

Annual Report 2018



İŞBANK

“

Having celebrated its 94th year in 2018,
İşbank is taking firm steps towards its
100th anniversary.

İşbank pursues its operations as a durable, dynamic and agile organization and forms the competitive standards of the future.

Playing the pioneer role for technological advancement and innovation in the banking industry, İşbank constantly upgrades its distribution channels in keeping with its strategy set as being the bank closest to customers.

Contents

Introduction

- 2 Corporate Profile
- 4 İşbank in Figures
- 6 İşbank's Vision, Objectives, Values and Strategy
- 8 İşbank Since 1924
- 9 Firsts and Innovations
- 10 Chairman's Message
- 14 CEO's Message

Activities

- 18 The Global Economy
- 19 The Turkish Economy
- 20 Banking Sector
- 22 İşbank and its Activities in 2018
- 58 Subsidiaries
- 62 Corporate Social Responsibility Activities
- 66 İşbank and Sustainability
- 68 Annual Report Compliance Opinion

Corporate Governance

- 70 İşbank's Dividend Distribution Policy
- 71 Agenda of the Annual General Meeting
- 72 Summary Report of the Board of Directors
- 73 Dividend Distribution Proposal
- 74 Board of Directors
- 76 Executive Committee
- 78 Organization Chart
- 80 Changes in the Organizational Structure
- 80 Managers of Internal Systems
- 80 Information about the Meetings of the Board of Directors
- 81 İşbank Committees
- 85 Human Resources Practices at İşbank
- 86 Information on the Transactions Carried out with İşbank's Risk Group
- 87 Activities for which Support Services are Received in Accordance with the Regulation on Procurement of Support Services for Banks
- 88 Corporate Governance Principles Compliance Statement
- 88 Corporate Governance Compliance Report
- 92 Corporate Governance Information Form

Annual General Meeting Documents

Financial Information and Risk Management

- 98 Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period
- 100 Explanations on Financial Condition, Profitability and Solvency
- 101 Information on Risk Management Policies Applied per Risk Types
- 105 İşbank Credit Ratings
- 106 Unconsolidated Financial Statements as at and for the Year Ended 31 December 2018 with Independent Auditor's Report Thereon
- 234 Consolidated Financial Statements as at and for the Year Ended 31 December 2018 with Independent Auditor's Report Thereon
- 376 Financial Highlights and Key Ratios for the Five-Year Period
- 378 Direct and Indirect Subsidiaries
- 381 Changes in Share Percentages in Subsidiaries
- 383 Additional Information Regarding the Related Legislation
- 384 Information to Shareholders

Corporate Profile

“

İşbank is delivering its products and services to its broad customer base with its 24,570 employees, 1,333 domestic and 22 overseas branches, 6,560 domestic Bankamatik ATMs and mobile channels as at year-end 2018.

Turkey's Leading Private Bank

The Bank of "Firsts"

Sustainable and Solid Financial Structure

İşbank maintains its position as Turkey's largest private bank as at year-end 2018 in terms of total assets that reached TL 416.4 billion. The Bank also retained its leadership among private banks in terms of total loans, total deposits and shareholders' equity.

With its extensive physical and digital service network, İşbank consistently carries on its activities based on its commitment to be the bank closest to its customers. The bank has the largest branch and ATM network among private banks.

As of the end of 2018, İşbank offers high value-added products, services and solutions in corporate, commercial, SME, retail and private banking segments through 24,570 employees, 1,333 domestic and 22 overseas branches, 6,560 domestic Bankamatik ATMs and mobile channels.

Undertaking a pioneering role in the Turkish banking industry since 1924, İşbank remains focused on the future and innovation today, as it was yesterday.

With a vision of developing innovative products, services and applications that are aligned with the global trends based on its innovative approach, İşbank introduced a number of firsts to Turkey including the first ATM, the first internet branch and the first mobile banking application.

İşbank uninterruptedly continues its investments in technology, and carries out its activities in line with its strategy to be the bank closest to its customers with its distribution channels that are continuously improved and expanded.

In its 94 years of history, İşbank has stood by companies, investors, entrepreneurs and individuals with its solid financial structure, and it has enhanced its business volume while contributing to the Turkish economy and growth with the banking products and services it offers.

With a shareholders' equity of TL 49.7 billion, İşbank possesses the leverage and the strength necessary to further expand its business volume. The Bank has a capital adequacy ratio of 16.5% which is well above the regulatory limit, as of year-end 2018.

Total Assets**TL 416.4 billion**

In 2018, İşbank's total assets grew by 14.9%.

Capital Adequacy Ratio**16.5%**

İşbank has a solid shareholders' equity to support its growth.

A Trusted Bank

The pioneer of the banking business in Turkey, İşbank owns a brand that stands for trust, respectability and prestige in the eyes of its stakeholders in national and international markets thanks to its deep-rooted tradition.

At the end of 2018, total customer assets under management of İşbank amounted to TL 282 billion.

In 2018, İşbank has once again been the highest-ranked private Turkish bank in The Banker Magazine's list of "Top 1000 World Banks".

Broad Shareholder Base

The broad shareholder base made up of approximately 170,000 shareholders and institutional investors represents one of the most important assets of İşbank.

Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), an institution that has the membership of nearly 50,000 current and retired bank employees, holds 40.47% of İşbank's capital.

A Corporate Citizen Adding Value to its Stakeholders

Keeping its sustainability approach at the heart of its business strategy, İşbank runs its activities with a holistic and long-term perspective in its activities.

İşbank evaluates economic, environmental and social topics as a whole and aims to create permanent value for all of its stakeholders.

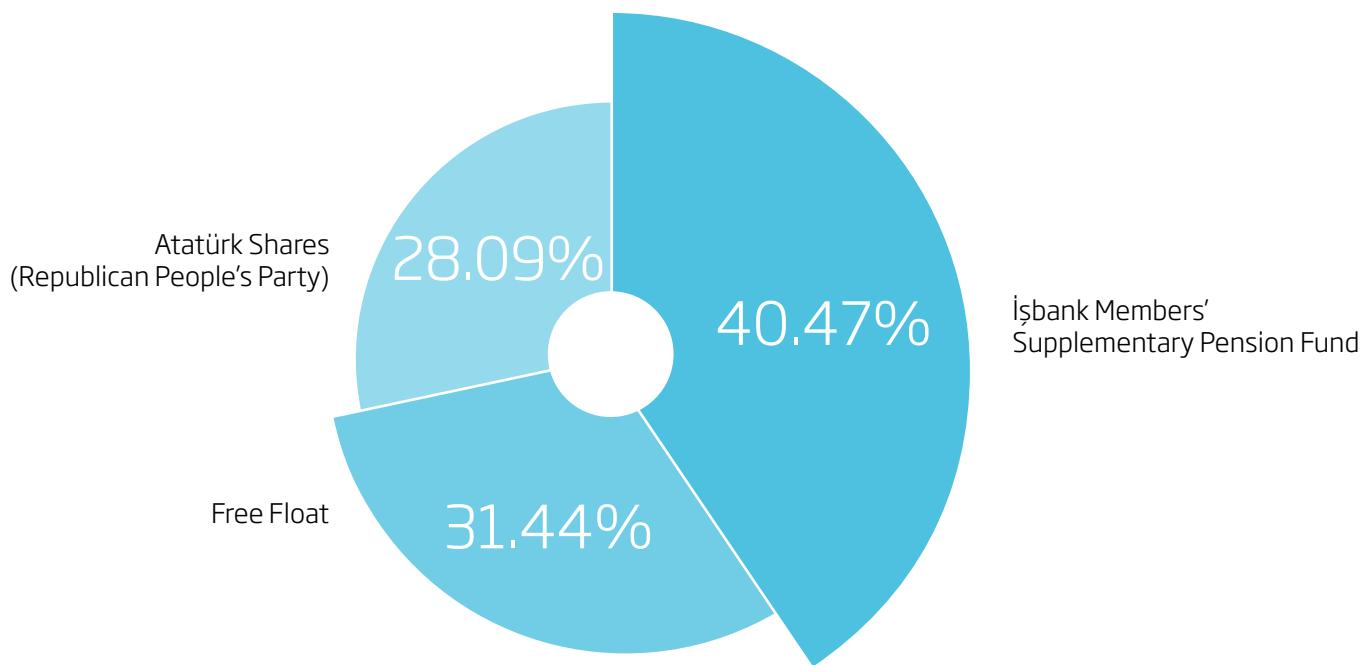
Within the frame of multi-dimensional sustainable management approach, the Bank contributes to the social welfare through its far-reaching and long-lasting social responsibility projects, while monitoring environmental and social impacts arising from its lending activities, as well as of its own operations.

İşbank in Figures

“

The leader among private banks in terms of total loans, total deposits and shareholders' equity, as well as total assets, İşbank has been the highest-ranked private Turkish bank in The Banker Magazine's list of "Top 1000 World Banks" in 2018.

Shareholding Structure^(*)



(*) The shareholding structure is provided as of on 31 December 2018. (31 December 2017: Pension Fund 39.95%, Atatürk Shares 28.09%, Free Float 31.96%).

TL 49.7 billion

Leader among private banks in terms of shareholders' equity

TL 260.3 billion

Leader among private banks in terms of total loans

TL 245.3 billion

Leader among private banks in total deposits

Key Financial Highlights (TL Million)

	31.12.2018	31.12.2017*	Change (%)
Total Assets	416,388	362,244	14.9
Loans	260,316	239,409	8.7
Deposits	245,269	203,752	20.4
Shareholders' Equity	49,721	42,984	15.7

(*) Changes in the accounting policy were applied retrospectively; accordingly, financial statements for 2017 were restated and corrected.

Key Financial Ratios (%)

	31.12.2018	31.12.2017*
Interest Earning Assets ⁽¹⁾ / Total Assets	89.3	91.5
Loans / Total Assets	62.5	66.1
Loans / Deposits	106.1	117.5
NPL Ratio	4.1	2.2
NPL Coverage Ratio	58.7	86.0
Demand Deposits / Total Deposits	24.4	26.3
Shareholders' Equity / Total Liabilities	11.9	11.9
Capital Adequacy Ratio	16.5	16.7
Return on Average Equity (RoAE) ⁽²⁾	14.8	15.4

(*) Changes in the accounting policy were applied retrospectively; accordingly, financial statements for 2017 were restated and corrected.

⁽¹⁾ Interest earning assets include TL and FC reserves at Central Bank.

⁽²⁾ Average figures were calculated based on restated year-end balances for the period ended 31.12.2017, and on quarterly balances for the period ended 31.12.2018.

İşbank's Vision, Objectives, Values and Strategy

Our Vision

To be the most preferred bank in Turkey by customers, shareholders and employees by maintaining our leading, pioneering and trusted position.

Our Objectives

To consistently increase the value it creates for shareholders, as a bank that responds to customer needs quickly, effectively and with high-quality solutions and that encourages its employees to achieve a high level of performance in their jobs.

For our customers;

- to be the bank that is the most preferred service provider in all the sectors and customer groups that we target
- to provide our customers comprehensive, reliable and high quality service with our competent employees, extensive branch network and non-branch banking channels
- to abide by our high business ethics and principles without compromise

For our shareholders;

- to consistently increase the value of our shares
- to operate with an effective risk management approach

For our employees;

- to be a preferred employer and to offer our employees programs and training opportunities that will foster their personal and professional development
- to propagate of our customer focused approach among all our personnel
- to support and encourage loyalty, assuming responsibility and creativity
- to deploy an employee hiring, evaluation, appointment and advancement system that is based on competencies and performance and that is fair and trustworthy

In summary,

İşbank's goal is "to consistently increase the value it creates for shareholders, as a bank that responds to customer needs quickly, effectively and with high-quality solutions and that encourages its employees to achieve a high level of performance in their jobs."

Our Strategy

Our strategy is achieving sustainable and profitable growth based on "the bank closest to customers" philosophy in an effort to fulfill our vision and objectives.

Our Values

Our values that represent our corporate identity, guide us to reach our vision and objectives, and that are internalized by our employees as their way of work and life are "Leadership, that is powered by a Shared Mindset generated in Solidarity, and that is Trusted under all conditions with a strong Service orientation."

İşbank Since 1924

In keeping with its founding mission, İşbank has aimed to accept even the smallest amount of savings and to put it toward economic development.

Beginning to expand into a country-wide branch network upon its foundation, İşbank was also the first Turkish bank to establish branches abroad, with the first international branches opening in 1932 in Hamburg, Germany and Alexandria, Egypt.

In 1950s, İşbank focused on developing its equity participations portfolio.

As İşbank's equity participations became drivers of Turkish industry, the Bank supplied resources in the form of capital and financing to a number of industries with a focus on manufacturing. In 1960s and 1970s, İşbank accelerated the pace of the branch network expansion at the national level. In 1980s, the Bank focused on increasing the number of its overseas branches.

At İşbank, the 1980s were characterized by the growing importance of multichannel banking and the Bank started offering an even broader range of products and services to customers.

In 1982, İşbank introduced the first ATMs to the Turkish market. Its ATM, named "Bankamatik", became the generic name for automatic teller machines in Turkey.

İşbank further solidified its position as the sector's pioneer in alternative distribution channels when it launched the country's first telephone banking service, "Mavi Hat (Blueline)" in 1991, and Turkey's first online branch in 1997.

In subsequent years, İşbank continued to move forward by improving service quality and by developing products tailored to customer expectations. In parallel with these innovations, the Bank also focused on R&D efforts and made maximum use of new technology.

Maintaining strong and stable growth, İşbank relocated the Bank's headquarters from Ankara to İstanbul in 2000.

In 2006, İşbank initiated the Customer-Centric Transformation (MOD) program, aimed at restructuring the Bank with a customer-focused approach. Under this program, many projects and initiatives that resulted in truly revolutionary changes were successfully completed.

In line with rapid advances in technology, İşbank continued to improve the innovative multi-channel banking network, allowing customers to utilize the most suitable channel to perform any banking transaction conveniently, quickly and reliably, 24 hours a day, 7 days a week.

Initiating the customer-centered Digital Transformation Program with the vision of becoming "Turkey's Best Digital Bank", İşbank founded MaxiTech in Silicon Valley in 2016 which will provide support to digital transformation. "Workup by İşbank" entrepreneurship program was initiated under Kolektif House in order to support high potential and technology focused startups. Besides, Innovation Committee was established at İşbank in order to provide extending innovation culture and carrying on with innovation process continually.

In 2018, İşbank kept consolidating its leadership in digital banking. While the personal assistant application Maxi that quickly achieved a record number of customer contacts was integrated to the service platform, humanoid robot Pepper began offering service at İstanbul branch, representing the first concrete step of the target of enriching customer service experience delivered at branches with robotic technology. The third batch graduated from Workup, cooperation intensified with ventures contacted in the entrepreneurship ecosystem. İşbank moved one step further in the innovation universe with the opening of the Shanghai Innovation Center.

İşbank decisively carried on with its efforts aimed at increasing the total value generated for its stakeholders in line with its productivity and digitalization targets also in 2018.



İşbank decisively carried on with its efforts aimed at increasing the total value generated for its stakeholders in line with its productivity and digitalization targets also in 2018.

FIRSTS AND INNOVATIONS

İşbank;

- Developed and introduced the "Money Box" account to Turkey to foster a culture of savings.
- Introduced the first use of cheques as a convenient means of carrying out regular payments.
- Launched electronic banking in Turkey, with the introduction of the country's first ATMs: Bankamatik.
- Became the first Turkish bank to open branches in Europe and T.R.N.C.
- Rolled out the first investment account service in the Turkish financial services industry.
- Launched Turkey's first mutual fund.
- Became Turkey's first bank to introduce trading services of investment securities.
- Initiated the first interactive telephone banking service.
- Opened the first online branch.
- Developed and rolled out the first application-based native mobile banking service (İşCep) for customers.
- Offered the first term deposit product for customers in Turkey, "Floating Account" whose yields are indexed to the TRLIBOR market.
- Turkey's first social responsibility-focused mutual fund, "TEMA Environmental Variable Fund," investing in environmentally friendly companies.
- Launched the "Environmentally Friendly Housing Loan" product to support the development of environmentally friendly technologies in the housing sector.
- Introduced Mobile Signature, enabling customers to pay off loans without having to visit a branch and to withdraw cash, without using a debit or credit card.
- The integrated "Mobil Borsa" feature within İşCep gives access to real-time stock exchange data and allows stock exchange transactions in that without a dedicated application.
- Developed and introduced "Mobile Key (Cep Anahtar)," a mobile phone application that strengthens the transaction security of the online

branch and mobile banking channels, and also enables cash withdrawals from Bankamatik (ATMs) without the need for a card.

- Developed "Üstü Kalsın (Keep the Change)" an innovative application that helps customers to grow their savings by rounding up outstanding credit card debt balances to a specified limit, and uses the difference to purchase mutual fund shares.
- Developed the "Kur Korumalı (Opsiyonlu) Döviz Kredisi (Exchange Rate Protected Foreign Currency Loan with Option)," a foreign currency loan with a guaranteed exchange rate option that protects the borrower against excessive increases in the exchange rate; "Sabit Faizli Rotatif (BCH) Kredi (Fixed Rate Revolving Loan)," a fixed-interest-rate revolving line of credit for those who do not want to be affected by fluctuating interest rates; and Chinese Yuan credit and loans for customers who conduct business with China.
- Introduced the "Temassız Kartla Para Çekme (Money Withdrawal by Contactless Card)," a contactless card application that enables users to withdraw cash with a single key press.
- Designed and opened a specialized branch with a completely different and unique structure to deliver services exclusively to companies backed by foreign capital, which is an unprecedented service offering in Turkey.
- Became the first privately-owned bank in Turkey to introduce the 2B Loan.
- Launched the "Şipşak" product that allows customers to carry out instant shopping by scanning a QR code in print media, such as newspapers, magazines, banners or catalogues.
- Launched the "Anında Alışveriş Kredisi (Instant Shopping Loan)" product that allows customers to use consumer loan instantly during the payment process without leaving the web site in which they shop by the use of API (Application Programming Interface) technology.
- Added the "Müzekart (Museum Card)" feature to credit cards, providing customers the opportunity to visit
- museums or archeological sites -which are operated by the Ministry of Culture and Tourism of the Republic of Turkey-free of charge for one month every year.
- Introduced the "İşCepMatik", which is a new generation ATM device designed for its customers, allowing them to withdraw cash through Bluetooth or QR code technologies without having to carry an ATM card or entering a passcode.
- Became the first bank working online in Turkey that has been integrated into the invoice registry center with the "Supplier Financing" application that allows customers to use invoice amounts before their terms by discounting.
- Launched "Exporter Card" product which is specifically designed for SMEs who make their export transactions via the Bank.
- Launched "Sosyal Hesap" (Social Account) whereby İşCep users can ask for a money transfer for meals, presents, entertainment, school fees and similar purposes into a designated account from their families and friends, or whereby they can quickly respond to such requests.
- Became the first bank in Turkish capital markets that issued a domestic subordinated bond denominated in TL.
- Allowed to make stock exchange transactions and futures transactions in Europe's, America's and Asia's leading 26 stock markets such as NASDAQ, NYSE, XETRA, LSE, ICE, SEHK with İşCep International Markets service.
- Introduced Digital Moneybox to its customers which is a first in Turkey in the way of transformation of the Internet of Things (IoT) and a FinTech initiative into a banking product.
- Introduced Pepper, the humanoid robot that understands and speaks Turkish, at its İstanbul branch.
- Set up the Agile Atelier, one of the few implementations in the global banking sector.
- Launched Maxi, the personal assistant application based on AI, on its mobile banking service (İşCep) in 2018.

