensure that credit and market risk is not concentrated in a specific counterparty or risk category.

6. Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
	Current Period	Exposures unsecured: revaluation amount 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	107.605.654	23.257.047	10.057.270	8.193.904	--	--	--
2	Borrowing instruments	14.152.204	--	--	--	--	--	--
3	Total	121.757.858	23.257.047	10.057.270	8.193.904	--	--	--
4	Of which defaulted (*)	6.292.285	640.858	--	--	--	--	--

(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

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		a	b	c	d	e	f	g
	Prior Period	Exposures unsecured: revaluation amount 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	76.898.222	26.589.943	18.662.426	9.617.835	8.007.536	--	--
2	Borrowing instruments	12.317.372	--	--	--	--	--	--
3	Total	89.215.594	26.589.943	18.662.426	9.617.835	8.007.536	--	--
4	Of which defaulted (*)	3.639.979	568.261	221.440	--	--	--	--

(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

7. Disclosures on rating grades used while calculating credit risk with standard approach

Ratings provided by international rating agency Fitch are used for the determination of risk weights which shall be applied in the calculation of capital adequacy. The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

The matching of risk ratings with risk weights according to credit quality level and risk classes are shown in the table below.

8. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) methods

		a	b	c	d	e	f
	Current Period	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Risk classifications	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	41.850.609	55.276	49.415.492	1.959.726	3.930.551	7,65%
2	Exposures to regional governments or local authorities	1.012.379	12.639	1.009.128	5.056	507.092	50,00%
3	Exposures to public sector entities	--	--	--	--	--	0,00%
4	Exposures to multilateral development banks	--	--	--	--	--	0,00%
5	Exposures to international organisations	--	--	--	--	--	0,00%
6	Exposures to institutions	8.474.947	3.630.218	8.399.016	3.143.643	3.859.644	33,44%
7	Exposures to corporates	75.904.742	33.936.737	64.559.663	17.377.292	81.372.014	99,31%
8	Retail exposures	46.644.862	34.871.051	42.244.370	2.749.950	33.879.566	75,30%
9	Exposures secured by residential property	3.829.340	526.299	3.587.202	259.932	1.346.497	35,00%
10	Exposures secured by commercial real estate	11.560.488	1.752.197	10.469.714	975.279	6.870.154	60,03%
11	Past-due loans	2.527.687	162.803	2.525.675	54.831	2.752.705	106,67%
12	Higher-risk categories by the Agency Board	38.486	--	38.472	--	35.231	91,58%
13	Exposures in the form of covered bonds	--	--	--	--	--	0,00%
14	Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	0,00%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	488	--	488	488	100,00%
16	Other assets	5.064.284	--	5.064.284	--	3.611.158	71,31%
17	Investments in equities	810.272	--	810.272	--	810.272	100,00%
18	Total	197.718.096	74.947.708	188.123.288	26.526.197	138.975.372	64,75%

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	Prior Period	a	b	c	d	e	f
		Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	Risk classifications	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	35.113.774	383.437	42.562.674	1.607.731	3.088.583	6,99%
2	Exposures to regional governments or local authorities	405.818	21.036	404.218	8.617	206.417	50,00%
3	Exposures to public sector entities	--	--	--	--	--	0,00%
4	Exposures to multilateral development banks	--	--	--	--	--	0,00%
5	Exposures to international organisations	--	--	--	--	--	0,00%
6	Exposures to institutions	4.577.056	2.005.372	4.577.056	1.703.368	2.615.150	41,64%
7	Exposures to corporates	56.451.256	28.044.751	48.858.021	13.575.587	61.986.698	99,28%
8	Retail exposures	42.211.157	29.803.027	37.792.798	2.697.421	30.461.461	75,23%
9	Exposures secured by residential property	4.922.250	397.043	4.730.737	185.686	1.720.748	35,00%
10	Exposures secured by commercial real estate	9.469.296	1.148.270	8.373.861	705.663	5.387.226	59,33%
11	Past-due loans	964.454	98.068	964.026	37.950	1.009.567	100,76%
12	Higher-risk categories by the Agency Board	--	--	--	--	--	0,00%
13	Exposures in the form of covered bonds	--	--	--	--	--	0,00%
14	Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	0,00%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	219	--	219	219	100,00%
16	Other assets	4.539.843	--	4.539.843	--	2.498.085	55,03%
17	Investments in equities	266.425	--	266.425	--	591.354	221,96%
18	Total	158.921.329	61.901.223	153.069.659	20.522.242	109.565.508	63,12%

9. Standardised Approach – Exposures by asset classes and risk weights

	Current Period	a	b	c	k	d	l	e	f	g	h	ı	j
	Risk Classifications/Risk Weight*	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF and CRM)
1	Exposures to central governments or central banks	47.444.667	--	--	--	--	--	--	3.930.551	--	--	--	51.375.218
2	Exposures to regional governments or local authorities	--	--	--	--	--	1.014.184	--	--	--	--	--	1.014.184
3	Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to institutions	--	--	7.805.957	--	--	2.876.499	--	860.203	--	--	--	11.542.659
7	Exposures to corporates	--	--	706.176	--	--	--	--	81.230.779	--	--	--	81.936.955
8	Retail exposures	--	--	--	--	--	--	44.459.017	535.303	--	--	--	44.994.320
9	Exposures secured by residential property	--	--	--	3.847.134	--	--	--	--	--	--	--	3.847.134
10	Exposures secured by commercial real estate	--	--	--	--	9.149.677	--	--	2.295.316	--	--	--	11.444.993
11	Past-due loans	--	--	--	--	--	647.602	--	940.905	991.999	--	--	2.580.506
12	Higher-risk categories by the Agency Board	--	--	--	--	--	6.482	--	31.990	--	--	--	38.472
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)	--	--	--	--	--	--	--	488	--	--	--	488
16	Investments in equities	--	--	--	--	--	--	--	810.272	--	--	--	810.272
17	Other assets	1.453.107	--	--	--	--	--	79	3.611.098	--	--	--	5.064.284
18	Total	48.897.774	--	8.512.133	3.847.134	9.149.677	4.544.767	44.459.096	94.246.905	991.999	--	--	214.649.485

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	Prior Period	a	b	c	k	d	l	e	f	g	h	ı	j
	Risk Classifications/Risk Weight*	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF and CRM)
1	Exposures to central governments or central banks	41.081.822	--	--	--	--	--	--	3.088.583	--	--	--	44.170.405
2	Exposures to regional governments or local authorities	--	--	--	--	--	412.835	--	--	--	--	--	412.835
3	Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to institutions	--	--	3.438.390	--	--	1.829.124	--	1.012.910	--	--	--	6.280.424
7	Exposures to corporates	--	--	558.637	--	--	--	--	61.874.971	--	--	--	62.433.608
8	Retail exposures	--	--	--	--	--	--	40.115.034	375.185	--	--	--	40.490.219
9	Exposures secured by residential property	--	--	--	4.916.423	--	--	--	--	--	--	--	4.916.423
10	Exposures secured by commercial real estate	--	--	--	--	--	7.384.595	--	1.694.929	--	--	--	9.079.524
11	Past-due loans	--	--	--	--	--	189.464	--	812.512	--	--	--	1.001.976
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)	--	--	--	--	--	--	--	219	--	--	--	219
16	Investments in equities	--	--	--	--	--	--	--	49.806	--	--	216.619	266.425
17	Other assets	2.034.523	--	9.031	--	--	--	42	2.496.247	--	--	--	4.539.843
18	Total	43.116.345	--	4.006.058	4.916.423	--	9.816.018	40.115.076	71.405.362	--	--	216.619	173.591.901

d. Counterparty Credit Risk

1. Counterparty credit risk (CCR) explanations

Policies regarding counterparty credit risk management; Turkish Banking Legislation is determined by the Board of Directors in compliance with the regulations of the Banking Regulation and Supervision Agency and international standards.

Counterparty credit risk is included derivative financial products and repo transactions. Counterparties are divided into segments as financial institutions, corporate-commercial customers, SME-Micro-Gold-Agriculture customers and individual customers. In order to determine the products and services to be offered to customers, "Conformity Test" is applied according to the product information, financial status and frequency of transactions of the customers. Conformity testing is not mandatory for customers classified as professionals.

The counterparty's creditworthiness is analyzed and re-evaluated at regular intervals before the transactions with counterparties. The limits are set separately for each counterparty and for the counterparties within the same risk group. Limits are approved in the relevant credit committees according to the segment of counterparties. The revision of the limits is made at least once a year. If deemed necessary, the approved limits are blocked by the approval of the Credit Committee / Credit Allocation Department.

Risk monitoring of transactions within the scope of CCR; the potential risk and daily valuation method, which are calculated by multiplying the rates varying by type, maturity and type of foreign currency by the nominal amount of the transaction, is carried out by monitoring the current risk. Risk reduction methods included in international agreements such as ISDA, CSA, GMRA and EMA signed with the counterparty are used in transactions with financial institutions. For other counterparties, collateral adequacy rates are monitored on a daily basis within the scope of the Bank's current credit policies and procedures, and where necessary, collateralization and margin completion practices and risk mitigation are carried out. The margins to be used in collateral agreements are reviewed regularly. Margins; is determined according to the volatility and liquidity of the collateral. The risks of transactions that are subject to netting and which are subject to netting are monitored together. In the event of a decrease in the Bank's credit rating, the Bank's obligation to provide additional collateral is followed.

The Bank also takes into account the risk of countertrend risk in the credit evaluation of counterparties. Countertrend risk; the risk of general adverse trend and specific countertrend risk arise in two ways.

General countertrend risk; denotes the risk that occurs when there is a positive correlation between the probability of default of counterparties and general market risk factors.

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Specific countertrend risk; states the risk that occurs when there is a positive correlation between the risk amount and the probability of default of the counterparty due to the nature of the transaction. Where the counterparty is expected to have a high probability of default, the risk of a specific countertrend risk will be expected if the future risk amount is expected to increase.

2. Analysis of counterparty credit risk exposure by measurement approaches

		a	b	c	d	e	f
	Current Period	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)(*)	1.988.615	825.124		-	2.783.613	1.487.869
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)					74.639	15.072
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					--	--
6	Total						1.502.941

(*) Counterparty credit risk for derivatives is calculated by the fair value method.

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	Prior Period	a Replacement cost	b Potential future exposure	c EEPE	d Alpha used for computing regulatory exposure at default)	e Exposure at default post CRM	f RWA
1	Standardised Approach (for derivatives)(*)	969.154	667.393		--	1.605.874	882.276
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)					408.040	81.681
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					--	--
6	Total						963.957

(*) Counterparty credit risk for derivatives is calculated by the fair value method.

3. Credit valuation adjustment (CVA) capital charge

	Current Period	a Exposure at default post-CRM	b RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	Value at Risk (VaR) component (including the 3×multiplier)	--	--
2	Stressed VaR component (including the 3×multiplier)	--	--
3	All portfolios subject to the Standardised CVA capital charge	2.783.613	973.593
4	Total subject to the CVA capital charge	2.783.613	973.593

	Prior Period	a Exposure at default post-CRM	b RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	Value at Risk (VaR) component (including the 3×multiplier)	--	--
2	Stressed VaR component (including the 3×multiplier)	--	--
3	All portfolios subject to the Standardised CVA capital charge	1.605.874	538.775
4	Total subject to the CVA capital charge	1.605.874	538.775

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4. Standard approach – Counterparty credit risk with respect to risk classes and weights

Current Period	a	b	c	d	e	f	g	h	i
Risk Weigths / Risk Classifications	%0	%10	%20	%50	%75	%100	%150	Other	Total credit Exposure (*)
Claims from central governments and central banks	6.213	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	844.544	1.336.093	--	--	--	--	836.955
Corporates	--	--	--	--	--	649.248	--	--	649.248
Retail portfolios	--	--	--	--	21.665	--	--	--	16.249
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	--	--	--	--	--	489	--	--	489
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets (**)	--	--	--	--	--	--	--	--	--
Total	6.213	--	844.544	1.336.093	21.665	649.737	--	--	1.502.941

(*)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	a	b	c	d	e	f	g	h	i
Risk Weigths / Risk Classifications	%0	%10	%20	%50	%75	%100	%150	Other	Total credit Exposure (*)
Claims from central governments and central banks	5.560	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	779.556	825.101	--	--	--	--	568.462
Corporates	--	--	--	--	--	370.674	--	--	370.674
Retail portfolios	--	--	--	--	32.803	--	--	--	24.602
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	--	--	--	--	--	219	--	--	219
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets (**)	--	--	--	--	--	--	--	--	--
Total	5.560	--	779.556	825.101	32.803	370.893	--	--	963.957

(*)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.

5. Collaterals used for counterparty credit risk

Current Period	a	b	c	d	e	f
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions	
	Received Guarantees	Given Guarantees				
	Appropriated	Unappropriated	Appropriated	Unappropriated	Received Guarantees	Given Guarantees
Cash-Domestic Currency	7.150	--	--	--	--	1.386.715
Cash-Foreign Currency	22.977	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--
Stock	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--
Total	30.127	--	--	--	--	1.386.715

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	a	b	c	d	e	f
Prior Period	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions	
	Received Guarantees		Given Guarantees			
	Appropriated	Unappropriated	Appropriated	Unappropriated	Received Guarantees	Given Guarantees
Cash-Domestic Currency	--	--	--	--	750.891	3.922.038
Cash-Foreign Currency	30.673	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--
Stock	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--
Total	30.673	--	--	--	750.891	3.922.038

6. Credit derivatives

None.