Message from the Chairman

“

İşbank is ready for the future drawing strength from its deep-rooted structure.



H. Ersin Özince

Chairman of the Board of Directors

Esteemed Shareholders,

Trade wars that gained weight all over the world made one of the key highlights of 2018.

In 2018, global economy was able to preserve its growth performance of 2017 despite the increased risks during the year. Protectionist measures introduced in foreign trade particularly by the US and the retaliation by the objects of these measures, led by China, put pressure on global economy.

The US economy registered a strong growth performance in 2018, and the country's currency gained value. The US Federal Reserve (the Fed) sustained normalization of its monetary policy and kept downsizing its balance sheet,

carrying out four rate hikes in the process in 2018.

After making a strong start to 2018, economic activity in the Eurozone lost some pace lately. Concerns over the Italian economy that is burdened with high public indebtedness along with a vulnerable banking industry, and the uncertainties surrounding the Brexit process both remain as critical items on the agenda. The European Central Bank (ECB) acted parallel to the anticipations in its monetary policy implementations in 2018 and gradually reduced its asset purchases and terminated them.

The normalization steps taken by the central banks of developed countries in their monetary policies led to higher borrowing costs on a global scale in 2018.

“

The policies to be pursued by the central banks of developed countries and global liquidity conditions will likely continue to pose significance for emerging countries in 2019.

While global liquidity conditions tightened, emerging countries particularly with high savings deficits were negatively affected by these conditions. This gave rise to volatility in local markets, which grew within the year as a result of country-specific risks.

The Turkish economy entered into a rebalancing process

In 2018, the Turkish economy lost pace due to weakened domestic demand and high base effect. The national economy registered 4.5% growth in the first nine months of 2018. In the same timeframe, the pressure by the decelerated economic activity created on tax revenues, the steps taken to support economic activity and higher interest expenditures stemming from increased borrowing costs resulted in expanded budget deficit, however, the ratio of the budget deficit to GDP remained at a manageable level and below the Maastricht criteria.

Inflation became prominent in the agenda of the Turkish economy in 2018. While the soaring exchange rates led to increased import prices in terms of Turkish lira, the volatility in food prices coupled with the rise in oil prices particularly in the first nine months of the year pushed the consumer inflation up.

The policies to be pursued by the central banks of developed countries and global liquidity conditions will likely continue to be significant for Turkey as well as other emerging countries in 2019. Global, regional and local political events will keep affecting the national economy.

About the banking industry...

In 2018, the banking industry underperformed in terms of growth as compared with the earlier years due to the slower domestic demand, decreased demand for loans and higher interest rates.

14.1% expansion in lending volume in 2018, when adjusted for exchange rate effect, indicates a limited growth. Deposits continued to serve as the main funding source also in 2018 and external borrowings of banks were observed to decline. Decelerated momentum in economic activity affected the industry's asset quality.

However, the banking sector will sustain its support to the Turkish economy thanks to its robust shareholders' equity in 2019 during which economic recovery is anticipated even if it may be slight.

İşbank is ready for the future drawing strength from its deep-rooted structure.

One of the milestones of the Republic era economy, İşbank proudly celebrated its 94th anniversary in 2018. Marching on to the future over a century-old line, İşbank is ready for the future drawing strength from its deep-rooted structure and you esteemed shareholders that make up the most important constituent of its collective capital base.

Drawing close to 100 years, our Bank is focused on becoming the determinant of the future competition and banking norms being a dynamic and agile organization.

“

Having signed its name under numerous firsts in the history of the national banking business, İşbank increased the diversity of its product and service offering to its customers through recent digitalization projects.

On its track to become İşbank of the future...

Having signed its name under numerous firsts in the history of the national banking business ever since its inception, İşbank increased the diversity of its product and service offering to its customers through recent digitalization projects. In the process, our Bank also works to deliver the personalized products, services and experiences that our customers need on digital platforms, besides the countrywide physical service outlets.

During the reporting period, İşbank carried on with its initiatives making a difference in digital banking and sustained its pioneering position in digital service channels.

Our Bank will keep integrating the artificial intelligence technology in its business processes, offering innovative products and services that will make its customers' lives easier at all touch points, and collaborating with its stakeholders to deliver an unparalleled customer experience.

İşbank Group is a large conglomerate backing the sustainable growth and development of our country.

Together with its subsidiaries, İşbank Group consists of 110 companies in total, employing 57 thousand people, and is among Turkey's largest conglomerates.

Besides the employment it creates, İşbank Group adds value to the national economy with its commercial activities, total taxes paid, and exports carried out.

The Şişecam Group, our subsidiary operating in the glass industry, is active in 13 countries. With the scale, degree of specialization and outstanding competitive edge it has acquired, the Şişecam Group ranks among the most prestigious and leading manufacturers in the world.

Our financial services subsidiaries constitute another major part of our Group. With their robust market positioning in their respective business lines and their broad product ranges, our financial services subsidiaries further enrich the product and service portfolio we offer to our customers, and enhance our added value by enabling cross and complementary product and service sales.

Our broad and strong shareholder base gives us the motivation and the energy we need.

40.47% of our capital is held by İşbank Members' Supplementary Pension Fund, an institution that has the membership of 43,937 current and retired bank employees. Our Bank, whose shares are traded in Borsa İstanbul, is the best and strongest example of the broad capital base in Turkey with almost 170 thousand shareholders and corporate investors.

İşbank is one of the largest conglomerates of our country.

110 companies

Comprised of 110 companies, the İşbank Group provides employment for 57 thousand people.

“

İşbank will keep using all its resources for our people and our country in 2019 and thereafter as it has done for the past 94 years.

Corporate social responsibility is a fundamental trait of İşbank.

Contributing to the advancement of social life as well as to economic development ever since its incorporation, İşbank regards its social responsibility initiatives as a major component of its founding mission and its sustainability approach.

Also in 2018, İşbank devotedly carried on long-lived, far-reaching projects designed in sustainable format with the target of reaching out to broad segments of society, with its change-making initiatives in the areas of education, environment, culture and arts, and produced permanent value.

One of the largest-scale book-related campaigns ever organized in Turkey and held for the 11th time this year, “One Million Books, One Million Children” campaign, served to deliver 13 million books in total to primary and secondary school students to date. The number of chess classes opened by İşbank in primary and secondary schools exceeded 22 thousand, and the total number of saplings planted within the scope of our 81 Forests in 81 Cities project topped 3 million including the complementary plantings.

İşbank will keep using all its resources decisively for our people and our country.

İşbank is determined to keep contributing to the development, construction and thriving of our country in every area possible.

Although global and national political and economic environment presents challenges, İşbank will proceed with wisdom, diligence and virtue in the path of science and reason as indicated by our Founder Mustafa Kemal Atatürk, in 2019 and thereafter as it has done in the past 94 years, in keeping with the great responsibility it carries.

On behalf of our Board of Directors and myself, I would like to extend my thanks to our stakeholders for their valuable contributions and confidence.

Yours sincerely,



H. Ersin Özince

Chairman of the Board of Directors

Message from the CEO

“

In 2018, İşbank strongly materialized its support to the economy on a broad spectrum from household needs to the placement of the country's large-scale investments



Adnan Bali
Chief Executive Officer

Esteemed shareholders, customers, employees and business partners of İşbank,

As the strongly built Turkish economy went through a rebalancing process, İşbank uninterruptedly sustained its support to the real sector and kept producing value for its stakeholders.

During 2018, global political and economic policies underwent significant changes. Worldwide geopolitical risks increased due to the sanctions imposed, as well as the protectionist trade measures implemented by the US. While the US economy stood out with its strong performance among the major countries in this period, economic activity lost pace in the Eurozone and in China. Tightened global liquidity conditions led to sharp fluctuations also in emerging markets.

In 2018, the Turkish economy was negatively affected by the tightened global monetary policies, the appreciation in USD, and increased oil prices. The weakening in economic activity became pronounced as the interest rates soared in the second and third quarters of 2018. The third quarter saw the inflation escalate in the aftermath of the extreme volatility in exchange rates due to the political events and geopolitical issues, which adversely impacted the cash flows of firms and households. An important agenda item that came to the forefront has been managing the demands for restructuring credits on a case-by-case basis, which arose as a result of these developments. Consequently, deceleration in the growth rate of the banking industry and a systemic deterioration of the asset quality indicators as compared with the previous years were observed.

“

Within the scope of our lending activities, SMEs that are of the utmost importance to us have taken up an important place and been among our priorities also in 2018.

In the period ahead, geopolitical developments will potentially remain important with respect to Turkey's economic outlook, as well as monetary and fiscal policies to be implemented in our country.

With its young population, the dynamic structure of the real sector and the robust banking industry, the Turkish economy is well equipped to handle the rebalancing process that it is undergoing.

2018 has been yet another year for İşbank to display its support to the national economy.

In 2018, sustaining and further strengthening the confidence in national economy has become even more critical than ever before. İşbank has materialized its support to the economy on a broad spectrum from household needs to the financing of the country's large-scale investments throughout the year.

In this process, İşbank adhered to its prudent and selective approach on one hand, and kept allocating its resources to the real sector and households in keeping with its perspective of contributing to the country's economy, on the other.

In 2018, İşbank's total assets reached TL 416.4 billion, up 14.9% compared to the previous year. Our Bank preserved its position as Turkey's largest private bank in terms of its total assets.

İşbank maintained its position as Turkey's leader private bank also in terms of total lending, deposit base and shareholders' equity based on its performance in 2018.

Cash loans extended by our Bank went up by 8.7% in 2018. Resources made available to the economy through loans amounted to TL 260.3 billion in cash loans, and TL 91.3 billion in non-cash loans, for a figure of TL 351.6 billion in the aggregate.

Within the scope of our lending activities, SMEs that are of the utmost importance to us and that make the backbone of the Turkish economy have been among our priorities also in 2018. Our widespread loans that we make available to hundreds of thousands of SMEs all over the country expanded by 7.1% and reached TL 59.3 billion at year-end 2018.

I would like to underline a point that I believe to be vital in relation to the SMEs: our Bank's approach to supporting small businesses is a comprehensive one, entailing information and advisory services in addition to financing them. In our cooperation with the SMEs, we act as a guide in many headings from digitalization to the agricultural industry and women employment, and we spend intensive and systematic efforts to further strengthen the SMEs in their growth journeys.

İşbank's retail loans for households amounted to TL 58.2 billion. Backed by our extensive branch network, digital banking channels, and customer-oriented approach to service, our total deposits expanded by 20.4% and was realized at TL 245.3 billion as at year-end 2018.

Message from the CEO

“

İşbank posted a net profit of TL 6.8 billion in 2018, in which it has substantially achieved its goals.

While our shareholders' equity reached TL 49.7 billion, capital adequacy ratio stood at 16.5% which keeps offering the capacity our growth strategy will need. In the same period, the Bank's non-performing loans ratio remained at 4.1% which is below the average of private banks.

İşbank posted a net profit of TL 6.8 billion in 2018, in which it has substantially achieved its goals.

The confidence held in our Bank in global financial markets...

In 2018, the confidence held in İşbank in global financial markets continued to reflect powerfully on our funding development and diversification efforts. Possessing a long track record and significant experience with syndicated loans, İşbank successfully renewed these facilities and secured approximately USD 2.5 billion in this scope in 2018 when global liquidity conditions tightened and costs took an upturn.

İşbank works hard and constantly to further enhance the customer experience and value offered.

In our day, the key determinants of competitive strength are customer-centricity and the richness of the value proposal offered. İşbank considers all its activities within the frame of its operation cycle and formulates them in line with its sustainable and profitable growth strategy based on its motto of being the bank closest to customers.

Targeting to be the financial solution partner that customers prefer the most through all their life stages, İşbank carries its claim at leadership to a whole new level

with its comprehensive and innovative initiatives in digital banking, while continually upgrading traditional banking services and products in keeping with customer needs.

Focused on increasing its efficiency by incorporating digital transformation within its business processes as well, İşbank positioned its physical and digital channels in a way to complement one another and kept offering personalized products and services that make its customers' lives easier in 2018.

At the end of 2018, the number of İşbank's mobile banking customers reached 6.7 million. On the same date, the number of the Bank's total digital customers was 7.2 million, while the customers using Bankamatik ATMs and Internet branch numbered 9.9 million and 2.7 million, respectively. The share of transactions performed using İşbank's non-branch channels rose to 88.5% within total transactions.

While the number of functions offered on İşCep, the mobile banking application providing the most comprehensive set of transactions in Turkey, rose to 274, the number of functions made available to customers on Bankamatik ATMs is 136.

Our work on Conversational Banking based in artificial intelligence continues at full speed. The experience obtained from Ask İşbank message bot launched on işbank.com.tr was taken a step further in 2018, and personal assistant app Maxi was introduced on İşCep for the use of our customers at the end of November. Through Maxi, İşbank realized 2.3 million dialogues with over 1.2 million users as at year-end 2018. Our target for the year ahead is to integrate Maxi in all digital

Digital Customers

7.2 million

Total number of İşbank's digital customers reached 7.2 million.

“

In the year ahead, we will keep allocating our resources to sectors creating added value just like we did in 2018.

platforms that we contact our customers, especially in Maximum Mobile and telephone banking channels.

The founding mission of İşbank entails contributing to the economy by supporting entrepreneurs and those wishing to do business. Along this line, we deem the structuring efforts our Bank undertakes in the entrepreneurship universe and its close cooperation with startups that have the potential to thrive to be of strategic importance and value. Our hard work in 2018 brought our support to FinTechs and startups to a whole new level. While the Workup Entrepreneurship Program has been a significant step in this area, our activities focus mainly on supporting the entrepreneurs with mentorship, training and cooperation, in addition to financial support.

So far, İşbank established close contacts with nearly 230 ventures and cooperated with 50 of them; the Bank is determined to take on pioneering initiatives also in relation to startups.

On the other hand, Maxitech, our subsidiary operating in the US, carries out various major projects from robotic industries to software and to numerous applications using artificial intelligence.

In 2018, we have opened our Shanghai Innovation Center. This structure that we plan in the startup area is not only a concrete extension of our claim to take our place in the future of the global banking business; but it will also play an important part in terms of correctly formulating the added value we are targeting to deliver to our customers in the medium and long-term.

The future is the main reason of existence of financial institutions.

Putting all its resources to use for the benefit of the national economy, our institution has never refrained from taking on its role in any critical period. This approach has by now become a corporate culture, a way of life at İşbank.

In spite of all the volatilities experienced, 2018 has been a year in which we have allocated our resources to sectors creating added value as always.

In 2019, which is predicted as a year of rebalancing, the deterioration in asset quality given the existing conjuncture and the contraction in profitability indicators, with the net interest margins taking the lead among them, will be the key processes that must be managed. With its dynamic balance sheet approach and its sincerity it has built over the years, İşbank is determined to sustain the added value it creates for our country in 2019 and thereafter, and has the strength to manifest this determination in its operations.

We wish 2019 to be a successful, productive and efficient year for our country, our Bank and all our stakeholders.

I would like to take this opportunity to thank all our stakeholders and particularly our employees who have contributed to our performance in 2018.

Yours sincerely,

Adnan Bali
Chief Executive Officer

The Global Economy

“

In 2018, global economy preserved its growth trend to a major extent despite downside risks.

Trade wars came to the fore in the agenda in 2018.

2018 has been the scene to the introduction of US-led protectionist trade measures, which negatively affected the global risk perception. From March, reciprocal measures adopted in trade and investment areas particularly between the US and China reached the level to adversely affect global trade volume and economic activity. Also the US sanctions reintroduced against Iran aggravated geopolitical risks. Despite increased risks, global economy preserved the growth trend captured in 2017 to a large extent in 2018. Central banks of developed countries acted in line with the predictions throughout the year. Having continued to downsize its balance sheet, the Fed carried out four rate hikes, while the ECB

that terminated its asset buying program at the end of the year pointed to the second half of 2019 for increasing the interest rates.

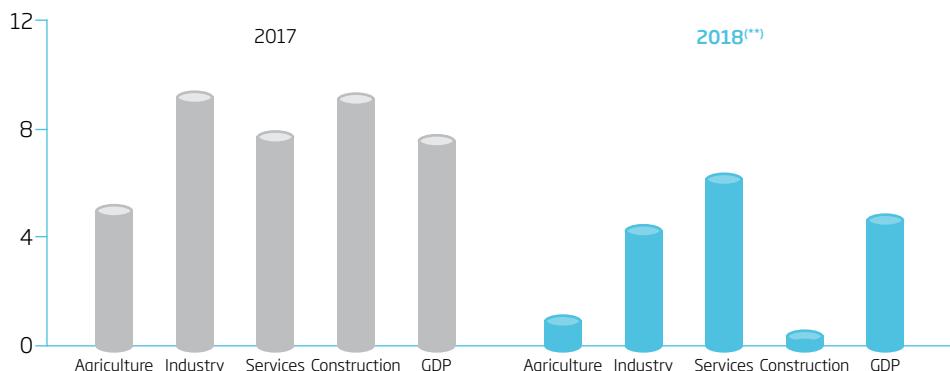
Emerging markets sustained sharp volatilities in 2018 in connection with tightened global liquidity conditions and deteriorated risk perception that resulted from political factors. Increased volatility in the summer months particularly in the Turkish and Argentinian markets put the risk of permeating other emerging countries on the agenda. From the last quarter of the year, risk perception toward emerging countries improved to some extent with the support of the betterment observed in the Turkish markets upon partial elimination of political pressure elements.

Ongoing issues will be indicative for the future outlook of global economy as well.

The pace and timing of the steps to be taken by the central banks of developed countries in 2019 will maintain their significance for global liquidity conditions. Assuming that these steps will mostly remain within the projections, significant capital outflows are not anticipated from emerging countries in 2019. The course of the trade war between the US and China and geopolitical risks will continue to determine the global risk perception.

The Turkish Economy

GDP - Sectoral Growth Rates (%)^(*)



^(*) Based on chain linked volume index

^(**) As of January-September.



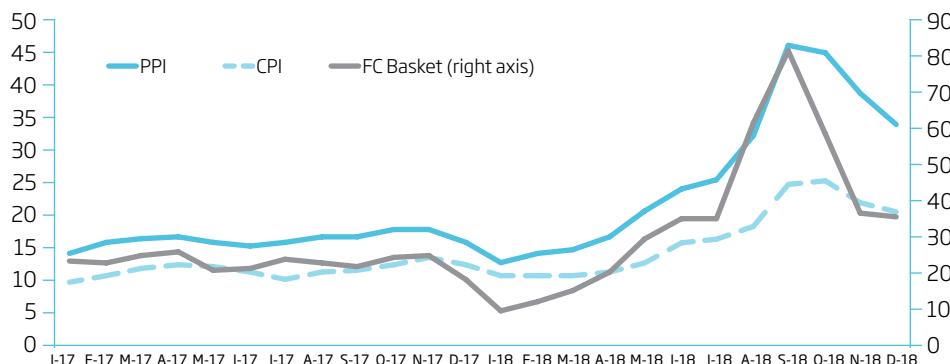
The decelerating trend in the Turkish economy picked up speed in the second half of 2018.

Deceleration in economic activity became pronounced in the second half of 2018.