7. Exposures to central counterparties (CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

4. Securitization positions in banking positions and capital requirements related to those – whose sponsorship or founder is the bank

None.

5. Securitization positions in banking positions and capital requirements related to those- in which the Bank is an investor

None.

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f. Market Risk

1. Explanations on market risk

Within the scope of financial risk management, market risk management activities are defined in accordance with the "Regulation on the Banks' Internal Systems and Internal Capital Adequacy Assessment Process" and the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and necessary measures are taken in order to avoid excessive market risk.

Standard method and internal model are used for the measurement of market risk. The principals of standard method are defined by BRSA and calculation is performed monthly for the consolidated and non consolidated scope. Risk measurement with the internal model is performed on a daily basis and risk indicators such as value at risk, interest rate sensitivity and option sensitivities are monitored. The "Trading Book" classification defined by the regulation is used for market risk measurement. Limits based on risk indicators and stop-loss limits are set by the Board of Directors in order to control the market risk exposure.

2. Standardised approach

		Current Period
		RAT
	Outright products	
1	Interest rate risk (general and specific)	121.563
2	Equity risk (general and specific)	--
3	Foreign exchange risk	876.462
4	Commodity risk	110.512
	Options	
5	Simplified approach	--
6	Delta-plus method	28.913
7	Scenario approach	--
8	Securitisation	--
9	**Total**	1.137.450

		Prior Period
		RAT
	Outright products	
1	Interest rate risk (general and specific)	37.213
2	Equity risk (general and specific)	200
3	Foreign exchange risk	653.575
4	Commodity risk	78.112
	Options	
5	Simplified approach	--
6	Delta-plus method	3.500
7	Scenario approach	--
8	Securitisation	--
9	**Total**	772.600

3. Information on market risk calculated as of month-ends during the period

	Current Period: 31 December 2018		
	Average	Highest	Lowest
Interest Rate Risk	7.182	11.559	2.970
Stock Risk	7	34	--
Currency Risk	87.371	138.031	51.046
Emtia Risk	13.266	19.049	8.841
Settlement Risk	--	--	--
Option Risk	3.114	7.753	324
Counterparty Risk	--	--	--
Total Risk Exposure Value	1.386.754	2.039.263	830.988

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	Prior Period: 31 December 2017		
	Average	Highest	Lowest
Interest Rate Risk	2.958	5.727	1.712
Stock Risk	18	74	--
Currency Risk	45.251	65.685	23.929
Emtia Risk	4.532	6.591	2.962
Settlement Risk	--	--	--
Option Risk	1.223	4.569	87
Counterparty Risk	--	--	--
Total Risk Exposure Value	674.777	992.363	384.988

g. Operational risk

1. Disclosures on operational risk calculation

Principal amount subject to operational risk is calculated through using year-end gross income of 2017, 2016 and 2015 of DFS Group belonging to last 3 years via "Basic Indicators Approach" dated in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" published on Official Gazette dated 23 October 2015 numbered 29511.

2. Basic indicators approach

	31/12/2015	31/12/2016	31/12/2017	Total/Positive GI year number	Ratio(%)	Total
Gross Income	4.699.298	6.104.710	7.247.218	6.017.075	15	902.561
Amount Subject to Operational Risk						11.282.016

IX. Presentation of financial assets and liabilities at their fair value

a. Calculation of financial assets and liabilities at their fair value

The fair value of financial assets measured at amortized cost are determined based on market prices, or when they are not available, based on market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits and floating rate placements represent their carrying value. The expected fair value of the fixed rate deposits are determined by calculating the discounted cash flows using the market interest rates of similar instruments.

Fair value of credits are calculated by discounting cash flow with current market interest rate.

Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

The following table summarizes the carrying value and fair value of financial assets and liabilities. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	Book Value Current Period	Fair Value Current Period
Financial Assets	159.846.452	154.128.735
Interbank Money Market Placements	9.780	9.780
Banks	6.625.768	6.627.163
Financial Assets at Fair Value Through Other Comprehensive Income	7.914.489	7.914.489
Financial Assets Measured at Amortized Cost	6.239.810	5.819.732
Loans	139.056.605	133.757.571
Financial Liabilities	167.981.742	167.208.476
Bank Deposits	2.677.887	2.673.695
Other Deposits	137.263.589	137.068.134
Interbank Money Market Borrowings	1.415.797	1.415.797
Funds Borrowed From Other Financial Institutions	16.362.160	16.308.749
Subordinated Loans	6.274.450	5.777.019
Securities Issued	3.987.859	3.965.082

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	Book Value Prior Period	Fair Value Prior Period
Financial Assets	**138.654.364**	**137.548.472**
Interbank Money Market Placements	785.672	785.672
Banks	10.657.628	10.655.679
Investment Securities Available-For-Sale	7.046.033	7.046.033
Investment Securities Held-To-Maturity	5.335.639	5.299.803
Loans and Other Receivables	114.829.392	113.761.285
Financial Liabilities	**140.981.560**	**140.875.122**
Bank Deposits	3.981.559	3.978.312
Other Deposits	107.428.905	107.509.723
Interbank Money market borrowings	4.007.166	4.007.166
Funds Borrowed From Other Financial Institutions	14.680.242	14.528.125
Subordinated Loans	5.261.523	5.225.391
Securities Issued	3.672.758	3.676.998
Miscellaneous Payables	1.949.407	1.949.407

b. Classification of fair value

TFRS 7 sets classification of valuation techniques according to the inputs used in valuation techniques based on fair value calculations which are whether observable or not.

Fair value levels of financial assets and liabilities that are carried at fair value in DFS Group's financial statements are given below:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	189.484	--	--	189.484
Public Sector Debt Securities	92.148	--	--	92.148
Share Certificated	95.845	--	--	95.845
Trading Purpose Derivatives	1.491	--	--	1.491
Other Securities	--	1.994.311		1.994.311
Financial Assets at Fair Value Through Other Comprehensive Income (*)	7.913.511	--	--	7.913.511
Public Sector Debt Securities	7.354.626	--	--	7.354.626
Other Securities	558.885	--	--	558.885
Loans at Fair Value Through Profit or Loss	--	--	323.627	323.627
Total Assets	**8.102.995**	**1.994.311**	**323.627**	**10.420.933**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	--	2.049.863	--	2.049.863
Total Liabilities	**--**	**2.049.863**	**--**	**2.049.863**

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	81.860	975.808	--	1.057.668
Public Sector Debt Securities	80.711	--	--	80.711
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	975.808	--	975.808
Other Securities	1.149	--	--	1.149
Financial Assets Available for Sale (*)	6.414.245	568.650	--	6.982.895
Public Sector Debt Securities	6.414.245	--	--	6.414.245
Other Securities	--	568.650	--	568.650
Hedging Purpose Derivatives				--
Total Assets	**6.496.105**	**1.544.458**	**--**	**8.040.563**
Derivative Financial Liabilities Held for Trading	--	1.285.465	--	1.285.465
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	**--**	**1.285.465**	**--**	**1.285.465**

(*) As at 31 December 2018, share certificates amounting TL 978 do not included carried at cost in the framework of TAS 39 (31 December 2017: TL 3.956).

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Unobservable inputs

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Movement table of financial assets at level 3

	Current period
Balance at the beginning of the period	--
Purchases	--
Amortization and sales	--
Transfers	323.627
Balance at the end of the period	**323.627**

Investment property of DFS Group and property held under tangible fixed assets at fair value are classified as level 3.

X. Transactions carried out on behalf and account of other parties and fiduciary transactions

a. Information on whether the Group performs sales, purchase, management, consultancy and custody services on behalf and account of others, or not

DFS Group performs sales, purchase, management, consultancy and custody services on behalf and account of others.

b. Transactions directly realized with other financial institutions depending on fiduciary contracts and probability of material effect of such transactions on the financial position of the Bank.

None.

XI. Explanations related to hedging transactions

a. Net Investment Risk

DFS Group applies net investment hedge strategy to hedge against the currency risk arising on a consolidated basis from the net investments amounting to a total of Euro 1.347 million and US Dollar 7 million of subsidiaries Denizbank AG and Eurodeniz. The part consisting of the same amounts of its foreign currency deposit has been defined as "hedging instrument". The effective part of the change in value of the foreign currency deposit arising from exchange rate has been recognized as "hedging funds" under equity.

On the other hand, as of 1 April 2014, the Parent Bank stopped applying net investment hedge accounting due to its net investment to hedge against the currency risk on the subsidiary of JSC Denizbank, and the total hedging fund which is booked under equity for that subsidiary is amounting to TL (57.744).

Total net investment hedging funds recognized under equity is amounting to TL (3.292.504) as of

31 December 2018 (31 December 2017: TL (1.741.301)).

b. Cash Flow Hedge

Within the scope of foreign exchange risk management, Deniz Leasing started to apply cash flow hedge accounting as of April 1, 2018 by matching the future Euro lease receivables and the estimated future sales of used cars, whose fair values are followed by Euro, in accordance with the agreements.

In the accounting for hedge of cash flow that Deniz Leasing has started to implement; the Company has identified forward-looking future rental sales of Euro-denominated operating lease receivables and their fair values in EUR, and the credit in Euro terms has been taken as a hedging tool.

Profit/ (loss) after tax TL (29.409) which is accounted under shareholders' equity as cash flow hedge accounting as of December 31, 2018 (31 December 2017: None).

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XII. Explanations related to the consolidated segment reporting

DFS Group is active in four areas; namely, wholesale banking, SME and agricultural banking, retail banking, and treasury.

Wholesale banking offers financial and banking solutions to large-scale local and international corporate and commercial customers. In order to meet customer needs related to projects, investment and working capital, corporate banking offers short and long-term working capital loans, investment loans, financial and operational leasing and factoring services, non-cash loans, foreign exchange transactions, export finance, project finance, structured finance, corporate finance, and deposit products and cash management services.

The Bank offers loan products (consumer loans, mortgage, vehicle, agricultural and investment loans), distinctive credit cards, producer card, investment products (mutual funds, shares, government bonds/treasury bills, and repos), deposit products (time, demand, protected), insurance products, SME loans, agricultural loans, financial and operational leasing and factoring services to the customers classified under retail, SME and agricultural segments. Alternative distribution channels allow customers to meet their banking needs without the need to physically visit the branches. Among products that meet every day needs of customers are overdraft loans, automated bill payment, checkbooks and rental safes.

Within treasury; sales, prop-trading and private banking departments offer spot and forward TL and foreign exchange transactions, trading of treasury bills, bonds and other local and international securities and derivative products. Providing medium and long-term financing, diversification of funding and maintenance an international investor base are also the activities defined in this segment.

Segment information is prepared in line with the Parent Bank's Management Information Systems and the prior period figures are also revised accordingly.

Segment information of the Group is presented in the following table:

Current Period (01/01/2018-31/12/2018)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	2.001.994	1.898.727	1.403.567	1.730.618	7.034.906
Net fees and commission income	248.869	1.001.408	1.014.966	(36.856)	2.228.387
Other income/loss, net	538.577	385.745	217.928	(1.121.122)	21.128
Total segment income	2.789.440	3.285.880	2.636.461	572.640	9.284.421
Other operational expenses (*)	(677.019)	(1.299.698)	(1.596.303)	(113.540)	(3.686.560)
Expected credit losses	(1.224.684)	(935.850)	(497.895)	(240.148)	(2.898.577)
Taxation					(495.196)
Net profit from continuing operations	887.737	1.050.332	542.263	218.952	2.204.088
Net profit from discontinued operations					--
Net profit for the period	887.737	1.050.332	542.263	218.952	2.204.088
Current Period (31/12/2018)					
Segment assets	79.365.495	39.664.022	20.027.087	51.092.317	190.148.921
Subsidiaries and associates					806.501
Undistributed assets					6.356.014
Total assets					197.311.436
Segment liabilities	30.017.496	21.073.032	86.722.662	33.163.583	170.976.773
Undistributed liabilities					10.829.393
Equity					15.505.270
Total liabilities and shareholders' equity					197.311.436

(*) It also includes personnel expenses.