The slowdown anticipated in economic activity following the high growth rate of 2017 has begun to reflect on growth data since the second quarter of 2018. The rate of economic growth was registered as 7.2% and 5.3% in the first and second quarters of the year, respectively. In the third quarter, however, economy grew by just 1.6%. Overall, the Turkish economy recorded 4.5% expansion in the first nine months of the year. While the high volatility in financial markets coupled with the tightening steps taken in economy policies in order to fight inflation curbed economic activity, deceleration in growth became evident due to the high base effect.

The slowdown in economic activity began to be felt also in the external balance data. The current account deficit is contracting

CPI and FC Basket^(*) (Monthly Annual Changes, %)



^(*) Currency Basket ($0.5*\text{€}+0.5*\$$) is calculated using monthly average currency rates of CBRT.

due to the declined foreign trade deficit coupled with the recovered travel revenues. At USD 27.6 billion in 2018, the current account deficit was down to its lowest since 2009.

In the reporting period, budget deficit expanded by 52% year-over-year and reached TL 72.6 billion. This was driven by the negative reflection of weakened domestic demand upon budget revenues and interest expenses that increased due to the rise in interest rates. The New Economy Program announced in September disclosed that the public sector would implement measures to increase savings in order to support the fight against inflation.

The rise in inflation persisted.

The accelerated loss of value of the Turkish currency, the escalating oil prices and the unforeseeable movements in food prices in 2018 drove the inflation

rates to their highest levels of the past 15 years. Having taken a downturn following the peak it has reached in October, the CPI inflation stepped down to 20.3% in December, lower than the year-end estimate of 20.8% in the New Economy Program. The annual increase in Domestic PPI was down to 33.64% as of December.

The CBRT applied a powerful tightening in its monetary policy.

The CBRT applied a powerful tightening in its monetary policy in order to take the rise in inflation under control in 2018. Completing the simplification of its monetary policy in May, the CBRT readopted the one-week repo rate as its policy rate. The average weighted funding cost of the CBRT was up by 11.25 points as compared with year-end 2017 and came to 24% with the rate hikes in April, May, June, August and September.

The Banking Sector

“

The volatile exchange rates in 2018 have been effective on the course of the deposits volume that serves as the main funding source of the banking sector.

2018 EVENTS IN THE BANKING SECTOR

Declined demand for loans resulted in curbed credit volume.

Rapid credit expansion registered in 2017 with the support of the loans extended with Credit Guarantee Fund (CGF) guarantee substantially lost its momentum after the first quarter of 2018. Due to declined domestic credit demand parallel to the increased financing costs, annual rate of increase in TL loans had dropped to 2% as at December 2018. The FC lending volume stepped down by nearly 1% in terms of USD in the same period, while total lending volume expanded by 14.1% owing to the developments in exchange rates. Total assets of the banking sector went up by 18.2% in this period and rose to TL 3,660^(*) billion.

Exchange rate volatilities affected the course of deposits, which serve as the sector's main funding source.

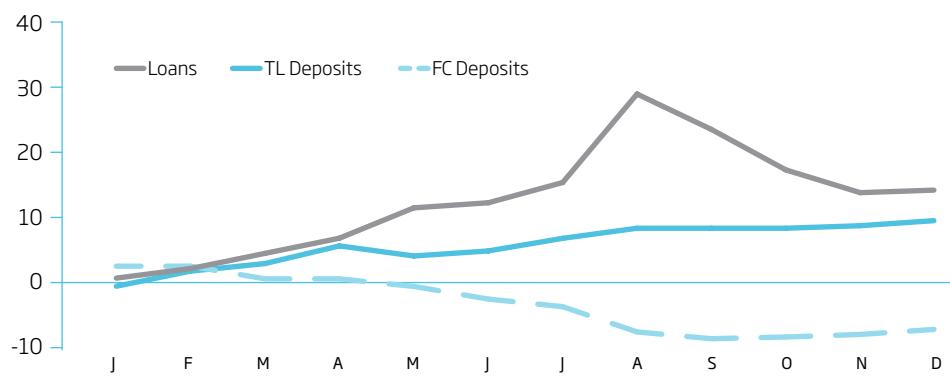
Volatile exchange rates of 2018 have affected the course of deposits, which serve as the main funding source of the banking sector. While FC deposit volume expanded by 29.5% annually as of December 2018 due to the exchange rate effect, the rise in TL deposit volume was 9.4% in the same period. The declined demand for credits also reduces the sector's need for non-deposit funding. In this framework, the sector's long-term external debt rollover ratio was 76% in 2018.

Total assets available to the overall banking sector were registered as

TL 3,660 billion

^(*) Calculated using monthly sector data published by the Banking Regulation and Supervision Agency. Participation banks are excluded from sector numbers.

Deposits and Loans in 2018^(*) (Change Compared to Year-end, %)



^(*)Source: BRSA Monthly Bulletin (excluding participation banks)

The economy is anticipated to perform under its growth potential in the period ahead.

Apparently, the deceleration observed in the Turkish economy from the second half of 2018 will persist in the first half of 2019. The Turkish economy is expected to have a mild recovery trend in the second half of 2019, which is anticipated to be slow and gradual as opposed to

the recovery achieved in previous years. Accordingly, it is believed that the annual economic growth will remain below the potential growth rate. In addition to the rebalancing in economic activity, low energy prices and rise in travel revenues due to increased competitiveness will reflect positively on the current account balance. On the inflation side, the course of the Turkish currency, the volatility in food prices, oil prices and domestic

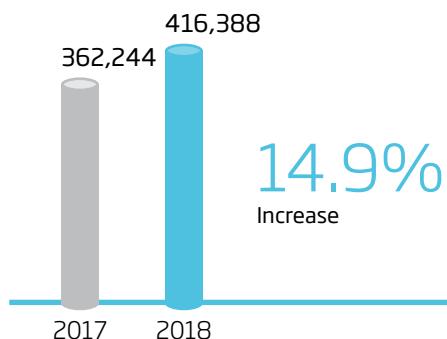
demand conditions will continue to play important roles. Depending on inflation and the course of inflation expectations, the CBRT is believed to preserve its tight monetary policy stance until a significant improvement is secured in inflation.

İşbank and its Activities in 2018



İşbank has the broadest distribution network among private banks with its 1,355 branches and 6,560 Bankamatik ATMs by the end of 2018.

Total Assets
(TL Million)



İşbank remained the leader among private banks in terms of total assets, total loans, total deposits and shareholders' equity.

İşbank's total assets grew by 14.9% annually and reached TL 416.4 billion.

İşbank successfully implemented its sustainable and problem-free growth strategy also in 2018. The Bank's total loans grew by 8.7% year-over-year and reached TL 260.3 billion as at year-end 2018. Share of loans in total assets is 62.5%. The ratio of non-performing loans to total loans remained below the sector average, and stood at 4.1% at year-end 2018.

Total deposits of the Bank grew by 20.4% compared to year-end 2017 and reached TL 245.3 billion. Ranking first among

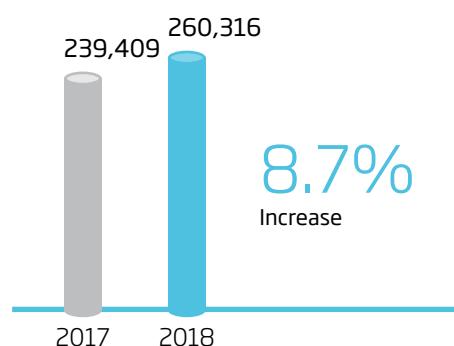
private banks in terms of total deposits, TL and FC deposits, İşbank maintained its leadership position among private banks also in demand deposits and TL savings deposits.

Share of deposits in total liabilities stood at 58.9% as at year-end 2018. Aiming to diversify its funding sources while observing the funding costs, İşbank kept making use of non-deposit funds in domestic and international markets as well. As at year-end 2018, the ratio of non-deposit funds, which comprised of repo transactions, funds borrowed, securities issued in domestic and international markets, and subordinated loans, in total liabilities was 22.7%.

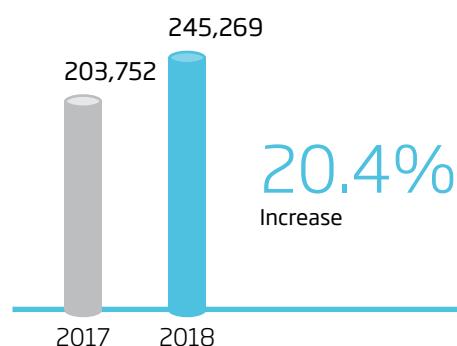
İşbank's shareholders' equity grew by 15.7% in 2018 and rose to TL 49.7 billion. The capital adequacy ratio of the Bank was 16.5% at the end of the year, above the legal limit.

Having the broadest distribution network among private banks with its 1,355 branches and 6,560 Bankamatik ATMs as at year-end 2018, İşbank continued to position its physical and digital channels so as to complement one another. The number of customers using İşCep, Turkey's first mobile banking application, reached 6.6 million at the end of 2018.

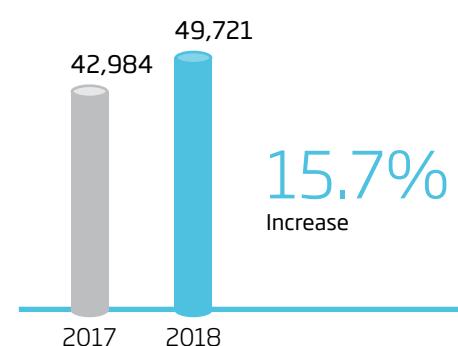
Total Loans
(TL Million)



Total Deposits
(TL Million)



Shareholders' Equity
(TL Million)



Asset Composition (%)

	2018	2017*
Cash and Banks	11.7	10.6
Securities	16.4	15.8
Loans	62.5	66.1
Subsidiaries and Participations	4.2	3.8
Other	5.2	3.7
Total	100	100

(* Changes in the accounting policy were applied retrospectively; accordingly, financial statements for 2017 were restated and corrected.

Liability Composition (%)

	2018	2017*
Deposits	58.9	56.2
Funds Borrowed and Money Market Funds ⁽¹⁾	22.7	25.5
Other Liabilities	6.5	6.4
Shareholders' Equity	11.9	11.9
Total	100	100

(* Changes in the accounting policy were applied retrospectively; accordingly, financial statements for 2017 were restated and corrected.

(1) Includes borrowing instrument issues in TL, FC and subordinated loans.

“

İşbank builds long-lived relations with all of its stakeholders and takes on the role of a strategic partner; along this line, the Bank creates synergy by collaborating with its subsidiaries.

CORPORATE BANKING

İşbank continues to offer custom-tailored financing solutions to its corporate banking customers.

Taking place among Turkey's leading banks in the area of corporate banking, İşbank delivers custom-tailored services and financing solutions, paying regard to the sector's needs, to local corporate companies and large multinational companies.

In the corporate banking business line, İşbank offers service with the goal of ensuring customer satisfaction by deepening its relations with customers at 10 dedicated corporate branches and at its Multinationals Branch, which is designed to serve exclusively foreign capital companies.

Amid the tough operating environment created by the volatilities in domestic and international markets, İşbank optimally managed the risks also in 2018 and kept supporting corporate companies with its customer-oriented service approach. In this period, the Bank closely watched its customers and strengthened its pioneering role in the sector with its effective risk management and return-oriented policies.

In keeping with its corporate banking strategy, İşbank builds long-term collaboration with its customers and assumes the role of their strategic partner; along this line, the Bank also creates synergy by collaborating with its subsidiaries.

The initiatives within the scope of the Digital Transformation Project the Bank carries out to develop and diversify digital solutions targeted at corporate customers continued at full speed also in 2018. The projects implemented are intended to constantly enhance customer experience, effectively use digital channels, and support the sales force by alleviating the operational workload on branches.

Project Finance

In 2018, new investments lost pace due to the ongoing uncertainties in global markets, increased funding and capital costs and volatility in exchange rates.

In terms of project finance, growth decelerated as compared with the previous years across the sector in 2018. The year has mainly been the scene to closures of financial transactions of infrastructure projects based on built-operate-transfer model, the financing negotiations of which had begun in earlier years.

In this context, project loan limits began to be allocated by consortiums composed of multiple banks for the project finance of the construction of the following projects and disbursements began gradually:

- Kurtköy-Akyazı (Asia) and Kinalı-Odayeri (Europe) Sections of North Marmara Highway which extend from Yavuz Sultan Selim Bridge,
- Malkara-Çanakkale section (including Çanakkale 1915 Bridge) of Kinalı-Tekirdağ-Çanakkale- Savaştepe Highway
- Ankara-Niğde Highway.

“

During 2018, İşbank continued to provide funding to projects with adequate feasibility, aligned with its lending principles, and compliant with environmental and social standards.

During 2018, the Bank evaluated its customers' financing needs for renewable energy investments, and continued to provide funding to projects with adequate feasibility, aligned with its lending principles, and compliant with environmental and social standards. The loan for the total amount of USD 118 million for financing 4 WPPs with an installed capacity of 242 MW and 9 SPPs with an installed capacity of 85 MW to Akfen Yenilenebilir Enerji A.Ş. made the highlight of the deals in this area.

Other deals on the agenda during the reporting period included the financing of the privatization of hydroelectric power plants (HPP) owned by Elektrik Üretim A.Ş. and the refinancing of project loans for HPP and natural gas cycle plant that needed refinancing.

İşbank had 22% share in the loan package consisting of TL 1,077 million cash loan + TL 1,057 million letter of credit prepared by a consortium of banks in favor of Menzelet Kılavuzlu Elektrik Üretimi A.Ş. affiliated to the Koç Group to finance the privatization deal of the Menzelet HPP (124 MW) and Kılavuzlu HPP (54 MW).

In 2018, some projects financed by a consortium of banks including İşbank received awards in the following categories from EMEA Finance, a leading finance magazine in Europe, Middle East and Africa:

Financing of Kinalı-Odayeri Section and Kurtköy-Akyazı Section of the North Marmara Highway:

- “Best Syndicated Loan Deal in Europe, Middle East and Africa”,
- “Best Highway Construction Deal in the Central and Eastern Europe”,
- “Best Project Finance Deal in Central and Eastern Europe”,
- “Best Highway Construction Deal in Europe, Middle East and Africa”,

Financing of Alkumru - Çetin Hydroelectric Power Plants:

- “Best Infrastructure Deal in Central and Eastern Europe”,
- “Best Energy Power Plant Deal in Central and Eastern Europe”,

Kangal Wind Power Plant Project: “Best Wind Power Plant in Central and Eastern Europe”,

Boğaziçi-Akdeniz-Çamlıbel Electricity Distribution Zones Privatization: “Best Energy Infrastructure Deal in Europe, Middle East and Africa”,

Yeniköy - Kemerköy Thermal Power Plant Privatization: “Best Refinancing Deal in Europe, Middle East and Africa”.

“

İşbank offers customized services and solutions in foreign trade with its long-standing know-how, specialized sales teams and extensive correspondent network.

Project finance in 2019

The high level of tightness in financial conditions and deterioration in the balance sheets of the real sector stemming from exchange rates and input costs keep the risks alive with respect to the extent and duration of the deceleration in economic activity in 2019. The new commitment amount envisaged to be provided in project finance in 2019 will likely be more restricted as compared with the previous years, due to the macroeconomic conjuncture and the investment schedule of new infrastructure projects postponed by the public sector.

Parallel to the anticipated slowdown in project finance of new investments, acquisitions and privatizations in energy, real estate, logistics and infrastructure, 2019 is anticipated to see mostly funds that continue to be allocated to projects for which financing was pre-committed.

With respect to the energy industry that holds an important share within project finance loans, greenfield wind and solar power plant projects tendered out within the frame of the Renewable Energy Resources Support Mechanism (YEKDEM) model and geothermal and biomass powered renewable energy projects are expected to gain the foreground in the finance deals in the period ahead. In addition to large-scale project finance deals, the goal is to support small-scale renewable energy and energy efficiency investments for self-consumption in line with the target of ensuring the security and nationalization of Turkey's energy supply.

New opportunities that might arise with respect to corporate banking will be tapped once the uncertainty in financial and real markets alleviates and confidence conditions begin to recuperate. İşbank's support extended to project finance operations will follow suit as and when Turkey's growth rate regains momentum.

Sustainable cooperation with international institutions in the financing of investments

With the EUR 175 million-fund it has secured in previous years from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) under MidSEFF, İşbank had undertaken on-lending to renewable energy efficiency projects of companies, and the said fund has been allocated in its entirety.

Under the securitization deals in 2016, İşbank obtained new funds in the amount of USD 111.2 million from EIB and USD 55 million from EBRD, and kept channeling them for the financing of its customers' investments. During 2018, the Bank allocated USD 51.5 million in loans within the scope of the fund secured from the EBRD.

The Bank on-lends the fund secured under the MidSEFF Program to its customers for financing mid-sized investments in renewable energy and industrial energy efficiency. Hence, İşbank extends support to sustainable energy projects that contribute to energy supply in Turkey and that meet specific environmental and social criteria.

Within the scope of the fund secured from the EBRD

USD 51.5 million

was on-lent.

Export transactions intermediated by İşbank expanded by

10.6%

“

İşbank's cash management operations are targeted to provide the customers with high value-added services in a simple, efficient and easily accessible manner at low-cost.

İşbank supports corporate banking customers with specific risk management solutions.

Derivative products and risk management services İşbank designed in line with the increased sensitivity of risk perceptions received heavy demand from the customers in 2018 due to current market parameters.

İşbank develops and offers products that are integrated with other banking products, as well as customized derivative instruments that protect customers against risks they may face due to uncertainties associated with interest rates, exchange rates or commodity prices.

In 2019, İşbank will keep supporting its customers with its tailor-made derivative products, as well as with its need-based risk management solutions.

Boosting customer satisfaction with cash management solutions

In cash management processes, the Bank continued and further accelerated its efforts to review its payments infrastructure and revamp it with a customer-focused perspective making greater use of advancements in technology and the facilities conferred by digitalization in 2018.

Hence, it is targeted to provide the customers with high value-added services in a simple, efficient and easily accessible manner at low-cost, to enhance customer satisfaction, and to contribute to customers' business processes.

Strong growth in the number and volume of cash management transactions

The high number and volume of cash management transactions secured by İşbank, which targets to achieve healthy and sustainable growth in all departments, brought about real growth also in revenues in this area.

While the number of İşbank's bulk payment systems transactions for commercial customers went up by 12%, transaction volume also augmented by 19%. The number of companies included in the Direct Debit System increased by 10% in 2018, whereas 15% expansion was achieved in transaction volume.

İşbank's experience in foreign trade consolidates the Bank's command of the entire ecosystem.

İşbank offers customized services and solutions in foreign trade with its long-standing know-how, specialized sales teams and extensive correspondent network. Adding its far-reaching domestic branch and customer network to the Bank's solid experience in foreign trade, İşbank further consolidates its command of the entire ecosystem and delivers the best end-to-end service to its customers.

Turkey's exports grew by 0.1% year-over-year at the end of 2018, while export transactions intermediated by İşbank expanded by 10.6%.

Intending to carry on with its foreign trade operations focused on digitalization with the same care and attention also in 2019, İşbank will adhere to its vision of being its customers' "business partner" also in this area.

“

İşbank services its customers all over Turkey with commercial banking solutions, and supports the sustainable development of the national economy.

COMMERCIAL BANKING

Uninterrupted support to commercial banking customers

In keeping with its founding philosophy, İşbank has always stood by the industrialists, merchants, SMEs and artisans ever since 1924. In 2018, the Bank serviced its customers with commercial banking solutions, and further increased its ongoing support to the sustainable development of the Turkish economy.

İşbank stands by its customers all over Turkey.

Active in almost every point that constitutes the commercial cycle, İşbank offers products and services with high value propositions to its customers all over Turkey with its far-reaching branch network.

Besides its mixed branches, İşbank delivers its commercial banking activities out of its 53 dedicated commercial branches in 23 cities with an intense industrial and commercial life and two free zone branches. This specific organization plays a part in satisfying commercial customers' needs in a more efficient and productive manner.

The Bank has been actively carrying out Non-branch Sales Activities since 2016 in a bid to deliver more flexible solutions to digitalizing customer needs, and to be the bank closest to its customers. The Bank continued to expand these activities in tradesmen banking, agriculture and foreign trade, and to increase product diversity in these areas.

In this context, Commercial Direct Sales teams, which are capable of responding to customers' specific needs in commercial banking products led by POS and commercial cards in the field, deliver service with more than 100 employees across 10 cities. The teams are able to finalize customers' product demands end-to-end during their workplace visits, and to resolve customer needs in the field with the banking experience and knowledge they possess.

İşbank continues to be the most preferred bank in installment commercial loans

İşbank assumes a pioneering role in financing not only large-scale commercial companies but also tradesmen and SMEs.

Preserving its ongoing leadership among private banks in 2018 with a market share of 12.5%^(*)^(**) in installment commercial loans, which is the loan type mainly preferred by tradesmen and SMEs for their financing, the Bank's installment commercial loans portfolio reached a volume of TL 44.9 billion as at December 2018.

İşbank retained the sector's leadership in commercial vehicle loans and commercial property loans, with respective market shares of 27.5% and 19.7% as at year-end 2018.

İşbank keeps expanding the portfolio of commercial credit cards, which secure sustainability in the commercial relationship established and make up an important part of commercial life. In 2018, Maximiles Business was introduced, which is designed for businesses and provides

Installment commercial loans portfolio reached a volume of

TL 44.9 billion

^(*) Calculated using monthly sector data published by the Banking Regulation and Supervision Agency. Interest accruals and rediscounts are not taken into account. Participation banks are excluded from sector numbers.

^{(**) Includes overdraft accounts.}

“

İşbank further expands the scope of its support to actors in commercial life through collaborations with various institutions and organizations in line with economic and conjunctural developments.

cardholders with the possibility to buy free plane tickets without imposing any passenger quotas or area restrictions.

The Bank also continued to develop regional business partnerships to create the payment solutions that optimally fit the needs of diverse customer groups. The commercial credit card bearing the Kocaeli Chamber of Commerce logo introduced in this framework is intended to support the purchases by and between chamber members.

Extensive support is given to commercial customers through collaborations with numerous institutions and organizations

İşbank further expands the scope of its support to actors in commercial life through collaborations with various institutions and organizations in line with economic and conjunctural developments.

Taking place among the concrete examples of this support are the Treasury-Backed Portfolio Guarantee System (PGS) and Portfolio Limit System (PLS) realized with the Credit Guarantee Fund (CGF) in 2017 and 2018. Within the scope of this collaboration that lent major contribution to the efficiency of CGF, İşbank extended loans worth approximately TL 30 billion.

A protocol has been signed between İşbank and the Central Bank of the Republic of Turkey (CBRT) for fulfilling the financing needs of exporters and businesses engaged in FC-earning services and activities. The fund secured from the CBRT in this framework continued to be extended to firms as discounted FC loans in 2018.

New funds were allocated in the amount of

USD 55 million

for the investment finance needs of customers.

As part of the activities targeted at specific professional groups, İşbank continued to collaborate with the Turkish Pharmacists Union (TEB) in 2018.

Taking part in the TOBB SME Support Loan Program carried out as a joint effort of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Credit Guarantee Fund, İşbank extended loans to TOBB-member chambers and exchanges in line with the said program.

Uninterrupted access to foreign funds

In order to contribute to the development of the commercial life, İşbank continued to tap foreign funding facilities for various areas including energy, agriculture and women entrepreneurship, and kept channeling these thematic facilities to customers in 2018.

On-lending of the I. and II. Packages under TurSEFF secured from the EBRD for financing the renewable energy and energy efficiency investments of SMEs has been completed. On the other hand, within the frame of İşbank's securitization deal in 2017, a new fund worth USD 55 million has been received under TurSEFF, III. Package and on-lending of the funds to finance the customers' investments continued.

Efforts continued for on-lending to qualifying customers of the fund in the amount of USD 47.6 million secured from the European Investment Bank (EIB) in 2016 within the frame of the Bank's securitization deal for financing the SMEs and businesses with 250 to 3,000 employees. The loans İşbank extended out of the said fund amounted to USD 17.6 million in 2018.

“

In 2018, İşbank kept working to spread the Technology Entrepreneur Package designed for new generation ventures that represent the most basic dynamics of the new economy.

İşbank and Foreign Trade

Comprised of multilingual Bank executives who have good command of the exchange regulations and are experienced in foreign trade, Foreign Trade Specialists offer one-on-one foreign trade advisory by paying visits to customers at their workplaces in 44 cities and instantly respond to all kinds of queries about foreign trade transactions.

In 2018, İşbank acted as the business partner of its customers in the area of foreign trade as well, cooperated with the leading e-commerce companies approved by the Ministry of Trade, and enabled its customers to register with e-commerce websites at discounted prices.

Strong support to participation of women labor in economy

İşbank believes that participation of women-owned enterprises in the economy and of expanding women workforce come at the top of the prerequisites to secure sustainable development. Along this line, the Bank increasingly makes available the foreign funds secured, as well as its own resources to support women in business.

In 2018, the Bank completed the on-lending of the USD 55 million-fund secured under "Finance and Advice for Women in Business" program launched as a collaboration of the EU Delegation to Turkey, Ministry of Labor and Social Security, and the Turkish Labor Agency.

Within the scope of the sponsorship agreement signed by and between İşbank and Arya Women Investment Platform, Turkey's only female oriented investment platform, initiatives were carried out which the Bank took part in and sponsored.

As part of the Arya Retreat event, training programs were organized with 10 ventures for 6 weeks, and the entrepreneurs were given the opportunity to share their projects with investors from various countries at the finale event held in Bodrum. The winning projects in the competition held as part of the event were given support.

During Arya İş Workshops co-organized with Arya, women entrepreneurs received training in a total of five modules from expert executives and trainers: financial literacy, marketing, sales, data management and HR.

Contribution to the startup ecosystem

İşbank establishes cooperation and organizes campaigns designed to support companies carrying out their operations with traditional methods but which have the potential to achieve increased productivity on the back of digital transformation for their transformation and transition to new systems. In these activities, the Bank brings businesses together with solution provider startups in particular, and contributes to the startup ecosystem, as well as digital transformation of companies.

“

İşbank believes that participation of women-owned enterprises in the economy and of expanding women workforce come at the top of the prerequisites to secure sustainable development.

Number of İşCep Commercial app users increased by

75%

In 2018, İşbank carried on with its efforts to propagate the Technology Startup Package addressing new generation startups, which the Bank regards as the customer portfolio of the future and a part of the most fundamental dynamics of the new economy. In addition, training programs were organized to transfer the Startup Banking culture to the Bank's branches.

Added value offered through digital banking products

Improvements are continued at full speed at branches and in digital service channels in order to let commercial customers perform their transactions quickly and practically through digital transformation.

In this context, the number of Commercial Business Unit digital customers increased by 21% and that of İşCep Commercial users by 75% from the start of the year until December 2018. 45% of commercial customers and 59% of active customers use the Internet Branch or İşCep.

In 2018, Instant Commercial Loan product was introduced to offer real person merchant customers end-to-end digitalized customer experience. In this frame, customers were given the possibility to take out commercial loans up to TL 50 thousand and up to a maturity of 36 months via digital channels without paying a visit to a physical branch. In addition, POS applications of all customers began to be collected via digital channels. Customers, who wish to do so, are given the chance to make POS applications via İşCep Commercial or Commercial Internet

Branch and to conclude their transactions via the Direct Sales Teams.

These improvements that give the forefront to customer experience are intended to ensure that customers are able to receive the services they require in the easiest way from wherever they may be, and to reduce the time they allocate to banking transactions so as to concentrate on their own business.

Maximum İşyerim

Designed as the commercial leg of the Maximum Mobile application that accompanies retail customers' shopping experience and intended to enable end-to-end management of the Maximum world as a holistic ecosystem, Maximum İşyerim app went live in September 2018.

Launched with numerous functions that will make life easier for POS customers initially, Maximum İşyerim gives access to various data such as turnover, sales quantity, sales amount and breakdown of POS transactions on a real-time basis. Additionally, users are able to view the breakdown of POS sales in terms of their origin, i.e. online transactions vs. physical stores, types of transactions on which turnover is generated, upfront and installment transactions, and turnovers on the basis of provinces and districts in the case of multi-store companies. The application allows business places to track their best-selling time intervals during the day or on the basis of days, the time intervals when sales languish, and follow up customers' shopping behavior trend on the basis of stores, date and time.

“

Maximum İsyerim, the commercial version of Maximum Mobile, was launched with numerous functions that will make life easier for POS customers.

With the dynamic QR code that can be generated specifically for each transaction, our member merchants accepting payments with İşbank QR POS, which is another important function offered by the application, can offer Maximum Mobile users the option to Pay via QR Code. Thus, the shopping transactions can be completed digitally by way of mobile-to-mobile interaction, without necessitating the physical card and POS device that are the customary components of the card-based payment process.

A first in the Turkish banking sector with respect to its scope and objectives: Agile Atelier

In 2018, İşbank set up Agile Atelier, an agile organization trial as part of its digital transformation initiatives. Within the scope of Agile Atelier consisting of 5 multi-disciplinary teams formed of 40 employees, the teams work to satisfy customer needs in the most efficient manner.

İşbank has been implementing this mode of operation that is becoming increasingly common in the world in the form of Agile Atelier in Tradesmen Banking segment. Representing the first model whereby a business segment is managed in an agile manner, the Agile Atelier is also among the few number of implementations in the world.

İşbank develops various collaborations to deliver value-added solutions in agricultural banking.

İşbank identifies regional and seasonal needs and demands of its customers engaged in agribusiness through analytical studies performed in the field and at the Head Office. For the purpose of delivering the products and services customized accordingly, the Bank develops collaborations with various institutions and organizations in the sector.

Having carried on with its agricultural banking activities in 2018, İşbank supported these activities with its mobile teams in the field. 56 Agricultural Executives working in the Non-Branch Sales Unit carry out activities in 51 cities to directly fulfill farmers' needs to support the national agribusiness. In order to give easy access to banking services, Agricultural Executives visit villages and offer on-site service to producers and farmers.

The loan applications of customers engaged in the agricultural industry undergo standardized allocation processes entailing effective risk management components. The Bank employs Credit Bureau of Turkey (KKB) Agricultural Loans Assessment System (TARDES) in its agricultural loan risk assessment processes. The Bank also continued to make use of the Agriculture Information System of KKB during 2018.

Forming a part of digital transformation initiatives

Agile Atelier

is made up of employees from various disciplines.

**As at end-2018, registered
members of**



numbered 85 thousand.

Under the protocol signed between İşbank and the Agricultural and Rural Development Support Institution (TKDK) in relation to the European Union's "Instrument for Pre-Accession Assistance - Rural Development" (IPARD) program, efforts were carried on in line with the summons for applications by TKDK.

The First Agriculture Workshop: The Food System from the Field to the Table

İşbank organized the first Agriculture Workshop in May 2018, which is targeted at developing the Bank's roadmap for agricultural banking, at more accurately identifying the producers' needs by making use of the participants' own expertise, and creating new ideas that will serve agribusiness.

Themed "The Food System from the Field to the Table", the workshop was attended by producers in various production fields, academics, public sector representatives and officials from sector-specific civil society organizations.

With the Mısır Danesi (Corn Grain) TV commercial addressing the agricultural sector, İşbank won the bronze Effie at the Effie Awards Turkey 2018 organized by the Advertising Association and the Advertisers' Association in cooperation with Effie Worldwide Inc.

Agriculture Talks & Farmer Meetings

Regional agricultural meetings organized under the name Agriculture Talks in an effort to increase the efficiency of the broad service network İşbank specifically organized for its customers in agribusiness and to provide more focused service to the agricultural sector continued in 2018. The topics addressed in the meetings include the needs of regional production, development potentials and branding.

In addition, farmer meetings were held in various localities to introduce the Bank's products and services addressing the agricultural sector and TARSİM agricultural insurance, and to develop close relations with the producers.

İşbank uninterruptedly carries on with its information and advisory activities.

İşbank closely monitors the changes and transformations the companies are undergoing in line with the developments in the global economy. The Bank uninterruptedly carries on with its information and advisory services along this line.

During 2018, Digital Anatolia meetings were organized by İşbank in cooperation with TÜRKONFED (Turkish Enterprise and Business Federation) with the aim of supporting the digitalization process of the SMEs, which are the backbone of the Turkish economy. Meetings were held in

Antalya, İzmir, Kocaeli, Bursa and Adana in order to generalize the change stemming from digitalization across Anatolia.

The 42nd edition of the traditional "İş'le Buluşmalar" gathering, which is aimed at supporting commercial progress and developing solutions for the needs of enterprises, was held in Adana with the title "Digital Ecosystem and Sustainable Competition" in 2018.

"İŞ'TE KOBİ"

Closely monitored by businesses of various scales but most of all by SMEs, İşbank's "İŞ'TE KOBİ" SME website (www.istekobi.com.tr) that serves as a guide reached 85 thousand registered members as at year-end 2018. The number of SMEs promoting their businesses on the SME Market section and posting ads about the services and products they offer approached 12 thousand.

Having collected 34 awards in various national and international organizations to date, İŞ'TE KOBİ website features a wide variety of rich content including thousands of current news, articles, industrial reports, video interviews and expert comments for use by members and other users.

“

İşbank offers digitalized retail banking services developed in view of customers' expectations and needs along various stages of their lives.

RETAIL BANKING

İşbank places customer expectations in the focal point of its retail banking activities.

Customers' companion

İşbank carries out its retail banking activities on the center of its digital transformation strategy, which is defined as "being customers' companion" with the goal of being the financial solution partner that customers prefer the most in every phase of their lives.

During 2018, İşbank carried on with its initiatives in retail banking, which make customer expectations their focal points, are targeted to offer the products and services that are aligned with the needs and behaviors of customers along their life stages, and are in conformity with the Bank's sustainable and profitable growth strategy.

Lifetime service relationship

İşbank develops banking service packages in view of customers' varying needs and expectations at different life stages including childhood, youth, working life and retirement.

Various activation efforts are carried out to deepen relationships with new customers at the increasing number of touch points, and recovery campaigns are organized for customers with lifetime high value, who have reduced their relations with the Bank.

The retail banking operations actively satisfy the financial needs of all real person customers using the Bank's physical and digital touch points. These

customers are organizationally managed under the Mass, Upper Mass, Mass Affluent and Affluent segments under the "Yüz Yüze Bankacılık" (Face-to-Face Banking) brand.

Expansion in retail loans and savings deposits

İşbank's retail loans book, which is comprised of credit cards and consumer loans, expanded by 2.3% and reached TL 58.2 billion^(*) in 2018 compared to the end of the previous year. At the end of 2018, İşbank's consumer loans amounted to TL 44.6 billion^(*) whereas housing loans amounted to TL 20.3 billion.

While İşbank's total deposits enlarged by 20.4% year-over-year at the end of 2018 to TL 245.3 billion, savings deposits also went up by 16.7% in the same timeframe and reached TL 157.7 billion.

In 2018, İşbank secured successful results in its efforts for new customer acquisition and for increasing its existing customers' savings held in the Bank for the purpose of attracting savings deposits. Along this line, 54.2% of the rise in total deposits as at the end of the year stemmed from the increase in savings deposits.

As at year-end 2018, the share of İşbank's savings deposits to total deposits excluding banking deposits was 65.6%, above the sector's average of 61.5%.

İşbank kept widening its deposit products range. Daily Interest Deposit Account product that can be opened only via the Internet Branch and İşCep mobile app was launched in November 2018. Daily Interest Deposit Account allows cash depositing

Personal loans balance reached

TL 58.2 billion

up by 2.3% as compared with year-end 2017.

^(*) Includes overdraft accounts.

“

**As at end-2018,
İşbank's personal credit
cards balance went
up by 10% to TL 13.2
billion.**

and/or withdrawal during the day, while also earning interest on a daily basis. The Daily Interest Deposit Account balance topped TL 152.4 million within the first one month.

The total balance of the Maximum Time Deposit designed for the savings of real person customers went up by 17.6% annually to TL 584.4 million in December 2018, while the number of accounts reached 65,416.

10% rise in retail credit cards balance

At the end of 2018, retail credit cards balance of İşbank reached TL 13.2 billion, up 10%. The needs of retail credit card customers were satisfied with the Maximum program by offering innovative solutions that make life easier in the digital world.

New products and services at İşbank's digital touch points

Support to new customer acquisition with I Want to Become a Customer

With the "I Want to Become a Customer" service launched in November via İşCep and isbank.com.tr, resident Turkish citizens older than 18 years of age and wishing to become a customer of İşbank are able to complete their application process within minutes, and to initiate the new customer process easily and quickly.

Prospective customers making use of this service can conclude the process of becoming a customer either by being visited at their addresses or by stopping at the nearest İşbank branch.

Within the scope of Instant Loan,

TL 1,449 million

credit sales were realized.

A different kind of cash management option with the Assistant Account.

The Assistant Account product that was ranked the first in the Innovative Ideas Competition organized to spread the innovation culture across the Bank, to encourage employees to think differently, and to reveal creative ideas, was incorporated in İşbank's product and service range in December 2018.

The Assistant Account offers a different cash management option to make retail customers' every-day lives easier. With the Assistant Account order that can be given via İşCep, customers can authorize their next-of-kin who are İşbank customers to use their demand deposits within the limits they will set.

Digital retail loans

Within the scope of "Instant Loan" application that offers customers an end-to-end digital experience and enabling loan utilization within seconds, 214 thousand units of credit sales amounting to TL 1,449 million have been realized by the end of 2018. Total share of Instant Loan in newly allocated personal loans reached 9% in terms of amount and 21% in terms of quantity.

Infrastructure development and spread continued for the Instant Shopping Loan application that was launched in cooperation with hepsiburada.com in September 2017 as a first in Turkey. Instant Shopping Loan was made available for use by customers on epttavm.com and n11.com websites, thus expanding the coverage of the facility.

“

As at December 2018, 48% of loans disbursed by İşbank branches were finalized within the frame of Credit Ready, which is intended to acquaint customers with digital channels.

Introduced in April 2017 and aimed at delivering a seamless and consistent customer experience on all channels while also introducing the customers making an application via İşbank branches with digital channels, "Credit Ready" implementation continued to be used widely by the customers. As at December 2018, 48% of the credits extended from İşbank branches were concluded within the scope of Credit Ready.

Credit Ready and Instant Loan applications also offer insured loan option, under which credit-linked life insurance policies are automatically issued for clients choosing this option after credit disbursement.

API integration in consumer loans

Work was completed for the API integration of the Instant Loan application that offers customers an end-to-end digital experience with loan comparison websites; accordingly, customers choosing İşbank product on hesapkuru.com and hangikredi.com websites are offered the possibility to complete their transactions by taking out an Instant Loan.