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Prior Period (01/01/2017-31/12/2017)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	1.524.243	1.737.520	1.298.518	1.720.877	6.281.158
Net fees and commission income	211.153	722.828	747.448	(76.444)	1.604.985
Other income/loss, net	440.911	304.920	248.886	(1.229.768)	(235.051)
Total segment income	**2.176.307**	**2.765.268**	**2.294.852**	**414.665**	**7.651.092**
Other operational expenses	(586.491)	(1.112.413)	(1.418.932)	(97.691)	(3.215.527)
Impairment of loans and other rec.	(533.146)	(735.994)	(571.823)	(102.964)	(1.943.927)
Taxation					(589.506)
Net profit from continuing operations	**1.056.670**	**916.861**	**304.097**	**214.010**	**1.902.132**
Net profit from discontinued operations	--	--	--	--	--
Net profit for the period	**1.056.670**	**916.861**	**304.097**	**214.010**	**1.902.132**
Prior Period (31/12/2017)					
Segment assets	58.066.374	36.664.330	20.098.688	41.851.547	156.680.939
Subsidiaries and associates					55.334
Undistributed assets					3.686.857
Total assets					160.423.130
Segment liabilities	24.381.549	18.870.581	66.402.720	32.890.580	142.545.430
Undistributed liabilities					5.024.293
Equity					12.853.407
Total liabilities and shareholders' equity					160.423.130

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SECTION FIVE
DISCLOSURES AND Footnote ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to consolidated assets

a. Information on cash and balances with the Central Bank of the Republic of Turkey

1. Information on cash and balances with the Central Bank of the Republic of Turkey

	Current Period	
	TL	FC
Cash in TL / Foreign Currency	629.541	698.311
Central Bank of the Republic of Turkey	1.744.616	10.962.810
Other (*)	--	14.088.931
Total	2.374.157	25.750.052

(*) This includes the balances of foreign subsidiaries in foreign banks subject to consolidation.

	Prior Period	
	TL	FC
Cash in TL / Foreign Currency	1.100.516	795.623
Central Bank of the Republic of Turkey	1.966.321	13.106.352
Other	--	--
Total	3.066.837	13.901.975

2. Information on balances with the Central Bank of the Republic of Turkey

	Current Period	
	TL	FC
Unrestricted Demand Deposits	1.683.477	3.764.264
Unrestricted Time Deposits	--	--
Restricted Time Deposits	61.139	7.198.546
Total	1.744.616	10.962.810

	Prior Period	
	TL	FC
Unrestricted Demand Deposits	894.109	1.715.718
Unrestricted Time Deposits	1.072.212	--
Restricted Time Deposits	--	11.390.634
Total	1.966.321	13.106.352

3. Information on reserve requirements

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of the Republic of Turkey ("CBRT"), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué.

As of 31 December 2018, all banks operating in Turkey should provide a reserve in a range of 1,5% to 8% (31 December 2017: between 4% and 10,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 4% to 20% (31 December 2017: between 5% and 19%) in US Dollars or standard gold for their liabilities in foreign currencies.

CBRT began paying interest for the reserve deposits maintained in Turkish Lira as from November 2014 and for the reserve deposits maintained in US Dollar as from May 2015. The interest income of TL 193.978 derived from the reserve deposits maintained by the Parent Bank at CBRT (1 January – 31 December 2017: TL 101.420) has been recorded under the account "interests derived from reserve requirements".

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b. Information on financial assets at fair value through profit or loss

1. Information on financial assets at fair value through profit or loss given as collateral or blocked

given as collateral or blocked financial assets at fair value through profit or loss	Current Period	
	TL	FC
Share Certificates	--	--
Bonds, Treasury Bills and Similar Marketable Securities	8.883	--
Other	--	--
Total	8.883	--

given as collateral or blocked financial assets held for trading	Prior Period	
	TL	FC
Share Certificates	--	--
Bonds, Treasury Bills and Similar Marketable Securities	7.797	--
Other	--	--
Total	7.797	--

2. Financial assets at fair value through profit or loss subject to repurchase agreements

None.

3. Positive value of trading purpose derivatives

	Current Period	
	TL	FC
Forward Transactions	48.376	107.499
Swap Transactions	1.229.876	325.928
Futures Transactions	--	--
Options	1.028	281.604
Other	--	--
Total	1.279.280	715.031

	Prior Period	
	TL	FC
Forward Transactions	26.616	23.499
Swap Transactions	450.936	415.641
Futures Transactions	--	--
Options	5.117	53.999
Other	--	--
Total	482.669	493.139

c. Information on banks

1. Information on banks

	Current Period	
	TL	FC
Banks		
Domestic	256.662	406.282
Foreign	1.500	5.961.324
Foreign head offices and branches	--	--
Total	258.162	6.367.606

	Prior Period	
	TL	FC
Banks		
Domestic	805.940	404.928
Foreign	13.196	9.433.564
Foreign head offices and branches	--	--
Total	819.136	9.838.492

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2. Information on foreign banks

	Unrestricted Amount	Restricted Amount
	Current Period	Current Period
EU Countries	1.989.839	--
USA, Canada	3.438.865	--
OECD Countries(*)	46.214	--
Off shore zones	290	--
Other	487.616	--
Total	5.962.824	--

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

	Unrestricted Amount	Restricted Amount
	Prior Period	Prior Period
EU Countries	8.558.316	--
USA, Canada	346.615	--
OECD Countries(*)	19.213	--
Off shore zones	45.462	--
Other	477.154	--
Total	9.446.760	--

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

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

1. Major types of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consist of share certificates, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury and foreign private sector debt securities.

2. Financial assets at fair value through other comprehensive income given as collateral and book value

Financial assets at fair value through other comprehensive income which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and Istanbul Takas ve Saklama Bankası A.Ş. (Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL 238.181 (31 December 2017: TL 754.234).

3. Financial assets at fair value through other comprehensive income given as collateral or blocked

given as collateral or blocked	Current Period	
financial assets at fair value through other comprehensive income	TL	FC
Share certificates	--	--
T-bills, Bonds and Similar Securities	111.118	127.063
Other	--	--
Total	111.118	127.063

given as collateral or blocked	Prior Period	
available-for-sale securities	TL	FC
Share certificates	--	--
T-bills, Bonds and Similar Securities	376.777	377.457
Other	--	--
Total	376.777	377.457

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4. Financial assets at fair value through other comprehensive income subject to repurchase agreements

subject to repurchase agreements	Current Period	
financial assets at fair value through other comprehensive income	TL	FC
Government Bonds	329.144	--
Treasury Bills	--	--
Other Debt Securities	--	--
Bonds Issued or Guaranteed by Banks	--	--
Asset Backed Securities	--	--
Other	--	--
Total	329.144	--

subject to repurchase agreements	Prior Period	
available-for-sale securities	TL	FC
Government Bonds	2.481.553	235.350
Treasury Bills	--	--
Other Debt Securities	--	--
Bonds Issued or Guaranteed by Banks	--	271.707
Asset Backed Securities	--	--
Other	--	--
Total	2.481.553	507.057

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

Financial assets at fair value through other comprehensive income	Current Period
Debt instruments	7.913.511
Quoted on Stock Exchange	7.913.511
Unquoted on Stock Exchange	--
Share certificates	978
Quoted on Stock Exchange	--
Unquoted on Stock Exchange	978
Impairment provision (-)	--
Total	7.914.489

Available-for-sale securities	Prior Period
Debt instruments	6.982.895
Quoted on Stock Exchange	6.982.895
Unquoted on Stock Exchange	--
Share certificates	63.138
Quoted on Stock Exchange	59.159
Unquoted on Stock Exchange	3.979
Impairment provision (-)	--
Total	7.046.033

e. Information related to loans

1. Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--
Corporate Shareholders	--	--
Individual Shareholders	--	--
Indirect Loans Granted to Shareholders	--	1.292
Loans Granted to Employees	59.454	166
Total	59.454	1.458

	Prior Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--
Corporate Shareholders	--	--
Individual Shareholders	--	--
Indirect Loans Granted to Shareholders	--	4.655
Loans Granted to Employees	59.102	--
Total	59.102	4.655

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2. Information on loans classified in groups I and II, other receivables and loans that have been restructured or rescheduled

Cash loans (*) (**)	Loans Under Close Monitoring		
		Restructured Loans	
	Standard Loans	Not included in restructured loans	Changes in conditions of contract	Refinancing
Non-specialized loans	103.742.078	12.617.624	2.435.588	2.798.242
Corporate loans	41.199.059	3.611.544	489.709	861.559
Export loans	1.658.823	609.425	--	21.016
Import loans	--	--	--	--
Commercial loans	4.215.186	--	--	--
Consumer loans	13.893.049	1.612.017	65	302.443
Credit cards	6.808.148	945.981	--	180.821
Others	35.967.813	5.838.657	1.945.814	1.432.403
Specialized loans	9.345.280	2.522.933	888	976.038
Other receivables	3.023.234	1.158.839	507.953	--
Total	116.110.592	16.299.396	2.944.429	3.774.280

(*) It includes loans measured at amortized cost.

(**) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to a company operating in telecommunication sector and shares owned by the company, representing 55% of its issued share capital corresponding to shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As a result of the transfer of this liability, the risk balance amounting to TL 237.211 has been left out of the balance sheet and all legal and administrative permissions have been taken and the restructured risk balance as of 31 December 2018 has been started to be followed as financial assets at fair value through profit or loss in accordance with TFRS 9.

	Standard Loans	Loans Under Close Monitoring
12-Month expected credit losses	1.107.349	--
Significant increase in credit risk	--	1.856.903
Total	1.107.349	1.856.903

Number of modifications made to extend payment plan	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	4.846.400	5.703.447
Extended by 3,4 or 5 times	492.119	965.974
Extended by more than 5 times	198	49.288
Total	5.338.717	6.718.709

Extended payment period of time	Standard Loans	Loans Under Close Monitoring
0-6 Months	850.256	2.054.655
6 Months - 12 Months	74.174	792.282
1-2 Years	410.496	116.470
2-5 Years	1.727.932	1.311.152
5 Year and Over	2.275.859	2.444.150
Total	5.338.717	6.718.709

3. Information on loans according to maturity structure concentration

		Loans Under Close Monitoring	
	Standard Loans	Not Restructured	Restructured
Short-Term Loans	26.614.970	3.822.058	362.114
Medium and Long-Term Loans	89.495.622	12.477.338	6.356.595
Total	116.110.592	16.299.396	6.718.709

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4. Information on consumer loans, individual credit cards and personnel credit cards

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	464.600	14.164.134	14.628.734
Real estate Loans	1.115	3.341.508	3.342.623
Vehicle Loans	378	108.551	108.929
General Purpose Loans	463.107	10.714.075	11.177.182
Other	--	--	--
Consumer Loans-Indexed to FC	--	15.825	15.825
Real estate Loans	--	15.382	15.382
Vehicle Loans	--	--	--
General Purpose Loans	--	443	443
Other	--	--	--
Consumer Loans-FC	2.185	70.323	72.508
Real estate Loans	--	1.265	1.265
Vehicle Loans	--	--	--
General Purpose Loans	2.185	69.058	71.243
Other	--	--	--
Individual Credit Cards-TL	6.172.880	429.798	6.602.678
Installment	2.690.121	429.798	3.119.919
Non installment	3.482.759	--	3.482.759
Individual Credit Cards-FC	1.629	--	1.629
Installment	--	--	--
Non installment	1.629	--	1.629
Loans Given to Employees-TL	3.168	26.358	29.526
Real estate Loans	--	1.027	1.027
Vehicle Loans	--	24	24
General Purpose Loans	3.168	25.307	28.475
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees – FC	400	229	629
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	328	--	328
Other	72	229	301
Personnel Credit Cards – TL	27.114	125	27.239
Installment	11.881	125	12.006
Non installment	15.233	--	15.233
Personnel Credit Cards – FC	43	--	43
Installment	--	--	--
Non installment	43	--	43
Overdraft Loans-TL (Real Persons) (*)	1.058.203	--	1.058.203
Overdraft Loans-FC (Real Persons)	2.149	--	2.149
Total	7.732.371	14.706.792	22.439.163

(*) Overdrafts used by the personnel of the Parent Bank are TL 2.017 (31 December 2017: TL 1.657).