Share of digitally disbursed retail loans via Instant Loan, Credit Ready, API Loans and Instant Shopping Loan in new consumer loans has reached 73.5% in terms of quantity and 56.5% in terms of amount in December 2018.

"Instant Overdraft Account"

Instant Overdraft Account, which enables making overdraft account applications 24/7 and makes the account available for use immediately upon approval, was

made available for use by customers also through Bankamatik ATMs as of December 2018, in addition to İşCep and personal Internet Branch. Additionally, customers who receive insufficient balance warning while withdrawing money from Bankamatik ATMs are proposed Instant Overdraft Account, and thus they are provided with solutions to their short-term financing needs at the time they most need it.

Overdraft account for school fee can now be opened via İşCep without going to a branch, which enables uninterrupted payment of the educational expenses of students attending private schools that have an agreement with İşbank. As of December 2018, a total of 215 thousand Instant Overdraft Accounts were opened with a total limit of TL 461 million. Share of Instant Overdraft Account in total overdraft accounts is 11.9% in terms of amount.

Maximum Mobile

Launched in March 2017, the Maximum Mobile application has reached more than 3.2 million downloads by the end of 2018.

Through the application, more than 52 thousand card applications and over 40 thousand transactions were performed using the Card-to-Card Money Transfer feature. In the reporting period, Maximum Mobile has been used for over 515 thousand bill payments.

The use of the contactless payment capability of the application has remarkably increased in 2018, and İşbank's market share in mobile contactless

In 2018, Instant Overdraft Accounts opened numbered

215 thousand

with a limit of TL 461 million.

Credit card retail volume of**TL 107.6 billion**

corresponded to a market share of 15%.

transaction turnover in payments made using smart phones instead of physical credit cards rose to 34.2%.

Numerous novelties were introduced as a result of the efforts for broadening the existing transaction set of the application, and in turn, for making the app a more frequently preferred touch point by customers.

Campaigns and announcements were carried on in line with customer demands and needs to maintain Maximum Mobile's pledge to "deliver an ecosystem offering end-to-end shopping experience" since the introduction of the application. 24/7 shopping campaigns were executed covering a variety of sectors including culture/arts, e-commerce, clothing/food, fuel, airlines, education and restaurants, in view of periodic needs.

It is all for the future of children: Moneybox Hybrid Fund and Digital Moneybox

Aiming to instill the habit of saving up from early ages, İşbank Moneybox offers a saving plan that assures the future of children under the name Moneybox Hybrid Fund. A significant contributor to awareness of long-term investing, Moneybox Hybrid Fund rose to 203 thousand in the number of investors as at year-end 2018.

In December 2018, the number of Digital Moneybox users topped 10 thousand and the total balance in Time Moneybox Account exceeded TL 7 million.

Continuing rise in payment systems market share of İşbank

İşbank, a leading player in the payment systems market, reached the following numbers as at year-end 2018:

- 7.7 million credit cards, 10.5 million debit cards,
- TL 107.6 billion in credit card retail volume corresponding to 15% market share,
- TL 147.5 billion acquiring volume corresponding to 17.6% market share.

İşbank introduced a number of novelties to the payment systems market also in 2018.

Instant Bankamatik Debit Cards, the new debit card that is instantly delivered to customers without waiting for the card embossing time, was added to İşbank's product portfolio. In addition, an implementation was introduced whereby personal credit cards are physically produced with zero limit depending on the choice in the case where an applicant's demand has been declined due to the total credit line available in the entire sector is used up; the overall sector's credit line for that customer is automatically followed up over the course of a specific period of time and the credit card limit is increased accordingly. On the other hand, chip Bankamatik debit cards began to be produced for customers who are particularly interested in and keen on technology.

Following the introduction of the TROY branded Bankamatik debit card in 2017, TROY branded Maximum Credit Card was presented to the market in 2018.

Card-to-Card Money Transfer application developed by the Interbank Card Center (BKM) allowing cardholders of member banks and organizations to send one another money via their cards began to be supported by İşbank's infrastructure and was included in the service scope.

Launched in 2009 with the slogan "This World Belongs to You, Use it Wisely", Maximiles Card, which enables customers to easily decide where to fly for how much without struggling to achieve a target and decode flight charts, is now presented for use by commercial customers under the name Maximiles Business.

As part of the initiatives for expanding the usage areas of Bankamatik debit cards, İstanbul Card mobile app now allows topping up İstanbul Cards with İşbank's debit, credit and MaxiPara prepaid cards. Bill payments via credit card has been added to the transaction menus of İşCep and Internet Branch channels and opened for use.

Within the scope of efforts for diversifying the payment gateway services, the Bank has enhanced its product portfolio by providing a specific payment solution for marketplaces. The solution helps marketplaces to collect their commissions and transferring the product/service amount to sub-merchant's account in the meantime, according to parametric values defined in the system.

“

The first bank to offer alternative payment methods to member merchants in e-commerce, İşbank added 6 new payment methods to its portfolio in 2018.

İşbank is the leader and pioneer in e-commerce.

E-commerce is a business line that presents special significance for İşbank. The Bank solidified its leadership by increasing its electronic commerce market share from 26.4% in 2017 to 29.8% at year-end 2018.

İşbank is the first bank to provide alternative payment methods to member merchants in e-commerce. The Bank continued to support businesses with e-exports in 2018. In addition to 13 different international alternative payment methods on virtual POS, the Bank began accepting six new alternative payment methods (Boleto, Elo, Finnish Online Banking, Knet, SEPA Direct Debit and WeChat Pay) in 2018.

Another introduction has been the “Pay with İşbank” method, whereby customers can pick their preferred method in their online shopping/payments from amongst credit card, personal loan and money transfer options.

The Bank switched to a new infrastructure called GO in transactions entailing an additional online verification. With the new infrastructure, customers began completing their online shopping securely using different verification methods such as Mobile Key (Cep Anahtar) and Maximum Mobile in addition to SMS verification. While this system was created by BKM for TROY cards, İşbank has been the first bank to make this system available for Visa/Mastercard branded cards, thus enhancing customer experience.

The preferred bank in salary payments

İşbank continued to intermediate salary payments in 2018, and thus, made it possible for the Bank to handle the cash flows of actively working and retired personal customers. In keeping with the goal of enhancing customer loyalty, İşbank attaches importance to further improving the special products and services offered to salary based customers. On another front, the banking volume with private sector companies whose salary payments are intermediated was increased, which deepened the existing relationships.

Solid position in retail cash management

As at year-end 2018, İşbank facilitated bill payments through İşCep application, its Internet Branch, Bankamatik ATMs, branches, Maximum Mobile, www.isbank.com.tr and automated payment order. In addition to existing collection channels, the Bank has granted its customers the ability to make one-off bill payments using İşbank credit cards via Internet Branch and İşCep channels.

With its Unlimited Automatic Service (SOS) and Maximum Account features, İşbank affords its customers the chance to automatically buy mutual funds using amounts above a specified threshold kept available in their accounts for daily transactions and to fulfill their automated payment orders on the due date using the funds available in the account and mutual funds.

Electronic commerce market share was brought to

29.8%

and leadership position was reinforced.

“

İşbank remained the leader by a large margin in the transaction volume of OGS devices and HGS labels that facilitate bridge and highway crossings.

The leading bank in OGS and HGS

As at end-2018, İşbank preserved its leadership by a large margin in the transaction volume of OGS (Automatic Pass-Through) devices and HGS (Rapid Pass-Through) labels that facilitate bridge and highway crossings.

During 2018, İşbank began collecting national park entrance fees via the HGS system and pass-through fees from Europe and Asia sections of the North Marmara Highway via HGS and OGS systems.

Western Union money transfers

In October 2017, İşbank launched its service that allows making Western Union money transfers via İşCep. While Western Union money transfers carried out via İşCep channel accounted for 4.12% of all Western Union transfers via İşbank at 2017 year-end, this ratio went up to as high as 30.6% at the end of 2018.

Private Pension and Insurance

Within the frame of the ongoing solid collaboration with Anadolu Sigorta and Anadolu Hayat Emeklilik, İşbank continues to deliver a broad range of products in non-life insurance, life insurance and private pension on the back of an efficient service understanding.

Non-Life Insurance Products

TL 781.6 million

In non-life insurance products, Anadolu Sigorta premium production via the bank channel went up by 21.3% to TL 781.6 million.

In non life insurance products...

Under the collaboration between İşbank and Anadolu Sigorta, Anadolu Sigorta premium production via the bank channel went up by 21.3% year-over-year to TL 781.6 million as at December 2018. As at end-December, Anadolu Sigorta bank channel got 11.3% share in the market.

In life insurance segment...

As at end-December 2018, the bank channel of Anadolu Hayat Emeklilik wrote premiums in the amount of TL 440.1 million on Term Life Insurance. In the same timeframe, the bank channel had 8.7% market share in Term Life Insurance production.

Developments in PPS...

As at end-December 2018, the number of private pension accounts opened via the Bank that serves as agency of Anadolu Hayat Emeklilik through branches and outbound calls was 162 thousand. A subsidiary of the Bank, Anadolu Hayat Emeklilik commanded 16.2% market share with 1,113,878 participants as at December 2018.

“

In 2018, İşbank kept investing in digital advertising models that allow personalized communication.

Communication Activities

İşbank carries out its retail banking activities with the strategy of being not just the bank of its customers, but also of being their lifetime companion and being the bank closest to them both geographically and in relationship context. This pledge is also the foundation stone of all of the Bank's communication activities.

Personalized communication parallel to the customer journey

In its communication with individuals, İşbank identifies the touch points used in the customer journey that leads to product and service purchase including post-experience sharing, and guides its customers on all channels, physical and digital.

During 2018, İşbank handled customer relations through content and campaign management on accounts pertaining to its brands on various social network platforms. In this process, İşbank was active with 37 social network accounts on Facebook, Twitter, Instagram, YouTube, LinkedIn, Pinterest, and Medium Blog of its İşCep, Maximum, Maximiles, İş'te Üniversiteli, Yüz Yüze Bankacılık, Maximum Gaming and Workup brands.

İşbank kept investing in digital advertising models that allow personalized communication. As a result of the investments in artificial intelligence

technology, the Bank further built on its capability to communicate location and time-based personalized offers via other channels and mainly by İşCep and Maximum Mobile.

İşbank combines technology with its own field of business, and acts with the awareness of being an organization that creates value and makes life easier for its customers. Innovative products and services developed within the scope of digital transformation, and technology infrastructure investments and initiatives targeted at innovation and startup ecosystem make an important part of the Bank's communication activities. In addition to advertisements on digital media as well as on conventional media, content marketing is carried out based on annual collaborations with Turkey's respected conferences, digital platforms, broadcasting corporations and university clubs.

Mobile as the main touch point

Today, more than 50% of total transactions at İşbank are being performed via İşCep and Maximum Mobile. Communication activities about retail banking services carried out for new customer acquisition or existing customer activation mainly focus on İşCep and Maximum Mobile applications and their integrated features that make everyday life easier.

İşbank manages

37 social network accounts

on different media platforms.

İşbank was recognized with

37 awards

in retail banking segment in and out of Turkey.



More than 50% of total transactions at İşbank are performed via İşCep and Maximum Mobile.

Entrepreneurship and innovation

İşbank promoted its multi-faceted activities carried out under the Workup brand and designed to expand the startup ecosystem through communication activities conducted on social media, digital media, conferences, coworking spaces bringing entrepreneurs together, universities and various formations within the ecosystem. Communication activities separately address the innovation centers İşbank opened in the Silicon Valley, the top innovation hub in the world, and in China, along with the activities carried out in these centers.

Agile Atelier

The new generation organization by İşbank designed in line with the new mode of doing business required by the Digital Age, the Agile Atelier has made the highlight of the Bank's digital banking communication activities.

Bringing together employees with different specializations, and built around the notion of attaining a concentration that gathers all the competencies required by a task and thus takes shape much more quickly according to customer needs, that ensure end-to-end completion of the task, and takes responsibilities and actions quickly to achieve a given goal, the Agile Atelier was covered in numerous news articles by the print and visual media.

The design of its working environment, its business manner and manifesto make İşbank Agile Atelier an object of interest for the sector owing to communications carried out from technology news platforms.

Sports in the digital world

İşbank continues with its investments in e-sports, which is the most effective medium for increasing its contact with the young generation undergoing the greatest degree of change in their attitudes and behaviors due to the digitalizing world, and of communicating with the youth.

As part of the e-sports communication activities carried out under the Maximum Gaming brand, the Bank sponsors the e-sports teams of Fenerbahçe 1907 Association, Beşiktaş and Galatasaray, undertakes content and campaign management on social network platforms, and establishes one-on-one contact in e-sports events.

İşbank's initiatives in retail banking are crowned with awards...

In 2018, İşbank was recognized with a total of 37 national and international awards in the retail banking segment.

“

İşbank Private Banking was named the best bank in Turkey in “Asset Management” and “Research and Asset Allocation Advice” categories in Euromoney’s Private Banking and Wealth Management Survey in 2018.

PRIVATE BANKING

In private banking, İşbank is an expert business partner that is reliable and competent, and focused on custom-tailored service.

In 2018, amid fluctuating market conditions, İşbank Private Banking kept creating value for its customers through its product development understanding and service organization that puts customers' financial needs in its focus, by way of being a reliable and expert business partner.

As of year-end 2018, managing total assets worth TL 21.8 billion of 9,900 customers, İşbank Private Banking delivers a broad range of products, services and solutions to its customers within a framework of strategic Integration with its financial services subsidiaries specialized in their respective fields.

İşbank Private Banking carries out its activities through a service notion based on customer-focus and competency in 17 branches in total, including 14 dedicated private banking branches in İstanbul, Ankara, İzmir, Adana and Antalya, and 3 branches embodying a private service area in Bursa, Mersin and Cyprus.

Effective collaboration with subsidiaries backs holistic financial service delivery.

The goal of İşbank is to be able to offer one-stop service catering to all financial needs of its private banking customers. To this end, the Bank operates with a holistic organization that also entails the services provided by its subsidiaries at dedicated private banking branches that are positioned as wealth and portfolio management centers.

Professional portfolio management and mutual-fund based asset management services continued to be provided within the frame of a strategic collaboration model with İş Portföy Yönetimi A.Ş. (İş Asset Management) in 2018. As at end-2018, clients' assets worth more than TL 900 million are being managed in private portfolio management funds composed of investment products and solutions custom-tailored according to private banking customers' risk profiles, and in custom-designed family funds structured with a cross-generational investment perspective.

Private banking customers' needs in relation to domestic equity market transactions and investment opportunities in overseas securities markets are fulfilled using the advanced competencies and vast experience of İş Yatırım Menkul Değerler A.Ş. (İş Investment).

Increased volume of alternative investment products and services

Throughout 2018, risk/return expectations of private banking customers that varied heavily in line with the developments in the markets were satisfied with a dynamic management notion. The broad range of alternative investment products used within this context include structured derivatives aiming to provide the optimal return amid variable market conditions, as well as derivative products such as options, forwards and dual currency deposits (DCD). The volume of derivatives and structured transactions carried out by private banking customers during 2018 increased by 64% on a year-over- year basis.

İşbank Private Banking manages

TL 21.8 billion

in total assets.

“

The volume of derivatives and structured transactions carried out by private banking customers increased by 64% on a year-over-year basis in 2018.

Service delivery in partnership with Anadolu Hayat Emeklilik A.Ş. (Anadolu Hayat Emeklilik) continued within the framework of a privileged customer management service model that incorporates pension fund management investment advisory in cooperation with İş Asset Management for customers with pension savings above TL 400,000, as well as differentiated service processes devised according to one-on-one relationship management concept for private banking customers.

The efforts focused on increasing the savings of existing customers and new customer acquisition spent in 2018 within the frame of the said organization proved successful, and the amount of monthly private pension account contribution collection per customer at dedicated private banking branches grew by nearly 30% in 2018 over 2017.

The total demand amount of private banking customers reached TL 1.3 billion in corporate bond issuances mediated by İş Investment in 2018.

İşbank was named the Best Bank in Turkey in Euromoney's Private Banking and Wealth Management Survey

In 2018, İşbank Private Banking was named the best bank in Turkey in "Asset Management" and "Research and Asset Allocation Advice" categories in Euromoney's Private Banking and Wealth Management Survey.

Value creation continued with Privia branded products and services.

During 2018, İşbank Private Banking continued to create value for its customers through credit cards, retail loans, private pension and mutual fund products and services positioned under its "Privia" brand, which entails privileged process design and exclusive advantages.

İşbank Private Banking events

In keeping with İşbank's differentiated service delivery strategy also in non-banking fields, private banking customers were invited to various prestigious artistic, cultural and sports events in line with their preferences and likes during 2018.

In 2019...

In 2019, İşbank Private Banking will maintain and further intensify collaboration with its subsidiaries and keep expanding its broad range of financial solutions with new products and services aligned with customers' individual risk and return profiles and generating maximum benefit from return possibilities emerging from the market opportunities.

Furthermore, İşbank will focus on activities that provide private banking clients with benefits from innovations in product and service delivery stemming from advancing digital technology that help enhance customer experience.

In the year ahead, İşbank Private Banking will continue delivering products and services under the service model formulated with a holistic approach with its subsidiaries, with the goal of being its customers' primary choice in banking, as a reliable and specialized business partner.

“

İşbank retained its leadership among deposit banks with over 16.5% market share captured in domestic TL-issued securities in circulation.

CAPITAL MARKETS

İşbank is in leadership position in money and capital market transactions.

İşbank retained its active position in the sector with a trading volume of above TL 727 billion in Borsa İstanbul and OTC debt securities market as of December 2018.

Increase in corporate bond issuances

In 2018, corporate bond issuances increased as a result of the pursuit to diversify the balance sheet funding structure in the banking sector.

Also in 2018, İşbank carried out bond issuances of various types and maturities with the objectives of:

- securing long-term funds,
- diversifying the existing funding structure,
- eliminating the maturity mismatch between assets and liabilities and
- offsetting short-term interest rate risk.

With total domestic bills/bonds issues amounting to TL 10.1 billion as of the end of 2018, İşbank preserved its leading position among deposit banks with over 16.5% market share in undue domestic TL securities.

Sector's pioneer also in gold transactions

İşbank customers' holdings in gold deposit and investment accounts totaled 29.2 tons at the end of 2018, and the Bank's market share in gold deposit accounts was registered as 15.1%.

"Gold Days" continued to be held at İşbank branches in 2018, thus the Bank kept being instrumental in recovering the so-called "under-the-mattress" physical gold for the registered economy.

Synergy with İş Investment facilitated access to overseas organized markets.

As at end-2018, İşbank, together with its subsidiary İş Investment, generated 7.8% of the trading volume on Borsa İstanbul Equity Market, and pursued its activities as one of the pioneering institutions in the market.

Under the collaboration established with İş Investment, customers are able to carry out equity and futures trading on a total of 26 overseas organized exchanges across three continents via İşCep. This service represents a first in the sector in that it provides access to overseas organized markets through the bank distribution channel.

İşbank's market share in gold deposit accounts was

15.1%

İşbank has distributed**16.22%**

of the mutual funds in the sector.



İşbank commands an effective position in custody banking with a portfolio worth TL 24 billion, for which individual and collective custody service is provided, bringing 30% market share.

İşbank continues to take active part in the mutual funds market

İşbank sustained its position as the leading fund distributor by intermediating 16.22% of the mutual funds sales in the sector as at year end 2018.

The Money Box Hybrid Fund, the first mutual fund designed for children, leads all mutual funds of a similar nature available in the sector in terms of the number of investors.

İşbank has taken on a pioneering role in the custody of alternative mutual funds in the sector.

İşbank also plays an active role in custody with 30% market share and TL 24 billion assets under custody for services provided to discretionary and collective portfolios. With 15 real estate investment funds and 5 venture capital investment funds covered among the mutual funds provided with asset custody service, the Bank has assumed a pioneering role in the sector with respect to custody of alternative mutual funds.

In 2019, İşbank...

In 2019, the Bank will keep improving its market shares in money and capital market products and gold transactions on the back of:

- its new products and services designed within the frame of customer preferences and market conditions,
- its competitive pricing policy, and
- its service channels ensuring uninterrupted and high-quality service delivery.

“

In 2018, CBRT began taking strong monetary tightening steps as the cost-push inflation pressures escalated and price increases showed a generalized pattern across subsectors.

TREASURY MANAGEMENT

Capital flows to emerging countries weakened.

While recovery continued in developed economies in 2018, capital flows to emerging economies weakened in the same period. In US acceleration in economic activity continued with the support of expansionary fiscal policies. On the other hand, protectionist policies that took an upturn affected the world trade negatively, and also increased downside risks for future expectations.

The heightened uncertainty stemming from the ongoing Brexit negotiations between the UK and the EU, and continued normalization of monetary policies in developed countries led to a decrease in risk appetite and influenced capital flows to emerging countries including Turkey negatively.

In this period, Turkey was at the epicenter of geopolitical risks and adverse assessments by rating agencies. Turkish Lira depreciated significantly, and the country entered into a high inflation and high interest environment. The Fed's normalization steps have been an additional pressure factor upon interest rates.

In 2018, Central Bank of the Republic of Turkey (CBRT) significantly tightened its monetary policy.

Determining the monetary policy stance by closely monitoring inflation expectations, pricing behaviors and other factors affecting inflation, in the second half of 2018 CBRT began taking strong

monetary tightening steps to support price stability as the cost-push factors on inflation escalated and price increases showed a generalized pattern across subsectors.

With the simplification process of the operational framework of the monetary policy completed during the reporting period, funding through Late Liquidity Window (LLW) initiated in 2017 was terminated, and one week repo rate was once again defined as the policy rate.

Throughout the year, the CBRT adhered strictly to tight monetary policy. In this context, the CBRT managed the weighted average funding rate by utilizing additional measures targeted at liquidity and by adding alterations to the funding strategy that covered different money market instruments while closely monitoring financial stability, and raised it gradually from 12.75% to 24%.

The balance sheet composition in the banking sector has been reshaped as a result of the volatilities in exchange rates.

In 2018, under the deteriorated economic conditions due to global developments and geopolitical risks, total assets of the overall Turkish banking sector^(*) reached TL 3,660 billion. Assets grew 18.2% which is 1 point lower than it was in 2017 and 3.6% when adjusted for exchange rate effect that is below the average of prior periods.

Especially in the third quarter of the year the loan demand was subdued as a result of the supply/demand disruption which occurred due to the

impact of fluctuations in the markets upon the financial sector, real sector and households. Credit Guarantee Fund (CGF) loans, which were launched in 2017 and significantly supported TL credit volume, were decreased in 2018, which led to a relatively small growth of 2% in total TL cash loans disbursed by the overall banking sector over the whole year.

The growth rate in total loans was registered as 14.1%, whereas it was 1.1% when adjusted for exchange rates. As a result of the credit expansion, which was lower than the asset growth, the share of loans in total assets was 62.4%, 2.2 points lower than it was in 2017.

High volatility in exchange rates during the course of the year gave rise to transitions between TL and FC deposits depending on customers' preferences. In line with the FC sales of deposit holders particularly in the second half of the year, the deposits composition developed in favor of the Turkish Lira.

The banking sector's total deposits (excluding banking deposits) grew by 18.3% in 2018. The growth was 2.1% when adjusted for exchange rates, which is barely above the credit expansion rate. During the reporting period, the share of deposits to total liabilities was flat compared to 2017, and stood at 51.9%.

The banking sector had less need for creating funds due to the weakened loan demand. The external borrowing opportunities of the banking sector diminished compared to the previous year due to the globally increased funding costs, the escalated country risk premium, and reduced capital flows. Totaling USD

(*) Calculated using monthly sector data published by the Banking Regulation and Supervision Agency. Participation banks are excluded.

“

During 2018, İşbank's balance sheet was managed by a dynamic and proactive strategy with a focus on strong liquidity and asset quality that prioritizes healthy and sustainable growth.

61.6 billion at 2017 year-end, the amount of syndicated and securitization loans and Eurobond issuances of the sector was USD 57.9 billion at 2018 year-end.

İşbank manages its balance sheet with a dynamic and proactive strategy.

In 2018 that was dominated by an escalating risk perception and uncertainty, İşbank's balance sheet was managed with a dynamic and proactive strategy that prioritizes healthy and sustainable growth with a focus on solid liquidity and high-quality assets. Within this framework, a flexible balance sheet composition was formed taking all factors into consideration with a particular focus on effective management of FC and liquidity positions along with loan and investment portfolios, expanding the deposits base that makes up the primary funding source, and pursuance of consistent and diversified funding policies.

İşbank preserved its title as the largest bank among private commercial banks with TL 416.4 billion in total assets in 2018.

In 2018, the share of loans to total assets was 62.5%, and the share of securities portfolio was 16.4%. Deposits continued to represent the primary funding source with a share of 58.9% within total liabilities, and funds borrowed and securities issued (including subordinated bond issues) were in similar levels to the balance sheet composition in 2017 with respective shares of 10.8% and 9.8%.

In 2018, loan to deposit ratios followed a downtrend and total loan to deposit ratio (LDR) was down from 118% to 106% and TL LDR was down from 152%

Total loans to deposits ratio declined to

106%

at the end of 2018.

to 127% compared to 2017 year-end. Having high credibility in international markets, İşbank continued to obtain low-cost, long-term funds throughout the year through various money and capital market instruments amid varying market dynamics. Medium-long term FC non-deposit funding possibilities were reshaped in view of the solid course of the Bank's liquidity and funding costs. The total amount of these resources was recorded as USD 15.4 billion at 2018 year-end.

Liquidity, interest rate and exchange rate risk elements are managed without compromising from the sustainable profitability principle at İşbank.

Within the scope of Treasury operations, liquidity, interest rate and exchange rate risk elements were managed in line with the Asset/Liability Management Risk Policy principles and without compromising from sustainable profitability principle in parallel to the Bank's risk appetite.

Throughout 2018 that was characterized by tougher economic conditions, İşbank optimized risk-return balance by focusing on its asset quality, cost control, and effective capital utilization, and was able to achieve its sustainable profitable growth target without any problems.

Potential risks that may arise from the maturity and interest rate structure and FC position of the balance sheet continue to be monitored ad-hoc and on scenario basis, employing efficient models, and derivative products are also utilized along with money and capital markets products depending on the market conditions.

“

Thanks to its extensive correspondent network, İşbank reliably and efficiently satisfies the demands and anticipations of its customers engaged in foreign trade.

INTERNATIONAL BANKING

İşbank caters to foreign trade financing needs of its customers with its high quality product and service range.

In 2018, through a correspondent network of banks based in 123 countries, İşbank;

- offered a rich selection of foreign trade products and services to its customers, and
- intermediated foreign trade transactions performed between Turkey and more than 200 different countries.

In order to satisfy its customers' financing needs for their imports of investment goods and for their energy projects, İşbank continued to obtain medium and long-term financing either from Export Insurance and Credit Agencies (ECAs) or from correspondent banks under ECA coverage.

New financing facilities are offered for Far Eastern- related commercial transactions and investments.

İşbank signed an agreement with the China Development Bank promoting the mutual cooperation between the two Institutions in a range of areas including, but not limited to, the financing of projects related to China.

On the other hand, the Relending Loan Facility agreement concerning a loan facility from The Export-Import Bank of the Republic of China for customers' imports from Taiwan has been extended for a period of two years.

İşbank's technology investments and digitalization performance are being recognized with awards.

As digitalization becomes widespread all over the world, automation of operational processes and minimization of employee interference takes place among the main objectives of banks. This issue becomes prominent especially in the case of payments involving significantly high number of transactions.

As a result of its technology investments, İşbank attained a straight through processing (STP) rate of over 95% in payments in 2018, as it has in previous years, and the Bank's performance was rewarded by JP Morgan Chase Bank N.A., KBC Bank NV, Commerzbank AG and Wells Fargo Bank N.A.

İşbank gains increased international recognition through SIBOS meetings attended.

Organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and providing opportunities for business development with a large number of banks based in different countries within a short period of time, the SWIFT International Banking Operations Seminar (SIBOS) was held in Sydney, Australia in 2018.

Taking place in the conference with a stand as the only Turkish bank in 2018, İşbank undertook publicity activities to make a corporate introduction of the Bank and capitalized on opportunities to build on business relations and volumes during the 4-day event.

International Banking established a broad correspondent network of banks based in

123 different countries.

İşbank renewed its syndicated loans, which serve as re-confirmation of the confidence held in the Bank.

Enjoying a successful track record and a solid experience in the international syndicated loans market, İşbank successfully rolled over its matured syndicated loans and obtained an approximate total funding of USD 2.5 billion from global financial markets.

48 financial institutions from the US, Europe, Middle East and Asia participated in the syndications completed in May and September. The high number of participating banks and the high amount of the facilities once again confirmed the confidence held both in our country's banking sector and in İşbank.

İşbank uses the funds raised through syndicated loans to support the financing of foreign trade transactions of real sector companies and reinforces its contribution to the development of the national economy.

New funding obtained within the scope of the "Inclusive Access to Finance Project Loan".

Within the scope of the "Inclusive Access to Finance Project Loan" obtained by Türkiye Sinai Kalkınma Bankası (TSKB), a subsidiary of İşbank, from the International Bank for Reconstruction and Development (IBRD) under the guarantee of the Undersecretariat of Treasury, a loan agreement was signed on 3 December 2018 which gives the Bank access to a funding with a maturity of up to 6 years for up to USD 40 million

from the TSKB. İşbank withdrew the first tranche in the amount of USD 20 million of the said fund on 27 December 2018. The facility will be on-lent to support the SMEs backing women employment and SMEs operating in underdeveloped regions in temporary protection.

Cross-Border Banking Operations

İşbank pursues its banking operations via İşbank Germany in Germany, İşbank Russia in Russia and İşbank Georgia in Georgia.

A group with presence in 12 countries

İşbank has presence in 12 different foreign countries. 12 of the total of 39 branches belong to Frankfurt-based İşbank AG whereas Moscow-based JSC İşbank and Tbilisi-based JSC İşbank Georgia have 3 and 2 branches respectively.

In addition to aforementioned branches of its subsidiaries, İşbank has 2 branches in Iraq, 2 in Kosovo, 2 in the UK, 1 in Bahrain and 15 in the Turkish Republic of Northern Cyprus (the "TRNC"). The Bank has two representative offices, one in Shanghai/China and the other one in Cairo/Egypt.

As of the end of 2018, the total asset size of İşbank's overseas organization amounted to USD 8.02 billion. The share of overseas subsidiaries in this total is 29.65%, while that of overseas branches is 70.35%.

2018 highlights...

İşbank kept making a difference in Iraq with its international banking services offered particularly via its Erbil branch. Besides intermediating a substantial

İşbank pursues operations in

12 different countries

abroad.

portion of the trade between the two countries, the Bank also contributes to the business that adds value to the region. Despite the ongoing uncertainties in 2018, the targeted profitability levels were achieved at the end of the year.

In Kosovo, İşbank focused especially on expanding customer deposit base and increasing the number of customers in 2018. As a result of these efforts, the Bank achieved significant rise in the number of customers and a growth of over 35% in deposit volume.

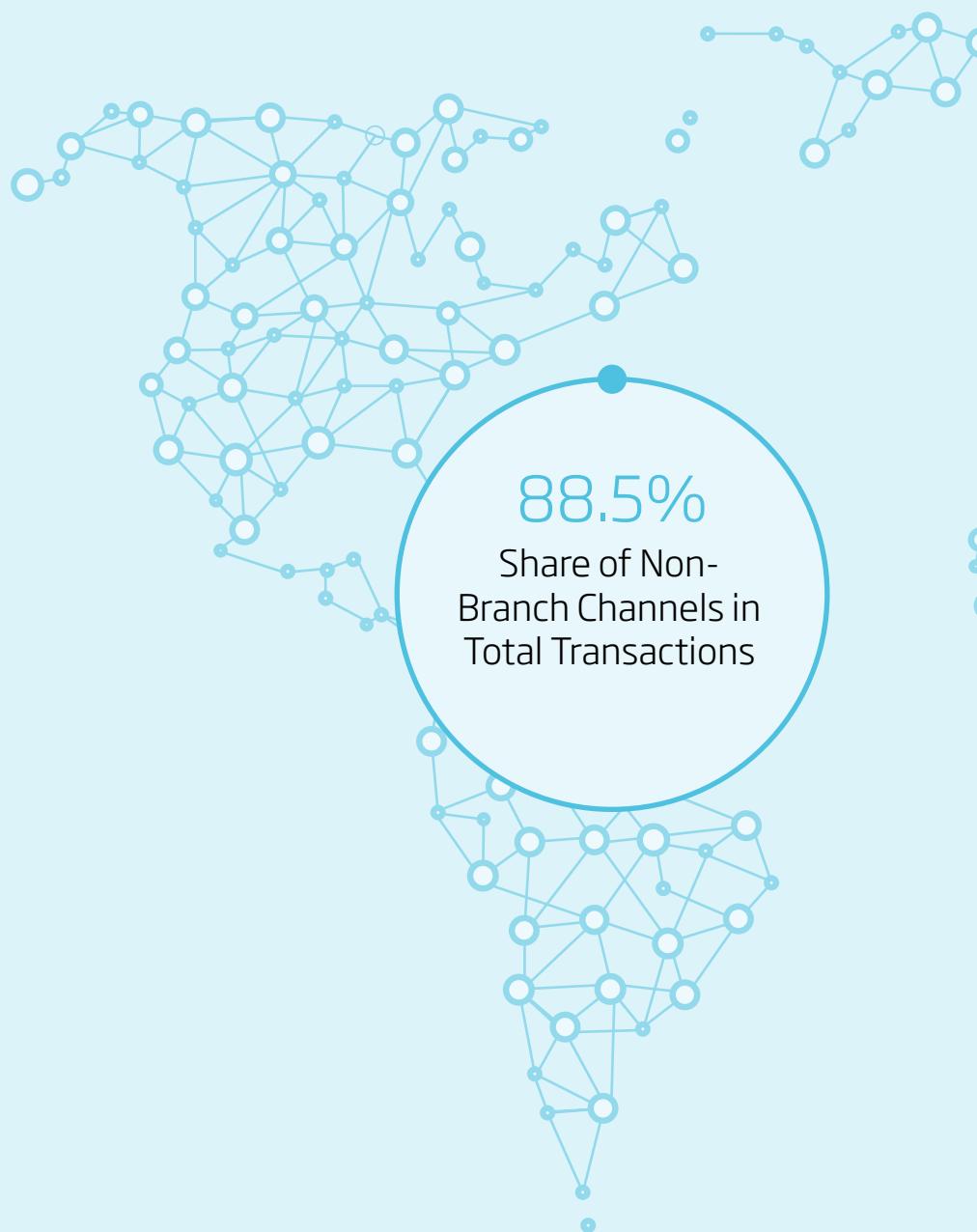
The positive relationships developed with the Gulf countries via Bahrain Branch contribute to İşbank's financial figures at a growing extent. The Bahrain Branch obtained funds worth more than USD 179 million on average from 9 different banks during 2018. Through Murabaha transactions carried out with banks in the Gulf Region countries, a total volume of USD 243 million has been realized.

The Bank kept offering service through its London and Edmonton Branches in the UK where it has had presence for many years. In 2018, demand grew for the Overseas Mortgage product that is designed for real estate purchases of retail customers residing in the UK. Internet banking service was further improved with the technical developments, and activities with regard to POS sales were continued. The POS transaction volume of the branches reached GBP 78.9 million.

Digital Banking

“

In 2018, İşbank carried on at full speed with digital transformation initiatives launched in order to make the best of the opportunities presented by digitalization and to optimally deliver them to its customers.

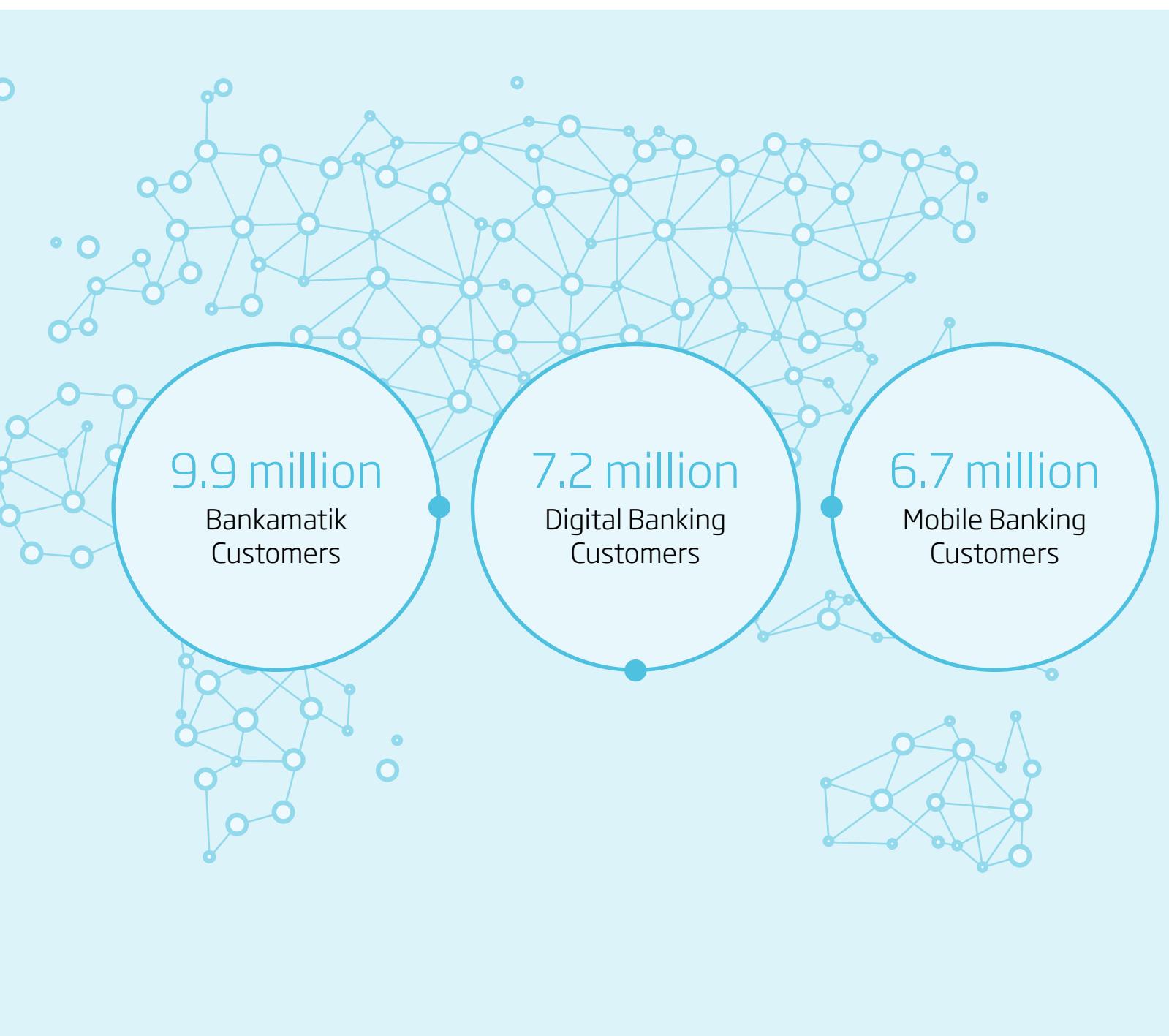


Automated processes secured saving in transaction times.