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5. Information on installment commercial loans and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans – TL	424.294	11.589.045	12.013.339
Real estate Loans	--	131.195	131.195
Vehicle Loans	6.176	219.291	225.467
General Purpose Loans	418.118	11.238.559	11.656.677
Other	--	--	--
Installment Commercial Loans – Indexed to FC	502	1.108.064	1.108.566
Real estate Loans	--	5.960	5.960
Vehicle Loans	--	21.603	21.603
General Purpose Loans	502	1.080.501	1.081.003
Other	--	--	--
Installment Commercial Loans – FC	19.273	2.081.977	2.101.250
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	19.273	2.081.977	2.101.250
Other	--	--	--
Corporate Credit Cards – TL	1.300.398	2.899	1.303.297
Installment	388.555	2.899	391.454
Non installment	911.843	--	911.843
Corporate Credit Cards – FC	64	--	64
Installment	--	--	--
Non installment	64	--	64
Overdraft Loans-TL (Legal Entities)	2.043.146	--	2.043.146
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	3.787.677	14.781.985	18.569.662

6. Loan concentration according to counterparty

	Current Period
Public	2.998.784
Private	136.453.540
Total	139.452.324

	Prior Period
Public	1.669.280
Private	107.815.935
Total	109.485.215

7. Domestic and foreign loans

	Current Period
Domestic Loans	114.747.583
Foreign Loans	24.704.741
Total	139.452.324

	Prior Period
Domestic Loans	96.953.552
Foreign Loans	12.531.663
Total	109.485.215

8. Loans granted to subsidiaries and associates

	Current Period
Direct loans granted to subsidiaries and associates	13.334
Indirect loans granted to subsidiaries and associates	--
Total	13.334

	Prior Period
Direct loans granted to subsidiaries and associates	13.583
Indirect loans granted to subsidiaries and associates	--
Total	13.583

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9. Specific provision for loans or provisions for stage 3 loans

Provisions for stage 3 loans	Current Period
Loans with Limited Collectability	696.699
Loans with Doubtful Collectability	1.243.369
Uncollectible Loans	2.141.043
Total	4.081.111

Specific provisions	Prior Period
Loans and Receivables with Limited Collectability	189.939
Loans and Receivables with Doubtful Collectability	572.481
Uncollectible Loans and Receivables	2.366.103
Total	3.128.523

10. Information on non-performing loans (Net)

(i) Information on non-performing loans and restructured loans by DFS group

	Group III	Group IV	Group V
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period	21.949	41.748	116.396
(Brut amounts before provisions)			
Restructured loans	21.949	41.748	116.396

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period			
(Gross Amounts Before Specific Reserves)	64.319	25.290	208.988
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	64.319	25.290	208.988

(ii) Movement of non-performing loans

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Balances at Beginning of Period	461.093	752.140	2.811.381
Additions (+) (**)	4.296.511	414.386	841.141
Transfers from Other Categories of Non-Performing Loans (+)	--	2.574.731	1.147.114
Transfers from Other Categories of Non-Performing Loans (-)	2.574.731	1.147.114	--
Collections (-)	481.645	302.623	863.167
Write-offs (-) (**)	--	--	237.211
Sales (-) (*)	137	50.713	991.512
Corporate and Commercial Loans	3	8.961	54.899
Retail Loans	50	2.206	329.840
Credit Cards	64	38.838	186.455
Other	20	708	420.318
Balances at End of the Period	1.701.091	2.240.807	2.707.746
Specific Provisions (-)	696.698	1.243.370	2.141.043
Net Balance on Balance Sheet	1.004.393	997.437	566.703

(*) In May, July and August, 2018, the Parent Bank sold its retail loan portfolio, which is being followed in the legal follow-up accounts, amounting to TL 561.419 for TL 41.658 and its business portfolio amounting to TL 463.050 for TL 14.312 and its corporate-commercial portfolio amounting to TL 17.861 for TL 103 to the asset management companies.
(**) The Bank has deducted the total amount of TL 237.211 of its loans, which it has classified under loans under follow-up with the other shareholders at amount of TL 605.495, to the main shareholder of a company operating in the telecommunication sector and with the other financial institutions.

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(iii) Information on non-performing loans and other receivables in foreign currencies

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Current Period: 31 December 2018			
Balance as of the Period End	203.226	8.670	3.910
Provisions (-)	--	8.670	--
Net Balance on Balance Sheet	203.226	--	3.910

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Prior Period: 31 December 2017			
Balance as of the Period End	7.423	7.320	3.047
Provisions (-)	1.373	7.320	1.543
Net Balance on Balance Sheet	6.050	--	1.504

(iv) Information on non-performing loans according to beneficiary group

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Current Period (Net): 31 December 2018	1.004.393	997.437	566.703
Loans Granted to Real Persons and Legal Entities (Gross)	1.701.091	2.240.649	2.707.746
Provisions (-)	696.698	1.243.212	2.141.043
Loans Granted to Real Persons and Legal Entities (Net)	1.004.393	997.437	566.703
Banks (Gross)	--	--	--
Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan (Gross)	--	158	--
Provisions (-)	--	158	--
Other Loan (Net)	--	--	--

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Prior Period (Net): 31 December 2017	271.154	179.659	445.278
Loans Granted to Real Persons and Legal Entities (Gross)	461.093	752.125	2.811.381
Provisions (-)	189.939	572.466	2.366.103
Loans Granted to Real Persons and Legal Entities (Net)	271.154	179.659	445.278
Banks (Gross)	--	--	--
Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	15	--
Provisions (-)	--	15	--
Other Loan and Receivables (Net)	--	--	--

(v) Information on accrual of interest, rediscount rate and valuation difference and their provisions

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net)	68.100	139.183	27.706
Accrual of interest and discount rate with valuation difference	130.511	256.807	59.803
Amount of provision (-)	62.411	117.624	32.097

11. Liquidation policy for uncollectible loans and receivables

For uncollectible loans, the Bank tries to solve the issue with the customer. If no result is obtained, all legal actions are taken. Such actions are completed when the insufficiency of collaterals is documented or a certificate of insolvency is obtained.

12. Information on write-off from assets policy

The general policy of the Bank is to write-off the receivables that are documanted as not possible during the legal follow-up process.

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f. Information on financial assets measured at amortized cost

1. Information on securities subject to repurchase agreement and given as collateral or blocked

(i) Information on securities subject to repurchase agreement

Financial assets measured at amortized cost subject to repurchase agreement are TL 1.111.654 (31 December 2017: TL 1.306.054).

(ii) Information on securities subject to given as collateral or blocked

Collateralized financial assets measured at amortized cost are government bonds, whose book value amounts to TL 951.233 (31 December 2017: TL 2.048.110).

2. Information on government securities in financial assets measured at amortized cost

Financial assets measured at amortized cost	Current Period
Government Bonds	6.239.810
Treasury Bills	--
Other Government Debt Securities	--
Total	6.239.810

Investment securities held-to-maturity	Prior Period
Government Bonds	5.335.639
Treasury Bills	--
Other Government Debt Securities	--
Total	5.335.639

3. Information on financial assets measured at amortized cost

Financial assets measured at amortized cost	Current Period
Debt Securities	6.239.810
Quoted on Stock Exchange	6.239.810
Unquoted on Stock Exchange	--
Impairment (-)	--
Total	6.239.810

Investment securities held-to-maturity	Prior Period
Debt Securities	5.335.639
Quoted on Stock Exchange	5.335.639
Unquoted on Stock Exchange	--
Impairment (-)	--
Total	5.335.639

4. Information on the movement of financial assets measured at amortized cost during the period

Financial assets measured at amortized cost	Current Period
Balance at the beginning of the period	5.335.638
Foreign exchange differences (*)	1.265.697
Purchases during the year	--
Disposals/Redemptions	(361.525)
Impairment losses (-)	--
Total	6.239.810

(*) Accruals of financial assets measured at amortized cost are included in "foreign exchange differences".

Investment securities held-to-maturity	Prior Period
Balance at the beginning of the period	5.056.032
Foreign exchange differences (*)	390.215
Purchases during the year	--
Disposals/Redemptions	(110.608)
Impairment losses (-)	--
Total	5.335.639

(*) Accruals of investment securities held-to-maturity are included in "foreign exchange differences".

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The Parent Bank transferred a portion of its securities from "financial assets at fair value through other comprehensive income" portfolio, with a new cost amounting to TL 2.826.026 and US Dollar 320.674 as of reclassification date, to the "financial assets measured at amortized cost" portfolio due to change in the intention of holding on 23 July, 24 July, 26 December 2013, 24 January 2014 and 1 November 2016. The negative valuation differences amounting to TL 326.599 followed under equity until the date of classification will be amortized with effective interest method and recycled to profit/loss until the maturities of these securities. As of the balance sheet date, the remaining negative valuation difference under equity is TL 173.970 (31 December 2017: TL 191.369).

g. Investments in associates

1. Investments in unconsolidated associates

Title	Address (City/Country)	The Parent Bank's share percentage (%)	The Parent Bank's risk group share percentage (%)
1-Kredi Kayıt Bürosu A.Ş. [1]	İstanbul/Turkey	9	--
2-Kredi Garanti Fonu A.Ş. [2]	Ankara/Turkey	2	--
3-Ege Tarım Ürünleri Lisanslı Dep. A.Ş. [2]	İzmir/Turkey	9	--

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	310.511	204.375	164.139	10.965	--	34.818	36.919	--
2	467.788	434.126	9.188	35.373	--	135.818	372	--
3	11.230	9.972	8.527	97	--	(534)	(600)	--

[1] Information on the financial statements is presented as of the period ended 30 September 2018.
[2] Information on the financial statements is presented as of the period ended 31 December 2017.

2. Investments in consolidated associates

There are no investments in consolidated associates.

h. Investments in subsidiaries

1. Information on shareholders' equity of major subsidiaries

The parent Bank does not need any capital requirement due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

Amounts at below table are prepared within the scope of regulation valid for Denizbank AG and they are obtained from financial data of 31 December 2018.

	Denizbank AG
Paid-in capital	1.400.769
Share premium	2.058.130
Reserves	5.878.251
Deductions from capital	5.542
Total Common Equity	**9.331.608**
Total additional Tier I capital	--
Deductions from capital	22.168
Total Core Capital	**9.309.440**
Total supplementary capital	158.312
Capital	**9.467.752**
Deductions from capital	--
SHAREHOLDERS' EQUITY	**9.467.752**

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2. Information on non-consolidated subsidiaries

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%)
1-İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Istanbul/Turkey	100	--
2-Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	100	--
3-Deniz Kartlı Ödeme Sistemleri A.Ş.	Istanbul/Turkey	--	100
4-Açık Deniz Radyo ve Televizyon İletişim Yayıncılık ve Sanayi A.Ş.	Istanbul/Turkey	--	100
5-Deniz Immobilien Service GmbH	Vienna/Austria	--	100
6-Ekspres Bilgi İşlem ve Ticaret A.Ş.	Istanbul/Turkey	71	29

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	165.747	43.303	56.110	788	--	48.800	872	--
2	1.459	1.167	--	--	--	(72)	(76)	--
3	191	191	--	23	--	(12)	(18)	--
4	358	354	--	--	--	36	15	--
5	93	93	--	--	--	(2)	3	--
6	18.571	17.265	11.195	1.199	--	434	1.018	--

Information on the financial statements is presented as of the period ended 31 December 2018, and those subsidiaries are not included in consolidation because they are non-financial subsidiaries.

3. Information on consolidated subsidiaries

	Title	Address (City/Country)	The Parent Bank's share percentage(%)	Other shareholders' share percentage (%) (*)	Consolidation Method
1	Denizbank AG	Vienna/Austria	100	--	Full consolidation
2	Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--	Full consolidation
3	Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--	Full consolidation
4	JSC Denizbank Moskova	Moscow / Russia	49	51	Full consolidation
5	Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100	Full consolidation
6	Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51	Full consolidation
7	Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--	Full consolidation
8	Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	--	89	Full consolidation
9	CR Erdberg Eins GmbH & Co KG	Vienna/Austria	--	100	Full consolidation

(*) Presenting risk group of Bank's share percentage.

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
1	66.800.988	9.272.048	76.987	2.447.292	13.979	1.079.560	698.310	--	--
2	1.009.598	37.504	72	45.671	--	244	297	--	--
3	407.870	338.357	2.817	38.442	--	95.368	35.893	--	--
4	1.389.670	431.524	3.917	92.811	10.205	58.826	39.150	--	--
5	17.450	15.449	261	2.850	28	4.402	5.984	--	--
6	3.089.706	686.361	243.209	306.112	--	75.302	89.228	--	--
7	2.232.516	379.466	6.365	574.156	--	101.763	61.641	--	--
8	566.447	250.040	341	1.554	--	39.702	15.788	--	--
9	188.245	162.997	150.451	2	--	3.252	2.844	--	--

Includes information on the consolidated financial statements as of 31 December 2018.

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(i) Movement of consolidated subsidiaries

	Current Period
Balance at the Beginning of the Period	2.731.577
Movements during the Period	533.749
Purchases (**)	303.801
Bonus Shares Received	--
Dividends from Current Year Profit	--
Sales (*)	(2.809)
Revaluation Increase, Effect of Inflation and F/X Difference	232.757
Other	--
Allowance for impairment	--
Balance at the End of the Period	3.265.326
Capital Commitments	--
Share Percentage at the end of Period (%)	--

(*) Deniz Yatırım sold 2,5% of the shares of Deniz GYO, its 91% subsidiary, with a cost of TL 2.810, in February and March 2018.
(**) It is disclosed in Notes III of Section Three.

(ii) Sectorial information on the consolidated subsidiaries and the related carrying amounts

	Current Period
Banks	1.969.123
Insurance Companies	--
Factoring Companies	138.107
Leasing Companies	737.656
Finance Companies	--
Other Subsidiaries	420.440
Total	3.265.326

Balances of the consolidated subsidiaries above have been eliminated in the accompanying financial statements.

(iii) Quoted subsidiaries within the consolidation scope

	Current Period
Quoted on domestic markets	152.376
Quoted on foreign markets	--

	Prior Period
Quoted on domestic markets	123.368
Quoted on foreign markets	--

(iv) Consolidated subsidiaries disposed during the current period: None .

(v) Consolidated subsidiaries acquired during the current period: None.

i. Entities Under Common Control (Joint Ventures)

1. Entities Under Common Control (Joint Ventures)

Title	The Parent Bank's share percentage (%)	The Group's share percentage (%)	Current Assets	Non-Current Assets	Non-Current Liabilities	Income	Expenses
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33	33	45.767	37.735	8.119	154.946	(139.881)

Information on the unaudited financial statements is presented as of the period ended 31 December 2018.

2. Reasons of being non-consolidated for non-consolidated entities under common control (Joint Ventures) and methods of recognition of entities under common control (Joint Ventures) in the Parent Bank's unconsolidated financial statements

The Parent Bank, although represents Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") with 33% of ownership rate as entities under common control in its financial statements, it was not consolidated due to being a non-financial entity. This investment is carried at cost.

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j. Information on receivables from leasing activities

1. Maturity analysis of finance lease receivables

	Current Period	
	Gross	Net
Less than 1 year	111.908	110.800
Between 1-4 years	2.226.843	1.721.109
Over 4 years	859.781	741.420
Total	3.198.532	2.573.329

	Prior Period	
	Gross	Net
Less than 1 year	1.051.886	820.577
Between 1-4 years	1.589.089	1.260.956
Over 4 years	604.991	520.408
Total	3.245.966	2.601.941

2. Information on net investments in finance lease receivables

	Current Period
Gross finance lease receivable	3.198.532
Unearned finance income (-)	625.203
Cancelled leasing agreements (-)	--
Net investment on finance leases	2.573.329

	Prior Period
Gross finance lease receivable	3.245.966
Unearned finance income (-)	644.025
Cancelled leasing agreements (-)	--
Net investment on finance leases	2.601.941

3. Information on operating lease activities

Deniz Finansal Kiralama A.Ş. started to fleet rental operations in the scope of operational leasing in June 2014.

Future receivables arising from leased assets are not recognized in the Group's balance sheet. Receivables arising from the rents invoiced within the period are recognized in the Group's balance sheet.

As of 31 December 2018, the Group's receivables which arise from its operational leasing agreements and will emerge in the future are distributed as follows by year:

	Current Period
Up to 1 year	146.063
Between 1-5 years	165.388
5 years and over	--
Total	311.451

	Prior Period
Up to 1 year	35.705
Between 1-5 years	25.391
5 years and over	--
Total	61.096

k. Explanation on hedging purpose derivatives

None.

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l. Information on tangible assets

	Real Estate	Tangible Fixed Assets Retained With Leasing	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	170.860	213.351	186.449	1.028.394	1.599.054
Accumulated Depreciation	--	(184.040)	(25.752)	(639.748)	(849.540)
Net Book Value	**170.860**	**29.311**	**160.697**	**388.646**	**749.514**
Current Period					--
Net Book Value at the Beginning of the Period	170.860	29.311	160.697	388.646	749.514
Changes In the Period (Net)	15.506	10.089	97.846	107.283	230.724
Depreciation Cost	(2.660)	(12.663)	(18.311)	(113.191)	(146.825)
Provision For Decrease In Value	(243)	--	--	--	(243)
FX Differences (Net)	35.313	--	37	13.264	48.614
Cost At the End of the Period	218.776	176.941	269.183	1.148.984	1.813.884
Accumulated Depreciation At the End of the Period	--	(150.204)	(28.914)	(752.982)	(932.100)
Net Book Value At The End Of The Period	**218.776**	**26.737**	**240.269**	**396.002**	**881.784**

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Positive differences between property value in expertise reports prepared by licenced valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are recorded under income statement.

Revaluation difference amounting to TL 86.413 (31 December 2017: TL 61.816) is recognized under equity as a result of revaluation process, and impairment provision made in previous period for related properties amounting to TL 2.981 is cancelled and an impairment provision amounting to TL 3.156 is booked for related properties.

m. Information on intangible assets

	Other	Goodwill	Total
Prior Period			
Cost	734.631	869	735.500
Accumulated Depreciation	(546.749)	--	(546.749)
Net Book Value	**187.882**	**869**	**188.751**
Current Period			--
Net Book Value at the Beginning of the Period	187.882	869	188.751
Differences During the Period (Net)	194.541	--	194.541
Depreciation Cost	(115.445)	--	(115.445)
Provision For Decrease In Value	--	(869)	(869)
FX Differences (Net)	4.213	--	4.213
Cost At the End of the Period	944.054	--	944.054
Accumulated Depreciation At the End of the Period	(672.863)	--	(672.863)
Net Book Value At The End Of The Period	**271.191**	**--**	**271.191**

n. Explanation on investment property

Investment properties are properties held by Deniz GYO for the basic purpose of making lease profit.

As of 31 December 2018, the Group's investment property amounts to TL 202.001 (31 December 2017: TL 171.467) which are carried by their fair value in the consolidated financial statements.

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o. Information on deferred tax asset

Deferred tax asset calculated on the basis of related regulation is TL 1.213.623 (31 December 2017: TL 216.618) and deferred tax liability is TL 25.828 (31 December 2017: TL 27.217). These balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

The following table presents the deferred tax assets according to nature:

	Current Period
Miscellaneous Provisions	881.498
Tax Losses Carried Forward (*)	296.702
Unearned Revenue	71.869
Provision for Employee Benefits	35.275
Valuation Differences of Derivatives	26.358
Deferred Tax Assets	**1.311.702**
Valuation Differences of Tangible Fixed Assets	(64.193)
Valuation Differences of Financial Assets	(59.675)
Other	(39)
Deferred Tax Liabilities	**(123.907)**
Net Deferred Tax Assets	**1.187.795**

(*) Tax losses carried forward mainly consist of valuation differences of financial assets in accordance with Tax Procedure Law in the calculation of corporate tax.

	Prior Period
Miscellaneous Provisions (*)	144.718
Unearned Revenue	67.527
Valuation Differences of Derivatives	41.818
Provision for Employee Benefits	29.225
Deferred Tax Assets	**283.288**
Valuation Differences of Tangible Fixed Assets	(49.457)
Valuation Differences of Financial Assets	(14.085)
Others	(30.345)
Deferred Tax Liabilities	**(93.887)**
Net Deferred Tax Assets	**189.401**

(*) Miscellaneous provisions include balances of Deniz Leasing and Deniz Faktoring, as well.

p. Explanation on property and equipment held for sale and related to discontinued operations

None.

q. Information on other assets

1. Information on prepaid expense, taxes and similar items

DFS Group's total prepaid expenses are TL 503.592 (31 December 2017: TL 533.432).

2. Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

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II. Explanations and disclosures related to consolidated liabilities

a. Information on deposits

1. Information on maturity structure of deposits

Current period – 31 December 2018:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.639.350	--	2.935.189	25.744.233	1.535.696	1.081.992	794.810	13.340	34.744.610
Foreign Currency Deposits (*)	23.792.891	--	7.189.125	16.258.823	1.548.768	7.873.893	32.036.437	1.579	88.701.516
Residents in Turkey	8.521.239	--	6.333.878	14.185.768	852.219	1.225.391	4.279.197	1.417	35.399.109
Residents Abroad	15.271.652	--	855.247	2.073.055	696.549	6.648.502	27.757.240	162	53.302.407
Public Sector Deposits	772.601	--	32.122	49.246	19.336	1.314	913	--	875.532
Commercial Deposits	2.462.105	--	3.116.905	4.681.878	141.146	148.873	28.305	--	10.579.212
Other Ins. Deposits	118.976	--	77.692	987.865	167.608	17.511	68.481	--	1.438.133
Precious Metal Deposits	402.361	--	53.384	378.595	29.670	43.033	10.890	6.653	924.586
Bank Deposits	171.775	--	1.160.153	569.867	6	49.521	726.565	--	2.677.887
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	10.202	--	--	--	--	6.779	2.000	--	18.981
Foreign Banks	160.565	--	1.160.153	569.867	6	42.742	724.565	--	2.657.898
Special Finan. Inst.	1.008	--	--	--	--	--	--	--	1.008
Other	--	--	--	--	--	--	--	--	--
Total	30.360.059	--	14.564.570	48.670.507	3.442.230	9.216.137	33.666.401	21.572	139.941.476

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 63.002.143 and Commercial Deposit customers at the amount of TL 25.699.373.

Prior period – 31 December 2017:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.733.644	--	2.184.088	21.454.732	1.014.816	421.343	381.727	18.953	28.209.303
Foreign Currency Deposits (*)	16.133.455	--	3.970.271	14.116.738	1.916.662	6.996.210	21.934.506	1.485	65.069.327
Residents in Turkey	5.760.988	--	3.172.110	12.830.289	1.188.694	1.971.765	2.050.528	1.310	26.975.684
Residents Abroad	10.372.467	--	798.161	1.286.449	727.968	5.024.445	19.883.978	175	38.093.643
Public Sector Deposits	515.330	--	60.012	73.405	13.340	70	4.297	--	666.454
Commercial Deposits	3.110.416	--	2.123.010	4.923.835	161.657	235.947	134.702	--	10.689.567
Other Ins. Deposits	121.224	--	245.123	1.120.697	498.612	135.924	19.708	--	2.141.288
Precious Metal Deposits	275.983	--	41.758	270.412	24.620	25.990	8.470	5.733	652.966
Bank Deposits	184.537	--	2.137.759	413.018	6.635	802.952	436.658	--	3.981.559
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	8.500	--	1.617.817	77.332	6.132	--	--	--	1.709.781
Foreign Banks	175.275	--	519.942	335.686	503	802.952	436.658	--	2.271.016
Special Finan. Inst.	762	--	--	--	--	--	--	--	762
Other	--	--	--	--	--	--	--	--	--
Total	23.074.589	--	10.762.021	42.372.837	3.636.342	8.618.436	22.920.068	26.171	111.410.464

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 45.928.588 and Commercial Deposit customers at the amount of TL 19.140.739.

2. Information on deposit insurance

(i) Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

Deposits owned by foreign subsidiaries in scope of consolidation are under insurance coverage according to legislations of countries in which they are located and are not included in following table.

	Saving Deposit Insurance Fund Current Period	Exceeding the Insurance Coverage Limit Current Period
Saving Deposits	17.976.394	16.731.784
Foreign Currency Saving Deposits	4.608.101	15.279.925
Other Saving Deposits	--	--
Saving Deposits	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--
Total	22.584.495	32.011.709

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	Saving Deposit Insurance Fund Prior Period	Exceeding the Insurance Coverage Limit Prior Period
Saving Deposits	14.280.818	13.842.565
Foreign Currency Saving Deposits	3.444.973	11.546.115
Other Saving Deposits	--	--
Saving Deposits	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--
Total	17.725.791	25.388.680

(ii) Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period
Deposits and Other Accounts in Foreign Branches	113.615
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	74.037
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--
Deposits belong to Off-Shore Banks who are established in Turkey	303.889
Total	491.541

	Prior Period
Deposits and Other Accounts in Foreign Branches	90.381
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	55.016
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--
Deposits belong to Off-Shore Banks who are established in Turkey	245.974
Total	391.371

(iii) Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

b. Information on trading purpose derivatives

1. Negative value of trading purpose derivatives

	Current Period	
	TL	FC
Forward Transactions	93.476	121.315
Swap Transactions	814.597	726.089
Futures Transactions	--	--
Options	32	294.354
Other	--	--
Total	908.105	1.141.758

	Prior Period	
	TL	FC
Forward Transactions	9.968	36.629
Swap Transactions	630.077	511.969
Futures Transactions	--	--
Options	13.082	83.740
Other	--	--
Total	653.127	632.338

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c. Information on funds borrowed

1. Information on banks and other financial institutions

	Current Period	
	TL	FC
Central Bank Loans	--	--
Domestic Banks and Institutions	1.829.916	1.012.863
Foreign Banks, Institutions and Funds	--	13.519.381
Total	1.829.916	14.532.244

	Prior Period	
	TL	FC
Central Bank Loans	--	--
Domestic Banks and Institutions	1.081.828	885.776
Foreign Banks, Institutions and Funds	1.026.369	11.686.269
Total	2.108.197	12.572.045

2. Maturity information of funds borrowed

	Current Period	
	TL	FC
Short-Term	1.829.916	9.231.621
Medium and Long-Term	--	5.300.623
Total	1.829.916	14.532.244

	Prior Period	
	TL	FC
Short-Term	1.521.592	5.982.179
Medium and Long-Term	586.605	6.589.866
Total	2.108.197	12.572.045

3. Additional explanation on concentrations of the Group's liabilities

Deposits constitute the most important fund of the Group, and they account for 71% of total funds (31 December 2017: 69%). Loans received, subordinated loans, debts to money markets and issued securities account for 14% of total funds (31 December 2017: 17%).

d. Information on securities issued

	Current Period	
	TL	FC
Bonds	7.164	901.682
Bills	3.079.013	--
Asset Backed Securities	--	--
Total	3.086.177	901.682

Nominal value of TL 9.976 of the securities issued were repurchased by the Parent Bank and offset in the financial statements.

	Prior Period	
	TL	FC
Bonds	276.485	1.100.070
Bills	2.296.203	--
Asset Backed Securities	--	--
Total	2.572.688	1.100.070

Nominal value of TL 73.637 of the securities issued were repurchased by the Parent Bank and offset in the financial statements.

e. If other liabilities line of the balance sheet exceeds 10% of the balance sheet total; excluding the off balance sheet commitments; information on components making up at least 20% of the other liabilities

Other liabilities do not exceed 10% of the balance sheet total excluding the off-balance sheet items.

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f. Information on lease payables

None.

1. Changes in agreements and further commitments arising

None.

2. Obligations under finance leases

None.

3. Explanations on operational leases

DFS Group has operational lease agreements for its bank branches, motor vehicles and ATM locations. Rental payments for the majority of these agreements are made and expensed on a monthly basis. The unexpired portion of prepayments made for rent agreements on a yearly basis are accounted for under prepaid expenses in "other assets".