24%

Share of ATMs (Bankamatik) in İşbank's total monetary transactions

50.3%



“

Delivering customized products, services and experiences that customers need on digital platforms is one of the strategic components of İşbank's digital banking vision.

DIGITAL BANKING

Digitalization is the most important trend that deeply impacts every phase of life from individuals to companies. In this context, İşbank continuously renews its existing business processes in view of the opportunities presented by digitalization and new technology on one hand, and determines the areas of focus which will be prioritized in the medium- and long-term on the other hand.

In 2018, İşbank carried on at full speed with digital transformation initiatives launched in order to make the best of the opportunities presented by digitalization and to optimally deliver them to its customers.

Delivering customized products, services and experiences that customers need on digital platforms forthwith being the top choice solution partner of customers through every stage of their lives is one of the strategic components of İşbank's digital banking vision. In line with this vision, digital banking activities were carried on with a focus on:

- integrating artificial intelligence technology in business processes,
- offering innovative products and services that will make customers' lives easier at all touch points,
- developing end-to-end digitalized processes for strategic products and services,
- co-developing work processes with non-Bank stakeholders so as to provide a unique experience to customers,

- adapting agile working styles also to internal business processes, and bringing its mode of doing business to a quality and speed that will respond to the needs of the digital age.

İşbank retained its leadership position in digital banking.

The number of İşbank's active mobile banking customers has reached from 5.2 million to 6.7 million in the twelve months to year-end 2018. In the same timeframe, the number of the Bank's total digital customers reached 7.2 million, whereas customers using Bankamatik ATMs and Internet Branch numbered 9.9 million and 2.7 million, respectively. As a result of these developments, the share of the Bank's transactions performed on non-branch channels to total transactions rose to 88.5%.

The mobile banking app with Turkey's most comprehensive transaction set - İşCep

With 34 new capabilities added, the number of functions available on İşCep, Turkey's first mobile banking app, has increased to 274.

The highlights of the capabilities added to İşCep this year are below:

- The Bank's customers can now view their assets at İş Yatırım and Anadolu Hayat Emeklilik on İşCep.
- Net status feature was added, which allows customers to track their assets and debts by month-on-month.

Number of functions available on İşCep rose to

274

Number of functions available on Bankamatik ATMs rose to

136

“

As at 2018 year-end, İşbank preserves its position as the private bank with the broadest ATM network in Turkey with 6,560 Bankamatik ATMs.

- “My Transactions” menu was made available on İşCep, letting users track all movements in their accounts and cards in a consolidated manner on a category basis.
- Notification infrastructure was launched which fulfills customers’ need to receive push notifications.
- Insurance application transactions were launched.
- Credit Ready application went live, which enables credit formalities initiated from branches to be approved via İşCep.
- Developments for bill and tax payments via credit card were completed.
- Referral to E-government Gateway, Daily Interest Deposit Account and Assistant Account opening functions were introduced.
- Developments for letting users share their account information via 2d-code and fast money transfer via 2d-code were launched.
- The new features added to the commercial version of İşCep include commercial demand deposit account opening, commercial cash advance, installment cash advance, post-purchase installment/post-purchase skip payment and Instant Commercial Loans exclusively for real person merchants. In addition, services such as OGS-HGS transactions, bulk bank receipt generation, SGK (Social Security Institution) orders, tax/withholding tax report generation and opening of commercial channels by real person merchant customers for use without

going to the branch were introduced on commercial digital channels. As part of the efforts to improve digital banking experience of commercial customers, financial status summary and Mobile Exchange transactions have added to the commercial version of İşCep and commercial loan and payment transactions were enriched.

Total number of functions made available to customers via ATMs (Bankamatik) was increased.

As at 2018 year-end, İşbank preserves its position as the private bank with the broadest ATM network in Turkey with 6,560 Bankamatik ATMs.

ATMs (Bankamatik), which offer service 24/7 in 12 different languages to nearly 16 million users (9.9 million of them Bank customers and 5.7 million customers of other domestic and foreign banks), got 50.3% share of total monetary transactions. Based on the developments completed during the year, total number of functions available on ATMs (Bankamatik) reached 136.

The Banking Portal of Turkey

İşbank realized innovations on all of its digital assets in line with its vision of making life easier not just for its customers but for all users and delivering unmatched experience.

In this context, the banking portal of Turkey isbank.com.tr recognizes customers on their subsequent visits to the website after their initial log-in to the Internet branch, and presents customized advertising and contents. In addition,

“

İşbank launched Maxi, the personal banking assistant that works on artificial intelligence and natural language processing technology and also delivers one-on-one dialogue experience, on İşCep.

structures were introduced which analyze website visits by anonymous users as well as customers and suggest various products. Activities were carried out to maximize customer experience according to feedbacks from questionnaires and device-based differentiated usage.

Conversational Banking

A new banking experience from İşbank: Maxi

İşbank created the Maxi brand, the personal assistant service based on artificial intelligence technology that also has natural language processing capability, and introduced it via İşCep. The new member of İşbank family, Maxi has been introduced based on the prediction that the future banking business will proceed via conversational banking that relies on artificial intelligence technology.

Being a bank that develops its business models in favor of its customers with the support of artificial intelligence, İşbank, through Maxi brand, targets to make its customers' lives easier, presenting them a companionship that will make them feel comfortable and good at all times, and to bequeath a long-lived, sustainable brand to the future.

İşbank has positioned Maxi, its personal banking assistant that runs on artificial intelligence and natural language processing technology and also delivers one-on-one dialogue experience, as a multi-faceted, accessible, thoughtful and easily adaptable personality that constantly learns and is focused on making life easier. The Bank has carried on with its communication activities accordingly.

In 2018, the Bank carried on with the work initiated in 2017 in order to capitalize on the solutions offered by "Natural Language Processing" and "Machine Learning" technologies that are based on artificial intelligence, under the "Conversational Banking" umbrella.

In this context, Maxi, the personal assistant application that combines the experiences derived from the chat bot "Ask İşbank" launched on isbank.com.tr in 2017 with investments made into personal finances management, was introduced on İşCep by end-November 2018. In the future, İşbank will integrate Maxi, which had 2.3 million dialogues with over 1.2 million customers as at 2018 year-end, with digital platforms on which the Bank contacts its customers, and particularly with Maximum Mobile and telephone banking channels.

Innovation and Entrepreneurship at İşbank

İşbank continued to research and invest in new generation technology with the goal of presenting innovative products and services that will facilitate customers' lives by making optimum use of digital technology.

In 2018, the Bank set up the Entrepreneurship Unit to sustain and further increase its concentration both on startup ecosystem and on internal entrepreneurship and innovation activities.

As part of the Innovation and Entrepreneurship Strategy, forward-looking innovation vision and goals were defined, and areas of focus that

Customer feedbacks reviewed

540 thousand

In 2018, over 540 thousand feedbacks were studied.

will be prioritized in the medium- (2 to 4 years) and long-term (5 to 9 years) were identified for the said vision and goals.

With the purpose of supporting the collaborations between the Bank and FinTechs and contributing to broadening İşbank's ecosystem, the API (Application Programming Interface) Portal was opened for the use of non-Bank developers and startups in June. During 2018, 17 API applications were developed and put to use through the portal.

İşbank also began effectively employing new trends and technological facilities introduced by digitalization, such as the ecosystem approach, artificial intelligence, cloud technology, application programming interface (API), internet of things (IOT), and robotic process automation, with the purpose of making customers' lives easier and presenting new value propositions that suit their needs.

As the first step of the target of enriching customer service experience delivered at branches with robotic technology, Pepper, the humanoid robot that was designed to understand and speak Turkish, was positioned at Istanbul branch. Customers can chat with Pepper; learn about bank's digital channels, get their queue numbers and complete a satisfaction survey with Pepper's tablet.

Launched in 2017 and having İşbank as its main sponsor, the Workup Entrepreneurship Program had its new graduates in the two batches held in 2018. Cooperation continued both with the startups included in the Workup and those contacted within the entrepreneurship ecosystem.

Maxis Venture Capital Portfolio Management Company (Maxis PMC) was established by İşbank Group to invest in the startups within the ecosystem. With the operating permit received in May 2018, Maxis PMC set up the Innovative Venture Capital Fund (the Fund), for which the Bank committed funding with the investor agreement executed in November.

Data Analytics and CRM Activities

İşbank continues to invest in big data infrastructure and artificial intelligence applications which promote the generation of right propositions that are aligned with customer needs at the right time. The Bank's artificial intelligence catalogue, business model and vision have been created, and pilot runs of AI based models have been conducted.

Real-time analytical application infrastructure has been developed in order to present contextual offers to our customers. This infrastructure helps to identify customer context based on customers' channel and POS transactions as well as İşbank's corporate website and online banking click data. Moreover, a centralized notification system has been established that would document all non-campaign customer notifications and would ensure that notifications are generated in accordance with contact rules and business rules.

Customer Experience

The customer experience vision of İşbank is to create a world in which customer journeys are simplified, all transactions are rendered user-friendly, and personalized experiences are offered, and to always guide its customers and lend them a helping hand whenever they need it in this world.

The Bank constantly reviews delivered services and business processes in terms of customer experience using customer feedback, by Design Thinking and Customer Experience Journey methods. During 2018, the journeys of commercial customer onboarding including digital channel usage, and credit card delivery were scrutinized closely in terms of customer experience, and continual questionnaires and customer contacts were carried out to better understand customer needs and expectations. Based on these activities, 9 exploratory studies were completed, 37 new additional and 8 existing functions on channels were reviewed, and experience was enhanced on 12 processes.

With 50%, service quality has the biggest impact on Net Promoter Score, which is used worldwide for customer experience management. In order to render this quality sustainable, instant and continual customer experience measurement is performed at İşbank branches. This practice that was spread across the Bank's branches nationwide in 2018 rendered customer experience indicators of branches traceable, in addition to sales targets. Over 540 thousand feedbacks were carefully studied, and actions to enhance customer satisfaction were taken.

“

İşbank moves forward with the vision of pioneering the market by enriching its digital product range.

INNOVATIVE PRACTICES AND PRODUCT DEVELOPMENT

İşbank moves forward with the vision of pioneering digitalization.

Moving forward with the vision of pioneering the market by enriching its digital product range, İşbank kept presenting its new products and services also in 2018.

In 2018, İşbank put new initiatives into life in areas of innovation on digital channels with a particular focus on İşCep, applications for products, enhancing customer experience, marketing, analytics, technical infrastructure upgrade, and artificial intelligence.

The Bank's İşCep application now featuring 274 different transactions with the new capabilities added in 2018 remained the leading app with the highest transaction diversity in the sector. New developments were made on İşCep, which underline the Bank's innovative character through personal finances management and personal assistant Maxi. Moreover, the notification infrastructure was introduced which fulfills customers' need for push notifications.

In personal digital banking, the new functions introduced in 2018 include insurance application transactions, overdraft account opening for school registration, Credit Ready application allowing approval of loan transactions originated from branches, overdraft account opening via Bankamatik ATMs, setting credit card PIN and authorizing credit card for transactions, bill and tax payments via credit card, referral to E-government Gateway, daily interest deposit account and Assistant Account opening.

The new capabilities launched in commercial digital banking include

commercial demand deposit account opening, commercial cash advance, installment cash advance, post-purchase installment/post-purchase skip payment and Instant Commercial Loans exclusively for real person merchants. In addition, services such as OGS-HGS transactions, bulk bank receipt generation, SGK (Social Security Institution) orders, tax/withholding tax report generation and opening of commercial channels by real person merchant customers for use without going to the branch were introduced on commercial digital channels. Other novelties in this department included addition of the summary financial status and Mobile Exchange transactions to İşCep's commercial version and enrichment of commercial loan and payment transactions as part of the efforts to improve the experience of commercial customers.

An important component of digital transformation initiatives: Agile Atelier

Agile Atelier was set up at the Bank in 2018. The Agile Atelier consisting of employees from various disciplines from the Bank works to satisfy customer needs in the most efficient manner on the basis of swift decisions with small trials and errors, without getting caught up in obstacles. İşbank is the first organization in Turkey to implement this mode of operation that is becoming widespread across the globe.

The Agile Atelier, which has been active just for the past six months, has already produced good results in terms of rapid delivery of outcomes and employee satisfaction. Within the scope of Agile Atelier, 38 new digital channel functions were introduced for use by merchant customers in the first 6 months, and product bundles developed specifically for merchant customers were also introduced in this short time span. Work is ongoing in line with the numeric targets.

In the first 6 months, Agile Atelier launched

38 new digital channel functions

for the use of customers that are in the nature of tradesmen.

"Integrated Limit and Customer Analysis System"

ELMAS

went live.

Under Agile Atelier initiatives teams' output deliveries are 75% faster as compared with the regular mode, employee satisfaction is enhanced and rose to 91%. These are regarded as elements that will mold İşbank's organization in the digital age. In keeping with this perspective, activities associated with organizational agility will be continued and further expanded in 2019.

Work is carried out in accordance with the goal of constant process improvement.

During 2018, İşbank's technical architecture platforms were upgraded, data management efficiency was increased, and data quality and regulatory reporting processes, along with core banking and payment applications were modernized substantially.

Simultaneously, technology upgrades were taken on at the Bank, and IT architecture and data center transformations were completed in the first half of the year.

A more uniform and integrated technology platform that is aligned with İşbank's future needs is being created. The multi-channel architectural design of this platform is intended to ensure leanness, whereas an integrated and consistent channel experience is targeted to be secured by way of faster introduction of products and services to the market.

The "Digital Approval" solution, whereby customers are able to approve the personal retail contracts that they have signed on the signpads, are put to use in branches, covered under the transformation program. In addition to reduced operational costs and customer satisfaction achieved, this solution also contributes to sustainability of natural resources. The Digital Approval system and the "Biometric Signature" solution for which the R&D work is completed are anticipated to result in full replacement of paper.

Robotic Process Automation Technology

İşbank automates its operational processes employing the Robotic Process Automation (RPA) technology. RPA is software used in the performance of repetitive, high-volume tasks that imitates human actions. Transactions are standardized and error-free results are obtained at points using RPA technology that generates increased productivity and enhanced quality in all processes.

Within the scope of the automation efforts that have been going on at İşbank since 2016, the following were achieved in 2018:

- Overdraft account limit increases demanded by customers via Bankamatik ATMs were fulfilled with the RPA technology.
- All operational steps associated with corporate credit card allocation demands from customers began to be realized by the robot.
- Internal reconciliation and reporting processes that have been automated secured error-free transacting and time saving.
- 24% time saving on average was secured in transaction times that have been automated, thereby increasing the speed of service rendered to customers.

İşbank will keep increasing its service quality and speed delivered to customers on the back of new technologies within the scope of digitalization efforts.

Innovative implementations for credit products were introduced.

İşbank launched the "Instant Commercial Loan" (ICL) implementation that allows fulfillment of the need of its customers that qualify as "Real Person Merchants" for Commercial Loans Payable in Monthly

Installments up to TL 50,000 via the Internet Branch and İşCep.

At İşbank, the core banking processes are being redesigned in line with the digitalization targets, utilizing the winnings secured from technological infrastructure transformation. In this framework, commercial loan applications were merged end-to-end along a single backbone through the "Loan Processes Optimization Program" (KRİPTON) and integration was secured between different process steps. Hence, while data input was decreased through transfer of entered data by the system to other process steps on one hand, steps of the lending process were converted into an end-to-end flow that guides the user on the other hand.

In newly-designed commercial loan application and pricing practices, commissions are incorporated in the processes, and thereby, authorization level management and commission collections are performed by the system. Work is ongoing for the introduction of risk-adjusted pricing infrastructure.

Within the credit lifecycle of commercial credit customers, "Integrated Limit and Customer Analysis System" (ELMAS) was introduced, which is aimed at uniform deployment of İşbank's lending policies, strategies and evaluation criteria across the entire organization, and which is designed as a decision-making support mechanism in the loan appraisal process.

While the KRİPTON Program that digitalized commercial lending processes reduced credit operations on one hand, the ELMAS decision-making support system provided management of the allocation function in line with the centrally-defined policies.

Subsidiaries

“

In line with its investment strategy, İşbank's priority is to make sure that its subsidiaries rank among the pioneering and leading enterprises of their respective sectors and that they create value.

Since 1924 to date, İşbank has participated in nearly 300 companies. Having simplified its equity stake portfolio in time, the Bank had direct participations in 24 companies in the reporting period. In the same period, İşbank had direct or indirect control over 110 companies.

As at year-end 2018, İşbank's participations portfolio had a total worth of TL 17.9 billion, with 75.5% of it being traded on Borsa İstanbul.

Constituting 75.5% of İşbank's participations portfolio, Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Hayat Emeklilik A.Ş., İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Yatırım Menkul Değerler A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. are publicly listed companies and their shares are traded on Borsa İstanbul.

The ratio of the participations portfolio in İşbank's total assets stood at 4.2% as at December 2018.

İşbank's equity stake policy is focused on efficiency and profitability

In line with its investment strategy, İşbank's priority is to make sure that its subsidiaries rank among the pioneering and leading enterprises of their respective sectors and that they create value.

FINANCE

İşbank has financial services subsidiaries that are active in business lines such as banking, insurance, private pension, capital market brokerage, portfolio management, venture capital, factoring, reinsurance, financial leasing, asset management, securities investment trust, investment banking and real estate investment trust.

Financial services subsidiaries enrich the range of products and services offered by İşbank to retail and corporate customers in different business lines while also creating complementary and cross product delivery and sales opportunities.

TSKB

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) is Turkey's first privately-owned development and investment bank.

TSKB, as a leader among the privately-owned development and investment banks, has undertaken a significant role in Turkey's economic development since its foundation in 1950.

The Bank continues to contribute sustainable value for stakeholders and the national economy with its strong performance in economic, environmental and social aspects.

TSKB has adopted it as its mission to contribute continued and increasing support to the sustainable development of the Turkish economy with its wide range of services in the areas of corporate banking, investment banking and consultancy.

In the frame of the financing agreements executed with development finance institutions, TSKB provides financing support to investments in diverse sectors in the form of SME loans and facilities with a social focus, such as women employment, occupational safety and health, as well as renewable energy, environment, energy and resource efficiency themes.