4. Explanation on "sell-and-lease back" agreements

There is no sale and lease back transactions in the current period.

g. Information on liabilities arising from hedging purpose derivatives

None.

h. Explanation on provisions

1. Information on general provisions

	Prior Period
Provisions for Loans and Receivables in Group I	1.035.450
Additional Provision for Loans with Extended Maturities	29.113
Provisions for Loans and Receivables in Group II	299.763
Additional Provision for Loans with Extended Maturities	158.654
Provisions for Non Cash Loans	105.552
Other	--
Total	**1.440.765**

2. Provision for currency exchange gain/loss on foreign currency indexed loans

As of 31 December 2018, there are no reserves allocated for the exchange rate differences of loans indexed to foreign currency amount (31 December 2017: TL 11.313). Provisions for exchange rate differences pertaining to loans indexed to foreign currency are netted off against the loans and receivables under assets in the financial statements.

3. Liabilities on provision for employee benefits

TAS 19 requires using the actuarial method for calculation of obligations the company.

Accordingly, the following actuarial assumptions were used in the calculation of the total reserve for employee termination benefits:

	Current Period	Prior Period
Discount rate	5,45%	4,69%
İnterest rate	16,00%	11,50%
Expected rate of salary/limit increase	10,00%	6,50%

As of 31 December 2018, TL 130.477 of provision for employee termination benefits (31 December 2017: TL 111.109) and TL 92.583 of unused vacation accruals (31 December 2017: TL 32.549) were reflected to the consolidated financial statements.

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Movement of the provision during the period:

	Current Period
Balance at the Beginning of the Period	111.109
Changes in the period	18.502
Actuarial loss/gain	38.690
Paid in the period	(39.356)
FX difference	1.532
Balance at the End of the Period	130.477

	Prior Period
Balance at the Beginning of the Period	86.385
Changes in the period	36.946
Actuarial loss/gain	13.703
Paid in the period	(26.595)
FX difference	670
Balance at the End of the Period	111.109

4. Information on other provisions

(i) Information on other provisions exceeding 10% of total provisions

Current period:
TL 241.361 of other provisions is the expected credit loss for Stage 1 and Stage 2 non-cash loans, TL 88.105 is related to Stage 3 expected loss provisions for NPL customers' non-cash loans that are not converted into cash, TL 90.000 provision for possible developments in the overall economic and market conditions, TL 96.242 for provisions for the litigations against the Bank and TL 206.400 includes other provisions.

Prior period:
TL 398.822 of other provisions is provided for possible future losses related to certain loans in the loan portfolio, TL 98.485 specific provisions for non-cash loans, TL 65.000 provision for possible developments in the overall economic and market conditions, TL 43.336 for provisions for the litigations against the Bank and provisions for operational risk and TL 37.747 includes other provisions.

i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2018, the corporate tax provision of DFS Group is TL 386.533 (31 December 2017: TL 443.436), and it has been offset with prepaid taxes amounting to TL 308.479 (31 December 2017: TL 342.395).

(ii) Information on taxes payable

	Current Period
Corporate taxes payable	78.054
Taxation on securities	80.451
Capital gains taxes on property	2.789
Banking Insurance Transaction Tax (BITT)	100.733
Taxes on foreign exchange transactions	--
Value added taxes payable	7.445
Other	62.682
Total	332.154

	Prior Period
Corporate taxes payable	101.041
Taxation on securities	71.157
Capital gains taxes on property	2.093
Banking Insurance Transaction Tax (BITT)	62.735
Taxes on foreign exchange transactions	--
Value added taxes payable	4.638
Other	50.942
Total	292.606

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(iii) Information on premiums

	Current Period
Social security premiums- employee share	9.998
Social security premiums- employer share	11.112
Bank pension fund premium- employee share	--
Bank pension fund premium- employer share	--
Pension fund membership fees and provisions- employee share	694
Pension fund membership fees and provisions- employer share	850
Unemployment insurance- employee share	721
Unemployment insurance- employer share	1.382
Other	6.038
Total	**30.795**

	Prior Period
Social security premiums- employee share	9.386
Social security premiums- employer share	10.481
Bank pension fund premium- employee share	--
Bank pension fund premium- employer share	--
Pension fund membership fees and provisions- employee share	464
Pension fund membership fees and provisions- employer share	568
Unemployment insurance- employee share	669
Unemployment insurance- employer share	1.299
Other	5.044
Total	**27.911**

2. Information on deferred tax liabilities

Deferred tax liability calculated on the basis of related regulation is TL 25.828 (31 December 2017: TL 27.217). Information on deferred taxes is disclosed in Note "o" of explanations and disclosures related to consolidated assets.

j. Information on debts of fixed assets held for sales purposes and related to discontinuing operations

None.

k. Information on subordinated loans

	Current Period	
	TL	FC
Domestic Banks	--	--
Other Domestic Institutions	--	--
Foreign Banks	--	6.274.450
Other Foreign Institutions	--	--
Total	**--**	**6.274.450**

	Prior Period	
	TL	FC
Domestic Banks	--	--
Other Domestic Institutions	--	--
Foreign Banks	--	5.261.523
Other Foreign Institutions	--	--
Total	**--**	**5.261.523**

Information on subordinated loans is disclosed in Notes I-b of Section Four.

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I. Information on shareholders' equity

1. Paid-in capital

	Current Period
Common Stock	3.316.100
Preferred Stock	--

	Prior Period
Common Stock	3.316.100
Preferred Stock	--

Paid-in capital of the Parent Bank is shown at nominal value.

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital

Registered paid-in capital system is not applied.

3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None.

4. Information on share capital increases from revaluation funds

None.

5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The capital is totally paid in and there are no capital commitments.

6. Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators

Balance sheets of the entities under DFS Group are managed prudently, to minimize the negative effects of interest rate, foreign currency and credit risks. This policy contributes to the progress of DFS Group's profitability with a steady increasing trend.

7. Information on the privileges given to stocks representing the capital

The Parent Bank does not have any preferred stocks.

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8. Common stock issue premiums, shares and equity instruments

	Current Period
Number of Shares (*)	50.368.526
Preferred Stock	--
Common Stock Issue Premium (**)	15
Common Stock Cancellation Profits	--
Other Equity Instruments	--
Total Common Stock Issued (*)	**50.369**

	Prior Period
Number of Shares (*)	50.368.526
Preferred Stock	--
Common Stock Issue Premium (**)	15
Common Stock Cancellation Profits	--
Other Equity Instruments	--
Total Common Stock Issued (*)	**50.369**

(*) Related to the Bank's paid-in capital increase on 27 September 2004. At that date, the paid-in capital was increased from TL 202.000 to TL 290.000; and TL 50.369 of this TL 88.000 increase was received in cash through issuance of new shares to the public.
(**) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008.

Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015.

A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

9. Information on securities revaluation reserve

	Current Period	
	TL	FC
Associates, Subsidiaries and JVs	778.054	--
Valuation Difference	(662.813)	(142.428)
FX Difference	--	--
Total	**115.241**	**(142.428)**

	Prior Period	
	TL	FC
Associates, Subsidiaries and JVs	--	--
Valuation Difference	(428.373)	(19.026)
FX Difference	--	--
Total	**(428.373)**	**(19.026)**

10. Information on hedging funds

Explanations about hedging funds are in Note VIII of Section Four.

11. Information on minority shares

	Current Period
Balance at the Beginning of the Period	**9.644**
Minority interest in net income of consolidated subsidiaries	4.441
Increase/(decrease) in minority interest due to disposals	--
Other	311
Balance at the End of the Period	**14.396**

12. Information on revaluation differences of tangible assets

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Revaluation difference amount of TL 83.191 is recognized "Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss" under equities as a result of revaluation process.

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13. Explanation of profit distribution

According to the dividend distribution proposal of the Parent Bank's Board of Directors at the Ordinary General Assembly held on 29 March 2018, TL 93.990 is allocated as legal reserve, and the remaining TL 1.785.802 from the net profit of the year 2017 amounting to TL 1.879.792 is allocated to extraordinary reserves.

III. Explanations and disclosures related to consolidated off-balance sheet items

a. Information related to off-balance sheet commitments

1. Type and amount of irrevocable commitments

All of DFS Group's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2018, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 33.678.054, TL 19.225.849 and TL 1.815.134 respectively (31 December 2017: TL 28.371.266, TL 14.216.415 and TL 2.375.880 respectively). These items are detailed in the off-balance sheet accounts.

2. Type and amount of possible losses from off-balance sheet items referred to below

(i) Guarantees, bills of exchange and acceptances and other letters of credit which can be considered as financial collateral

As of 31 December 2018, DFS Group has letters of guarantee amounting to TL 26.328.530, bills of exchange and acceptances amounting to TL 223.364, and guarantees and sureties on letters of credit amounting to TL 3.511.834 and other guarantees and sureties amounting to TL 3.614.326.

As of 31 December 2017, DFS Group has letters of guarantee amounting to TL 22.531.211, bills of exchange and acceptances amounting to TL 204.541, and guarantees and sureties on letters of credit amounting to TL 3.132.744 and other guarantees and sureties amounting to TL 2.502.770.

(ii) Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period
Provisional Letters of Guarantee	746.614
Final Letters of Guarantee	15.725.413
Letters of Guarantee for Advances	2.557.254
Letters of Guarantee given to Customs Offices	181.679
Other Letters of Guarantee	7.117.570
Total	26.328.530

	Prior Period
Provisional Letters of Guarantee	946.459
Final Letters of Guarantee	14.140.276
Letters of Guarantee for Advances	2.402.152
Letters of Guarantee given to Customs Offices	161.951
Other Letters of Guarantee	4.880.373
Total	22.531.211

3. Information on non-cash loans

(i) Total amount of non-cash loans

	Current Period
Non-Cash Loans Given for Obtaining Cash Loans	12.334.499
With Original Maturity of 1 Year or Less	10.867.251
With Original Maturity of More Than 1 Year	1.467.248
Other Non-Cash Loans	21.343.555
Total	33.678.054

	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	8.125.808
With Original Maturity of 1 Year or Less	7.691.929
With Original Maturity of More Than 1 Year	433.879
Other Non-Cash Loans	20.245.458
Total	28.371.266

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(ii) Sectorial risk concentrations of non-cash loans

	Current Period			
	TL	%	FC	%
Agricultural	186.307	1,74	290.968	1,26
Farming and Cattle	181.336	1,69	286.877	1,25
Forestry	1.640	0,02	1.070	--
Fishing	3.331	0,03	3.021	0,01
Manufacturing	1.832.731	17,04	10.439.048	45,54
Mining	97.822	0,91	339.793	1,48
Production	1.455.576	13,53	8.979.768	39,18
Electric, Gas, Water	279.333	2,60	1.119.487	4,88
Construction	3.086.413	28,69	5.161.328	22,52
Services	3.991.885	37,10	4.537.776	19,80
Wholesale and Retail Trade	2.251.076	20,92	2.529.304	11,04
Hotel and Restaurant Services	239.659	2,23	430.017	1,88
Transportation and telecommunication	503.609	4,68	1.096.103	4,78
Financial institutions	639.803	5,95	404.199	1,76
Real estate and letting services	43.989	0,41	3.143	0,01
Self-employement services	--	--	--	--
Education services	163.748	1,52	11.803	0,05
Health and social services	150.001	1,39	63.207	0,28
Other	1.661.147	15,43	2.490.451	10,88
Total	10.758.483	100,00	22.919.571	100,00

	Prior Period			
	TL	%	FC	%
Agricultural	139.420	1,25	193.480	1,13
Farming and Cattle	136.563	1,22	192.397	1,12
Forestry	1.775	0,02	1.083	0,01
Fishing	1.082	0,01	--	--
Manufacturing	1.882.658	16,87	7.596.277	44,12
Mining	161.110	1,44	219.513	1,28
Production	1.561.839	14,00	6.689.187	38,85
Electric, Gas, Water	159.709	1,43	687.577	3,99
Construction	3.430.640	30,75	4.099.609	23,81
Services	3.724.310	33,39	3.905.656	22,69
Wholesale and Retail Trade	2.220.924	19,91	2.350.478	13,65
Hotel and Restaurant Services	244.290	2,19	385.461	2,24
Transportation and telecommunication	526.167	4,72	790.567	4,59
Financial institutions	286.184	2,57	318.039	1,85
Real estate and letting services	47.336	0,42	4.878	0,03
Self-employement services	--	--	--	--
Education services	216.080	1,94	13.086	0,08
Health and social services	183.329	1,64	43.147	0,25
Other	1.978.211	17,74	1.421.005	8,25
Total	11.155.239	100,00	17.216.027	100,00

(iii) Information about the first and second group of non-cash loans

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	10.453.033	14.668.421	291.675	915.401
Bank Aceptances	7.826	215.538	--	--
Letters of Credit	5.949	3.495.016	--	10.869
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	--	3.609.075	--	5.251
Total	10.466.808	21.988.050	291.675	931.521

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b. Information related to derivative financial instruments

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Inverstment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	48.700.929	24.717.242	20.167.751	5.438.533	--	99.024.455
Forward FC Call Transactions	961.379	1.348.354	1.265.886	139.117	--	3.714.736
Forward FC Pull Transactions	926.116	1.424.524	1.274.604	142.476	--	3.767.720
Swap FC Call Transactions	20.402.402	7.147.941	5.621.416	2.831.722	--	36.003.481
Swap FC Pull Transactions	20.959.818	7.335.381	6.281.642	2.325.218	--	36.902.059
Options FC Call Transactions	2.690.523	3.672.596	2.905.302	--	--	9.268.421
Options FC Pull Transactions	2.760.690	3.637.324	2.818.901	--	--	9.216.915
Futures FC Call Transactions	1	72.355	--	--	--	72.356
Futures FC Pull Transactions	--	78.767	--	--	--	78.767
Total of Interest Derivative Transactions (II)	499.999	--	1.006.446	5.715.832	17.490.286	24.712.563
Swap Interest Call Transactions	250.000	--	503.223	2.792.140	8.745.143	12.290.506
Swap Interest Pull Transactions	249.999	--	503.223	2.792.140	8.745.143	12.290.505
Options Interest Call Transactions	--	--	--	65.776	--	65.776
Options Interest Pull Transactions	--	--	--	65.776	--	65.776
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.298.929	146.401	677.077	190.201	--	2.312.608
B. Total Types of Trading Transactions (I + II + III)	50.499.857	24.863.643	21.851.274	11.344.566	17.490.286	126.049.626
Total Derivatives Transactions (A+B)	50.499.857	24.863.643	21.851.274	11.344.566	17.490.286	126.049.626

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Inverstment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	39.433.403	15.159.401	16.064.785	5.503.039	--	76.160.628
Forward FC Call Transactions	1.922.370	1.084.914	949.064	73.733	--	4.030.081
Forward FC Pull Transactions	1.912.783	1.095.765	925.124	72.907	--	4.006.579
Swap FC Call Transactions	16.907.008	4.617.033	4.075.612	2.550.481	--	28.150.134
Swap FC Pull Transactions	15.703.344	4.577.968	3.885.763	2.791.720	--	26.958.795
Options FC Call Transactions	1.479.656	1.879.799	3.073.114	7.022	--	6.439.591
Options FC Pull Transactions	1.508.242	1.903.922	3.156.108	7.176	--	6.575.448
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	1.100.000	1.129.706	2.364.060	9.169.318	12.940.194	26.703.278
Swap Interest Call Transactions	550.000	164.853	782.030	4.584.659	6.412.677	12.494.219
Swap Interest Pull Transactions	550.000	164.853	782.030	4.584.659	6.412.677	12.494.219
Options Interest Call Transactions	--	--	800.000	--	57.420	857.420
Options Interest Pull Transactions	--	800.000	--	--	57.420	857.420
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.694.012	258.648	312.748	--	--	2.265.408
B. Total Types of Trading Transactions (I + II + III)	42.227.415	16.547.755	18.741.593	14.672.357	12.940.194	105.129.314
Total Derivatives Transactions (A+B)	42.227.415	16.547.755	18.741.593	14.672.357	12.940.194	105.129.314

c. Credit derivatives and risk exposures on credit derivatives

None.

d. Contingent assets and liabilities

The Group has provided a provision amounting to TL 96.242 (31 December 2017: TL 43.336) for the lawsuits against the Group in accordance with the precautionary principle. These provisions are classified among "Other provisions". Except for those provisioned, other ongoing lawsuits are unlikely to result in a negative conclusion and cash outflow is not foreseen for them.

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e. Activities carried out on behalf and account of other persons

The Bank provides trading, custody, management and consultancy services to its customers.

IV. Explanations and disclosures related to consolidated statement of income

a. Interest income

1. Information on interest income received from loans

	Current Period	
	TL	FC
Short Term Loans	4.075.108	313.550
Medium and Long Term Loans	7.354.496	3.283.583
Loans Under Follow-Up	252.765	--
Premiums Received from Resource Utilization Support Fund	--	--
Total	11.682.369	3.597.133

Interest income received from loans also includes fees and commissions from cash loans granted.

	Prior Period	
	TL	FC
Short Term Loans	2.665.117	139.133
Medium and Long Term Loans	5.782.087	2.398.566
Loans Under Follow-Up	62.303	--
Premiums Received from Resource Utilization Support Fund	--	--
Total	8.509.507	2.537.699

Interest income received from loans also includes fees and commissions from cash loans granted.

2. Information on interest income received from banks

	Current Period	
	TL	FC
Central Bank of the Republic of Turkey	78.254	15.535
Domestic Banks	79.532	24.835
Foreign Banks	1.620	56.797
Foreign Head Offices and Branches	--	--
Total	159.406	97.167

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to TL 193.978 recognized under "Interest Income Received From Required Reserves" account.

	Prior Period	
	TL	FC
Central Bank of the Republic of Turkey	113.514	576
Domestic Banks	74.824	9.653
Foreign Banks	3.079	18.580
Foreign Head Offices and Branches	--	--
Total	191.417	28.809

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to TL 101.420 recognized under "Interest Income Received From Required Reserves" account.

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3. Information on interest income received from securities portfolio

	Current Period	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	23.061	940
Financial Assets at Fair Value Through Other Comprehensive Income	811.701	49.739
Financial Assets Measured at Amortized Cost	771.539	95.441
Total	1.606.301	146.120

	Prior Period	
	TL	FC
Trading Securities	10.181	6.724
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-for-Sale	527.387	54.682
Investment Securities Held-to-Maturity	428.610	79.842
Total	966.178	141.248

As stated in the chapter III footnote numbered VII, the Parent Bank has government securities in the financial assets at fair value through other comprehensive income and financial assets measured at amortized cost portfolios with a maturity of 5 to 10 years and having CPI indexed 3 months real coupon ratio fixed until maturity. As stated in the Undersecretariat of Treasury's securities indexed CPI Investors Guide, the reference indexes used in calculating the actual coupon payment amounts of these assets are based on the CPI of previous two months. The Parent Bank determines the estimated inflation rate accordingly. The estimated inflation rate is updated as needed within the year. The Parent Bank determines the estimated inflation rate in parallel. Estimated inflation rate is updated during the year when deemed necessary.

4. Information on interest income received from associates and subsidiaries

	Current Period
Interest Received from Associates and Subsidiaries	660

	Prior Period
Interest Received from Associates and Subsidiaries	552

b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period	
	TL	FC
Banks	359.684	951.142
Central Bank of the Republic of Turkey	28	36.131
Domestic Banks	264.907	88.412
Foreign Banks	94.749	826.599
Foreign Head Offices and Branches	--	--
Other Institutions	--	--
Total	359.684	951.142

Interest expense related to funds borrowed also includes fees and commission expenses.

	Prior Period	
	TL	FC
Banks	224.898	653.533
Central Bank of the Republic of Turkey	61	--
Domestic Banks	85.021	24.095
Foreign Banks	139.816	629.438
Foreign Head Offices and Branches	--	--
Other Institutions	--	--
Total	224.898	653.533

Interest expense related to funds borrowed also includes fees and commission expenses.

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2. Information on interest expense paid to associates and subsidiaries

	Current Period
Interest Paid to Associates and Subsidiaries	12.109

	Prior Period
Interest Paid to Associates and Subsidiaries	8.039

3. Information on interest expense paid to securities issued

	Current Period	
	TL	FC
Interest Paid to Securities Issued	591.069	--

	Prior Period	
	TL	FC
Interest Paid to Securities Issued	336.432	--

4. Maturity structure of the interest expense on deposits

		Time Deposit						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year	Cumulative Deposit	Total
TL								
Bank Deposits	13	77.828	--	--	--	--	--	77.841
Saving Deposits	25	635.353	4.106.704	175.939	88.495	66.366	1.637	5.074.519
Public Sector Deposits	--	6.369	9.597	3.157	142	105	--	19.370
Commercial Deposits	1	574.009	915.247	24.260	24.909	9.960	--	1.548.386
Other Deposits	--	22.775	172.355	23.239	7.005	4.537	--	229.911
"7 Days' Notice" Deposits	--	--	--	--	--	--	--	--
Total	39	1.316.334	5.203.903	226.595	120.551	80.968	1.637	6.950.027
FC								
Foreign Currency Deposits	5.117	1.065.246	276.075	28.188	57.598	58.034	--	1.490.258
Bank Deposits	13.007	33.453	--	--	--	--	--	46.460
"7 Days' Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	8	3.397	4.765	802	922	233	136	10.263
Total	18.132	1.102.096	280.840	28.990	58.520	58.267	136	1.546.981
Grand Total	18.171	2.418.430	5.484.743	255.585	179.071	139.235	1.773	8.497.008

c. Dividend income

	Current Period
Financial Assets at Fair Value Through Profit or Loss	900
Financial Assets at Fair Value Through Other Comprehensive Income	--
Other(*)	1.532
Total	2.432

(*) Presents dividend income from unconsolidated subsidiaries and associates.

	Prior Period
Trading Securities	--
Financial Assets at Fair Value Through Profit or Loss	--
Investment Securities Available-For-Sale	262
Other(*)	968
Total	1.230

(*) Presents dividend income from unconsolidated subsidiaries and associates.

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d. Information on trading income/loss

	Current Period
Income	**846.058.603**
Capital Market Transactions	68.131
Derivative Financial Instruments	10.218.054
Foreign Exchange Gains	835.772.418
Loss (-)	**846.488.874**
Capital Market Transactions	68.532
Derivative Financial Instruments	8.571.669
Foreign Exchange Losses	837.848.673
Net Trading Income / Loss	**(430.271)**

Net gain/(loss) from foreign exchange translation differences related to derivative financial instruments is TL 2.355.949.

	Prior Period
Income	**314.041.836**
Capital Market Transactions	19.078
Derivative Financial Instruments	6.062.753
Foreign Exchange Gains	307.960.005
Loss (-)	**315.019.697**
Capital Market Transactions	59.160
Derivative Financial Instruments	7.038.693
Foreign Exchange Losses	307.921.844
Net Trading Income / Loss	**(977.861)**

Net gain/(loss) from foreign exchange translation differences related to derivative financial instruments is TL (1.525.389).

e. Information on other operating income

Other operating income consists of fees income from customers, fixed asset sales income, operating lease income and real estate appreciation increases for various banking services.

f. Expected provision of credit loss

	Current Period
Provision for expected credit loss	2.665.250
Stage 1 – 12 months expected credit loss	*(89.455)*
Stage 2 - Substantial increase in credit risk	*734.087*
Stage 3 – Default	*2.020.618*
Provisions for securities impairment	--
Financial assets at fair value through profit or loss	--
Financial assets at fair value through other comprehensive income	--
Associates, subsidiaries and provisions for financial assets measured at amortized cost impairment	--
Associates	--
Subsidiaries	--
Joint ventures	--
Others	233.327
Total	**2.898.577**

(*)Since 2018, DFS Group has reflected the expected credit loss provisions for loans and cancellations and collections made from loan provisions in its financial statements.

	Prior Period
Specific provisions on loans and other receivables	1.449.404
Loans and receivables in Group III	*254.978*
Loans and receivables in Group IV	*423.308*
Loans and receivables in Group V	*771.118*
Non-performing commissions and other receivables	--
General loan loss provisions	171.411
Free provision for probable risks	172.943
Impairment losses on securities	--
Financial assets at fair value through profit or loss	--
Investment securities available-for-sale	--
Impairment losses on associates, subsidiaries, joint ventures and investment securities held to maturity	--
Associates	--
Subsidiaries	--
Joint ventures	--
Investment securities held-to-maturity	--
Other	150.169
Total	**1.943.927**

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g. Information related to other operational expenses

	Current Period
Personnel Expenses (*)	1.584.708
Reserve for Employee Termination Benefits (*)	2.201
Reserve for Bank's Social Aid Fund Deficit	--
Impairment Losses on Tangible Assets	243
Depreciation Charges of Tangible Assets	146.825
Impairment Losses on Intangible Assets	--
Goodwill for impairment loss	869
Amortization Charges of Intangible Assets	115.445
Impairment Losses on Investment Accounted for under Equity Method	--
Impairment of Assets to be Disposed	--
Depreciation of Assets to be Disposed	2.144
Impairment of Assets Held for Sale	--
Other Operating Expenses	1.347.731
Operational Lease Expenses	*352.879*
Repair and Maintenance Expenses	*86.689*
Advertisement Expenses	*88.828*
Other Expenses (**)	*819.335*
Losses on Sale of Assets	2.338
Other	484.056
Total	3.686.560

(*) Personnel expenses and reserve for employee termination benefits are presented in "personnel expenses" in the consolidated statement of income.
(**) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationary, representation, heating and lighting, credit card service fee and others amounting to TL 68.382, TL 138.879, TL 26.173, TL 8.268, TL 38.369, TL 230.038 and TL 309.226 respectively.

	Prior Period
Personnel Expenses	1.457.912
Reserve for Employee Termination Benefits	4.835
Reserve for Bank's Social Aid Fund Deficit	--
Impairment Losses on Tangible Assets	--
Depreciation Charges of Tangible Assets	126.671
Impairment Losses on Intangible Assets	--
Amortization Charges of Intangible Assets	106.282
Impairment Losses on Investment Accounted for under Equity Method	--
Impairment of Assets to be Disposed	--
Depreciation of Assets to be Disposed	1.508
Impairment of Assets Held for Sale	--
Other Operating Expenses	1.125.266
Operational Lease Expenses	*313.100*
Repair and Maintenance Expenses	*71.797*
Advertisement Expenses	*90.487*
Other Expenses (*)	*649.882*
Losses on Sale of Assets	4.655
Other	388.398
Total	3.215.527

(*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationary, entertainment and representation, heating and lighting, credit card service fee and others amounting to TL 67.539, TL 102.923, TL 26.769, TL 8.704, TL 27.508, TL 190.254 and TL 225.536, respectively.

h. Information on profit / loss before tax from continued operations

As 1 January – 31 December 2018, DFS Group has a profit before tax from continuing operations amounting to TL 2.699.284 (1 January-31 December 2017: TL 2.491.638).

i. Information on tax provision for continued and discontinued operations

1. Current period taxation benefit or charge and deferred tax benefit or charge

As 1 January – 31 December 2018, the current period taxation charge on continuing operations is TL 390.081 (1 January – 31 December 2017: TL 425.560) while deferred tax charge is TL 4.431.703 and deferred tax benefit is TL 4.326.588 (1 January – 31 December 2017: TL 163.946 net deferred tax charge).

There are not current period taxation charge on discontinuing operations.

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2. Deferred tax benefit / (charge) arising from origination or reversal of temporary differences

Deferred tax benefit/charge arising from temporary differences	Current Period
Arising from Origination of Deductible Temporary Differences (+)	728.108
Arising from Reversal of Deductible Temporary Differences (-)	(569.704)
Arising from Origination of Taxable Temporary Differences (-)	(267.204)
Arising from Reversal of Taxable Temporary Differences (+)	3.685
Total	(105.115)

Deferred tax benefit/charge arising from temporary differences	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	160.750
Arising from Reversal of Deductible Temporary Differences (-)	(314.539)
Arising from Origination of Taxable Temporary Differences (-)	(52.999)
Arising from Reversal of Taxable Temporary Differences (+)	42.842
Total	(163.946)

3. Deferred tax benefit / (charge) arising from temporary differences, tax losses or unused tax credits

Sources of deferred tax benefit/charge	Current Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(138.696)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(263.519)
Arising from Origination (+)/ Reversal (-) of Tax Losses	297.100
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--
Total	(105.115)

Sources of deferred tax benefit/charge	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(153.607)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(10.158)
Arising from Origination (+)/ Reversal (-) of Tax Losses	(181)
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--
Total	(163.946)

j. Information on continuing and discontinued operations net profit/loss

DFS Group has a net profit is amounting to TL 2.204.088 (31 December 2017: TL 1.902.132).

DFS Group does not have discontinuing operations.

k. Information on net profit and loss

1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

Income generated from DFS Group's ordinary banking transactions during the current and prior period are mainly consisted of interest income from loans and marketable securities and income from other banking services. Main expense items are the interest expenses related to deposits and borrowings which are the main funding sources of marketable securities and loans.

2. Profit or loss attributable to minority interests

	Current Period
Profit/(loss) attributable to minority interests	4.441

	Prior Period
Profit/(loss) attributable to minority interests	1.374

3. No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.

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l. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items

Other Fees and Commissions Received	Current Period
Credit card clearing and other commissions	1.255.534
Contracted merchant / POS commissions	461.883
Insurance services	344.229
Filing fees	301.180
Intermediary services	122.554
Account management fees	79.299
Remittance commissions	64.015
Expertise fees	16.364
Other	188.665
Total	2.833.723

Other Fees and Commissions Received	Prior Period
Credit card clearing and other commissions	750.717
Contracted merchant / POS commissions	288.249
Insurance services	330.095
Filing fees	203.754
Intermediary services	91.541
Account management fees	57.251
Remittance commissions	54.360
Expertise fees	18.795
Other	90.688
Total	1.885.450

Other Fees and Commissions Paid	Current Period
Credit card / POS commissions	667.394
EFT fees and commissions	16.377
Other	232.123
Total	915.894

Other Fees and Commissions Paid	Prior Period
Credit card / POS commissions	401.789
EFT fees and commissions	11.954
Other	98.120
Total	511.863

V. Explanations and disclosures related to consolidated statement of changes in shareholders' equity

a. Information on capital increase

None.

b. Informafion on issuance of shares

None.

c. Adjustment in Accordance with TMS 8

It is disclosed in Note XXI-d of Section Three.

d. Information on distribution of profit

General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

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e. Other comprehensive income and expenses

Unrealized profit/loss" generated by differences at fair values of financial assets at fair value through other comprehensive income is not reflected in the income statement of the period, but accounted under shareholders' equity as "securities valuation differences" till to realize one of the situations that collection of value that corresponds to a financial asset, the sale of the asset, the disposal or loss of the asset. The net amount after tax for the current period is (TL 345.907).

As of 1 April 2018, Deniz Leasing from subsidiaries of Denizbank started to use cash flow hedge accounting under the currency risk. After-tax profit / (loss) accounted under equity in the current period through cash flow hedge accounting is (TL 29.409).

Revaluation accretion of tangible fixed assets is netted off with net deferred tax effect of TL 18.889 and accounted under equity.

In accordance with TFRS 9, Intertech's fair value changes amounting to TL 176.702 are accounted for under equity.

Net amount (TL 30.199) after tax of actuarial profit/loss is accounted for under equity.

Net after-tax (TL1.551.202) amount of foreign net investment hedge funds has been accounted for under equity.

Foreign currency translation differences amounting to TL 1.966.038 have been accounted under shareholders' equity.

f. Amounts transferred to reserves

The Parent Bank transferred TL 833.392 (31 December 2017: TL 145.881) to extraordinary reserves from prior period profits in 2018. TL 93.990 is transferred to legal reserves in 2018 (31 December 2017: TL 70.464).

VI. Explanations and disclosures related to consolidated cash flow statement

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 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 are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period

	Current Period 01/01/2018
Cash	**6.692.605**
Cash in Vault, foreign currencies and other	1.896.119
Banks demand deposits	4.796.486
Cash and Cash Equivalent	**9.943.423**
Interbank Money market placements	784.845
Banks time deposits	9.026.179
Securities	132.399
Total Cash and Cash Equivalents	**16.636.028**

	Prior Period 01/01/2017
Cash	**6.111.804**
Cash in Vault, foreign currencies and other	1.824.283
Banks demand deposits	4.287.521
Cash and Cash Equivalent	**7.850.740**
Interbank Money market placements	3.001.570
Banks time deposits	4.734.305
Securities	114.865
Total Cash and Cash Equivalents	**13.962.544**

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2. Cash and cash equivalents at the end of the period

	Current Period 31/12/2018
Cash	**6.124.317**
Cash in Vault, foreign currencies and other	1.327.832
Banks demand deposits	4.796.485
Cash and Cash Equivalent	**21.333.931**
Interbank Money market placements	9.774
Banks time deposits	20.776.941
Securities	547.216
Total Cash and Cash Equivalents	**27.458.248**

	Prior Period 31/12/2017
Cash	**6.692.605**
Cash in Vault, foreign currencies and other	1.896.119
Banks demand deposits	4.796.486
Cash and Cash Equivalent	**9.943.423**
Interbank Money market placements	784.845
Banks time deposits	9.026.179
Securities	132.399
Total Cash and Cash Equivalents	**16.636.028**

b. Information on cash and cash equivalent assets of DFS Group that are not available for free use due to legal restrictions or other reasons

DFS Group made a total provision for required reserves on CB of Turkey and other foreign Central Banks in amount of TL 12.707.426 (31 December 2017: TL 15.072.673).

c. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents

"Other" item amounting to TL (5.515.568) (31 December 2017: TL (2.444.013)) before "changes in operating assets and liabilities" comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 16.636.028 (31 December 2017: TL 13.962.544) to TL 27.458.248 in 2018 (31 December 2017: TL 16.636.028).

"Other liabilities" item included in "change in assets and liabilities arising from banking activities", amounting to TL 3.283.808 (31 December 2017: TL (363.826)) comprise changes in sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 3.695.321 as of 31 December 2018 (31 December 2017: TL 602.221).

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VII. Explanations and disclosures related to DFS Group's risk group

a. Information on loans and other receivables to DFS Group's risk group

Current Period

	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
DFS Group's Risk Group (*)	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	13.587	130.539	9.439	4.655	19.046	--
Balance at the End of the Period	13.631	30.404	11.790	1.677	34	--
Interest and Commission Income Received	672	155	683	3	8	--

(*) As described in the Article 49 of Banking Law no.5411.

Prior Period

	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
DFS Group's Risk Group (*)	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	14.146	128.405	5.448	7.721	56	4
Balance at the End of the Period	13.587	130.539	9.439	4.655	19.046	--
Interest and Commission Income Received	559	28	484	5	4	--

(*) As described in the Article 49 of Banking Law no.5411.

b. Information on deposits held by and funds borrowed from DFS Group's risk group

	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder (**)		Other Real Persons and Legal Entities in Risk Group	
DFS Group's Risk Group (*)	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	60.929	102.325	8.811.959	6.607.506	18.991	9.247
Balance at the End of the Period	137.535	60.929	11.965.213	8.811.959	16.720	18.991
Interest and Commission Income Received	12.122	8.680	500.920	410.154	2.223	594

(*) As described in the Article 49 of Banking Law no.5411.
(**) Includes the subordinated loan of US Dollar 1.050 million and Euro 115 million received from Sberbank.

c. Information on forward and option agreements and similar agreements made with DFS Group's risk group

	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
DFS Group's Risk Group (*)	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	--	--	51.000	--	--	--
Balance at the End of the Period	--	--	--	51.000	--	--
Total Income/(Loss)	--	--	(5.033)	8.264	--	--
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

(*) As described in the Article 49 of Banking Law no.5411.

d. Information on benefit provided to top management

DFS Group made payment amounting to TL 111.769 (31 December 2017: TL 83.415) to its top management as of 31 December 2018.

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e. Information on transactions with DFS Group's risk group

As of 31 December 2018, cash loans and other receivables of the risk group represent 0,02% of DFS Group's total cash loans and bank deposits granted the deposits and borrowings represent 7,5% of DFS Group's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,1% of the total balance.

The risk group, which DFS Group belongs to, has finance and operation lease contracts with Deniz Leasing. The Parent Bank gives brokerage services through its branches for Deniz Yatırım. As part of the consolidation adjustments, these balances and transactions have been eliminated from the accompanying financial statements.

VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Parent Bank

a. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Number of Employees			
Domestic branch	710	11.780			
			Country of Incorporations		
Foreign representation	-	-	-		
				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	13.046.222	-

b. Explanations on the Parent Bank's branch and agency openings or closings

The Parent Bank opened 31 new branches and closed 17 branches in 2018.

c. The branches of associates and subsidiaries

There are 43 branches of Denizbank AG, of which headquarter is located centrally in Vienna. 27 of branches are located in Austria, 16 branches are in Germany.

JSC Denizbank Moscow, which is located in Moscow, does not have any branches.

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SECTION SIX
OTHER DISCLOSURES AND Footnote

I. Other explanations related to DFS Group's operations

a. Explanations related to DFS Group's operations

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies

Moody's(*)	
Outlook	Negative
Long Term Foreign Currency Deposits	B2
Short Term Foreign Currency Deposits	Not Prime
Long Term Local Currency Deposits	B2
Short Term Local Currency Deposits	Not Prime
Bank Financial Strenght Rating (BCA)	b3

*As of 28.08.2018

Fitch Ratings(**)	
Outlook	Negative
Long Term Foreign Currency	BB-
Short Term Foreign Currency	B
Long Term Local Currency	BB
Short Term Local Currency	B
Viability	b+
Support	3
National	AA (tur)(stable)

**As of 10.10.2018

c. Subsequent events

On 22 May 2018, Emirates NBD Bank PJSC (Emirates NBD) and Sberbank of Russia (Sberbank) announced that they have signed a definitive agreement about selling 99,85% of Denizbank's shares, which is owned by Sberbank to Emirates NBD.

Sberbank's shareholding in Denizbank will expire with the completion of the sales transaction. In the direction of the signed aggrement, the sales price of the 99,85% shareholder was determined as 14.609 million TL with Denizbank's price fixing mechanism based on the equity size in the consent of DenizBank on 31 October 2017.

Additionally, Emirates NBD will pay interest that is over the transfer fee, on Sberbank for the period between October 31, 2017 and the closing date of the sales transaction. The profit to be earned by Denizbank from 31 October 2017 until the closing date of the sales transaction will be recorded at Emirates NBD's account. As part of the transfer process, with the closing of the sales transaction, Emirates NBD will also own the ownership of subordinated loans granted to Denizbank by Sberbank in the past.

The completion of the transaction, Turkey, Russia and the United Arab Emirates and is subject to approval by the regulatory authorities of other countries in which it operates Denizbank.

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SECTION SEVEN
INDEPENDENT AUDITOR'S REPORT

I. Matters to be disclosed related to Independent Audit Report

Consolidated financial statements and notes of DFS Group are subject to independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and audit report dated 21 February 2019 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditor

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of DFS Group.

Contact Information

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Trade Register Number
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Domestic Branches
DenizBank has 710 branches in Turkey. Information on domestic branches is available on the DenizBank web site.

https://www.denizbank.com/en/service-points/default.aspx

Foreign Branches
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