As of 2018, İşbank had direct or indirect control over

110 companies

Also taking into consideration the environmental and social impacts of the loans it extends, TSKB remains as one of the leading institutions in the field of sustainability in Turkey. Authoring a first in the Turkish financial services sector in 2017, TSKB has been the first entity to release an Integrated Report. Recognized with the "Green Bond Deal of the Year in Central and Eastern Europe" at the EMEA Finance Awards 2017 for the Green/Sustainable Bond issue it has carried out in 2016, the bank issued the world's first subordinated sustainable bond in March 2017.

In 2018, TSKB signed a loan agreement of USD 400 million for "Inclusive Access to Finance Project" with the International Bank for Reconstruction and Development (IBRD), a member of the World Bank Group, adding new momentum to the Bank's efforts in inclusive finance incorporated within TSKB's mission the year before. The Bank became the first financial intermediary to borrow on-lending facility from the Asian Infrastructure Investment Bank (AIIB) to finance private sector investments. The fund worth USD 200 million is planned to be used for financing the investments to be realized by companies across Turkey in renewable energy, energy efficiency, transportation, energy dissemination, wastewater management and telecommunication.

In October 2018, TSKB's corporate governance rating was raised to 95.42 on a scale of 100.

On a consolidated basis, TSKB had TL 4.2 billion in shareholders' equity and TL 38.3 billion in total assets as at December

2018. In its review, Fitch Ratings revised TSKB's long-term local currency IDR rating as "BB", and foreign currency IDR as "B+", with a "negative" outlook for both. The Bank's national long term rating was revised as AA (tur) with a "stable" outlook. Furthermore, TSKB was given a Financial Capacity Rating of (b+). On 28 August 2018, Moody's downgraded TSKB's long-term issuer rating to "B2". The Bank's baseline credit assessment was also downgraded to 'b3', with a 'negative' outlook assigned.

www.tskb.com.tr

İşbank Germany

A leading financial institution backed by Turkish capital in Europe

Founded in 1992, İşbank Germany developed and thrived within the financial system in Europe for 26 years, and facilitated access of customers in Turkey to the financial system in Europe.

Having successfully adapted to the changing dynamics throughout its operations in excess of a quarter of a century, İşbank Germany has one branch each in the Netherlands and France in addition to 10 located in Germany, and has 172 people on its payroll. As of year-end 2018, the bank had EUR 1.8 billion in total assets and EUR 201 million in total shareholders' equity. Although its activities are mostly concentrated in corporate banking, İşbank Germany offers the full range of banking products to its customers.

www.isbank.de

İşbank Russia

Serving customers at 3 locations in Russia

İşbank's presence in Russia, one of Turkey's important trade partners, has been thriving since 2011.

The bank has 127 employees offering service at three branches in total, located in Moscow, Kazan and Saint-Petersburg. Concentrated mostly on corporate banking services, İşbank Russia's total assets were worth USD 215 million and its shareholders' equity was registered as USD 56 million as of December 2018.

www.isbank.com.ru

İşbank Georgia

İşbank's Organization in Georgia

The presence of İşbank in Georgia, Turkey's border neighbor which is the gateway to Caucasus, started with the opening of Batumi branch in 2012. The branch was transformed into bank status in 2015.

Having 66 employees, the bank had total assets worth USD 97 million and its shareholders' equity amounted to USD 28 million as at December 2018. Concentrated mostly on corporate banking services, İşbank Georgia launched various products such as deposit certificates in order to increase the number of its deposit customers and kept investing in Internet banking.

www.isbank.ge



Financial services subsidiaries create cross and complementary product delivery and sales opportunities for İşbank.

Anadolu Hayat Emeklilik

The first listed private pension and life insurance company

Turkey's first life insurer, Anadolu Hayat Emeklilik A.Ş. (Anadolu Hayat Emeklilik) is also the first listed company operating in the country's private pension and life insurance sector.

As of December 2018, the company had total assets worth TL 20.2 billion and shareholders' equity of TL 949 million on a consolidated basis.

www.anadoluhayat.com.tr

Anadolu Sigorta

The pioneer of the Turkish insurance sector

Being one of Turkey's leading non-life insurance companies, Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) generated a premium production of TL 5.7 billion as at year-end 2018.

As of year-end 2018, the Company had TL 7.6 billion in total assets and TL 1.3 billion in shareholders' equity on a consolidated basis. The Company was assigned a score of 9.51 in the latest Corporate Governance Rating Report issued in November 2018.

Milli Reasürans holds 57.3% interest in the capital of Anadolu Sigorta.

www.anadolusigorta.com.tr

Milli Reasürans

Uninterrupted reinsurance services since 1929

Millî Reasürans T.A.Ş. (Milli Reasürans), the deep-rooted reinsurance company in the Turkish reinsurance sector, was founded in 1929.

The financial strength rating of Milli Reasürans, the only reinsurance company backed by national capital operating in Turkey, was affirmed as 'B+' in August 2018 by A.M. Best, the world's most reputable rating institution in the insurance sector. The Company's national credit rating was revised as 'tr A+' in August 2018 by Standard & Poor's.

Milli Reasürans has a branch in Singapore, which was set up in line with the Company's strategy to export its know-how and reinsurance experience acquired in the national market to global markets. As of December 2018, premiums written abroad accounted for 29% of the Company's total written premiums. On a consolidated basis, the Company's total assets were worth TL 10.5 billion and shareholders' equity reached TL 2.3 billion as of the same date.

www.millire.com

İş Leasing

Turkey's pioneering financial leasing company

Having been one of the pioneers of the leasing sector in Turkey since its foundation in 1988, İş Finansal Kiralama A.Ş. (İş Leasing) pursues operations with the mission of prioritizing the SMEs in

its funding activities, developing and maintaining a broad-based and high-quality portfolio, and satisfying customer demands with effective, fast and high-quality solutions.

As at December 2018, İş Leasing had TL 8.7 billion in total assets and TL 1.2 billion in shareholders' equity on a consolidated basis, while its leasing receivables amounted to TL 5.4 billion.

The international credit rating agency Fitch Ratings assigned İş Leasing a long-term foreign currency rating of 'B+', a long-term local currency rating of 'BB-' and a long-term national credit rating of 'A+' (tur)'.

www.isleasing.com.tr

İş Faktoring

An innovative approach to the accounts receivable funding sector

Being one of the most reliable companies in the sector since its incorporation in 1993, İş Faktoring A.Ş. (İş Faktoring) has been offering rapid and competitive services in the areas of finance, guarantee and collection with its robust financial structure and customer-oriented approach to business.

As at December 2018, İş Faktoring has TL 2.8 billion in total assets and TL 301 million in shareholders' equity.

İş Leasing holds 78.23% share in the capital of İş Faktoring.

www.isfaktoring.com.tr

İş GYO

One of Turkey's largest real estate investment trusts

İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş GYO) maintains a portfolio of real estate properties, consistently enhances their quality, and also develops new projects aimed at further expanding and diversifying the portfolio.

As of December 2018, the Company's total assets amounted to TL 5.2 billion and its shareholders' equity totaled TL 3.6 billion.

Based on the review conducted by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in August 2018, the Company was assessed within the investment category and the Company's Long-Term National (TR) and Short-Term National (TR) ratings were affirmed as AA and A1+, with a stable outlook assigned to both.

www.isgyo.com.tr

İş Yatırım

A leading and pioneering investment house in the capital markets

Offering brokerage services in domestic and international capital markets, investment advisory, private asset management and corporate finance services, İş Yatırım

Menkul Değerler A.Ş. (İş Yatırım) is the only brokerage house in Turkey traded on Borsa İstanbul Stars Market.

Assigned long-term and short-term national credit ratings of 'AA+' and 'A1+' respectively by SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. with a stable outlook, İş Yatırım had TL 6.4 billion in total assets and TL 1.1 billion in shareholders' equity on a consolidated basis as of end-December 2018.

www.isyatirim.com.tr

GLASS

Şişecam

The founder and the unchanging leader of the Turkish glass industry

Founded in 1935, Türkiye Şişe ve Cam Fabrikaları A.Ş. (Şişecam) is the holding company of Şişecam Group comprising of companies operating in flat glass, glassware, glass packaging and chemicals, mainly soda ash and chromium chemicals.

Besides Şişecam -the Group's parent company-, some other Group companies' shares (Trakya Cam, Anadolu Cam, Soda Sanayii and Denizli Cam) are traded on Borsa İstanbul as well.

The Şişecam Group carries out production in facilities and plants located in Turkey as well as in Egypt, Russia, Georgia, Bulgaria, Bosnia-Herzegovina, Italy, Ukraine, Romania, Germany, Hungary, Slovakia and India.

Şişecam produced 43% of total glass output outside Turkey (as measured on a tonnage basis) and generated 61% of total sales revenues from facilities based abroad and exports from Turkey. The Group's exports to 146 countries amounted to USD 757 million as of end-December 2018.

Positioned as one of the world's and Europe's leading companies in the industry, the Şişecam Group ranked third to fifth in the world and first to fifth in Europe, in terms of its production capacity in glass manufacturing as at December 2018.

Ranking fifth in Europe in terms of soda production capacity, the Group is the world leader in the production of basic chromium sulphate and sodium bichromate.

As at end-December 2018, Şişecam had TL 27.8 billion in total consolidated assets and TL 16.7 billion in shareholders' equity.

In July 2018, Fitch assigned Şişecam a long-term foreign currency credit rating of 'BB+', with a 'negative' outlook. Moody's, on the other hand, revised the Company's long-term foreign currency rating as 'Ba2' and its outlook as 'negative' in August 2018. The Company's Corporate Governance Rating was raised to 9.53 in December 2018.

5 of Şişecam Group companies were listed in the 2017 edition of "Turkey's Top 500 Industrial Enterprises" compiled by the Istanbul Chamber of Industry.

www.sisecam.com.tr

Corporate Social Responsibility Activities

“

İşbank contributes to social progress through the countrywide social responsibility initiatives that it conducts or sponsors.

The driving force behind Turkey's development, İşbank takes its activities beyond its core business of banking and extensions. The Bank has assumed a pioneering and guiding role in social development as in many other areas.

The Bank invests emphatically not just in the present but also in the future and produces permanent value through its initiatives in the areas of education, environment, culture and the arts that it launches or substantially supports, in a bid to help achieve that which is the best for the society and the environment.

EDUCATION

Chess

Main sponsor of the Turkish Chess Federation

With the goal of making chess a widely played and easily accessible mass sports in the country, İşbank entered into cooperation with the Turkish Chess Federation in December 2005 and has been a countrywide sponsor of this discipline.

The main motives behind the sponsorship decision included propagating chess particularly among children, making it an easily accessible sport, compensating the lacking aspects of chess education, turning it into a popular and sought after sport across the country, and reaching a higher number of gifted children in this respect so as to increase the level and frequency of international achievements.

Since the beginning of İşbank's sponsorship of the Turkish Chess Federation:

- licensed players increased from 30,000 to 886,547,

- chess trainers increased from 2,000 to 86,211,
- chess tournaments increased from 400 to 9,000,
- chess clubs increased from 600 to 2,016,
- title-holder chess players increased from 29 to 171.

Medals claimed in international tournaments reached 434. The titles won to date are presented below:

- 23 world championships, 29 second place and 35 third place titles in worldwide organizations,
- 62 European championships, 56 second place and 52 third place titles in Europe-wide organizations and 4 European Championships as a country.

Main sponsor of the Northern Cyprus Chess Federation

In parallel with its sponsorship of the Turkish Chess Federation, İşbank became the sponsor of the Northern Cyprus Chess Federation as well in 2013 with the same objectives. Upon initiation of the sponsorship, chess has become a club activity once a week at primary schools in the Turkish Republic of Northern Cyprus. Chess classes were opened in all of the schools in the country.

İşbank chess classes in primary and secondary schools

Chess classes are being opened at schools in order to make chess an easily accessible sport at primary and secondary schools, to encourage children to play chess, to attract the attention of teachers and parents to this area and to supply lacking materials at schools with limited means.

Number of licensed chess players rose to

886,547

During 2018, more than 2,000 chess classes were opened, bringing the total number of chess classes opened at schools to 22,192.

Hands with Sight Project

In 2018, "Hands with Sight" project was launched for visually-impaired children as a joint initiative of the Turkish Chess Federation and the Ministry of National Education General Directorate of Special Education and Guidance Services with the support of İşbank. Within the scope of the project, chess classes designed with accessible materials were opened in every school for the visually impaired children in Turkey.

Turkey Junior, Youth and Veterans Chess Championships

Turkey Junior (aged 7-12), Youth (aged 13-18) and Veterans (55-65+) Chess Championships were held concurrently in Antalya in 2018. 2,726 players from 81 cities in Turkey and from the Turkish Republic of Northern Cyprus competed in the championship.

Türkiye İş Bankası Chess League

Competitions continued to be organized within the frame of "Türkiye İş Bankası Chess League".

Hatay Metropolitan Municipality Youth and Sports Club has claimed championship of the Türkiye İş Bankası Chess League in the 2017-2018 season.

Türkiye İş Bankası Chess League is the strongest league in its field in Turkey, and is also recognized as one of the strongest ones in Europe.

81 Students from 81 Cities

Having espoused the mission of "equal opportunities in education", Darüşşafaka provides education to students who have lost one or both parents and are in financial need. Darüşşafaka offers high quality education and boarding in contemporary conditions with full scholarship from fifth grade through to the end of high school.

Launched by İşbank in collaboration with Darüşşafaka in 2008- 2009 academic year, "81 Students from 81 Cities" initiative is one of the most comprehensive and longest-lived projects in the area of education in Turkey. Under the project, each year İşbank covers all educational expenses for 81 children from 81 cities who successfully pass the Darüşşafaka Educational Institutions admission exam from the fifth grade through to the end of high school.

Within the scope of the project, 84 students graduated from high school at the end of 2017-2018 academic year. İşbank keeps extending support to students who are admitted to a higher education program. Furthermore, every year İşbank covers the educational costs of a certain number of Darüşşafaka graduates who attend the Koç University under the university's "Anadolu Scholarship Holders" program. Including this year's graduates, the number of students closed in on 700. Aiming to support the students' social development as well through the project, social and cultural activities are used as a platform to get together with the students.

One Million Books, One Million Children

At the end of the 2007-2008 academic year, İşbank launched the "One Million Books, One Million Children" campaign, one of the biggest book campaigns ever undertaken in Turkey.

With this campaign, the Bank aims to:

- help build on children's cognitive and intellectual skills,
- support the formation of a generation that reads and questions,
- contribute to establishing a cordial communication between the Bank and children at an early age.

With the book titled Robotlar Hapşırabilir Mi? Bilim Yolunda Eğlenceli Adımlar Kitabı (Can Robots Sneeze? The Book of Entertaining Steps to Science) distributed for the 11th year of the campaign carried out at the end of 2017-2018 academic year, 13 million books in total were distributed to primary and secondary school students.

Under the campaign, books were sent to Bahrain, Georgia, Iraq, the UK and Kosovo, and to İşbank AG and İşbank Russia, as well as to İşbank branches in Turkey and T.R.N.C. As in previous years, a certain number of books were printed in the Braille alphabet and delivered to the libraries of schools providing education to visually impaired children in 2018. In addition, books were sent to students of Regional Boarding Secondary Schools and to children boarding in the housing of the General Directorate of Children's Services.

“

The “81 Forests in 81 Cities” project was initiated with the aim of protecting the environment and increasing environmental awareness of the society, particularly of children.

Book donations to schools and libraries

As an extension of the Bank's social responsibility initiatives seeking to contribute to education, İşbank continued sending books published by İş Bankası Kültür Yayıncılığı publishing house to schools and public libraries all over the country. In 2018, over 52,000 books were delivered to 2,844 schools and libraries.

Golden Youth Award

Since 1971, İşbank has presented awards to students who excel in the university admission exams every year under the “Golden Youth” award program. The number of the award recipients topped 3,000.

ENVIRONMENT

81 Forests in 81 Cities

The “81 Forests in 81 Cities” project was initiated in 2008 in collaboration with the TEMA Foundation and the Ministry of Forestry and Water Affairs.

Aiming to protect the environment and to increase environmental awareness of the society, particularly of children, the project has been instrumental in planting 2,205,000 saplings over a total area of 1,500 hectares in all cities in Turkey and 35,200 saplings were planted to 22 hectares in the T.R.N.C. The project covers the care of the saplings for a five-year period following the planting. Related work continued in 2018. As part of the upkeep efforts, about 950,000 complementary plantings were made to date. Including the complementary plantings, the total number of saplings planted exceeded 3 million.

The success rate in forested areas was 83% as at year-end 2018.

CULTURE AND ART

Kültür Yayıncılığı

Established in 1956 by Hasan Âli Yücel, the former Minister of Education, Kültür Yayıncılığı has since been one of the indispensable publishing houses for all the readers with its publications that are both rich in content and superior in print quality.

Carrying on with its publication activities with the principles of high quality publishing, contribution to the advancement of the Turkish language, and instilling the habit of reading from young ages, Kültür Yayıncılığı has brought more than 8 million books to the readers in 2018.

İş Sanat Concert Hall

Working to further the country's art life, İş Sanat Concert Hall is one of Turkey's most important art platforms, which hosts the performances of national and foreign leading artists, stages children's plays and poetry readings.

With its innovative and original projects, İş Sanat Concert Hall hosted more than 500,000 art lovers of all ages to date.

Kibele Art Gallery

Since 1930, İşbank has been carrying out various activities to extend support to plastic arts. As part of these deep-rooted efforts, exhibitions of master artists in plastic arts are showcased at Kibele Art Gallery located in İş Towers.

In the 2017-2018 season, Kibele Art Gallery put on display the exhibitions of BUBİ, Ali İsmail Türemen, Onay Akbaş and Hanefi Yeter. The Gallery opened the 2018-2019 season with the exhibition of Mustafa Ayaz.

In 2018, Kültür Yayıncılığı brought

more than
8 million

books to the readers.

Mimar Sinan Fine Arts University Artworks Conservation and Restoration Laboratory

Artworks Conservation and Restoration Laboratory was co-established at Mimar Sinan Fine Arts University by İşbank and the University. Conservation and restoration of artworks included in İşbank Art Collection are carried out at this laboratory. In addition, education is ongoing at the University's Artworks Conservation and Restoration BA program, which was established in the 2013-2014 academic year as part of this cooperation.

Türkiye İş Bankası Müzesi (İşbank Museum)

Having opened its doors in November 2007, İşbank Museum offers a narrative of the Bank's deep-rooted institutional history and Turkey's economic development with documents, banking equipment, communication devices, photographs, pictures, advertisements, promotional materials and films.

İşbank Museum collection mainly consists of three-dimensional objects that depict the transformation phases of banking in Turkey during the Republic Era and objects that have become an indispensable part of people's daily lives. The pieces in the collection have been obtained from İşbank's branches. In order to secure longevity of the pieces, international museum protection standards are applied to preserve the collection for posterity.

Various workshops targeted at children are conducted at İşbank Museum. Additionally, Financial Literacy Training courses are provided for adults.

More than 20,000 students participated in the workshops held at the museum in 2018.

İşbank Museum welcomed approximately 275,000 visitors in 2018 and the total number of visitors since the initial opening of the museum exceeded 1.1 million.

In its history of more than 10 years, İşbank Museum also authored significant exhibitions. "İşbank Proudly Presents" exhibition put on display at the end of 2017 and remained open throughout 2018 and attracted great interest from the visitors.

Contributions to Archeology

Zeugma Ancient City "House of the Muses"

Excavations that began in 1987 in the ancient city of Zeugma, situated on the banks of Birecik Reservoir in the southeastern province of Gaziantep's Nizip district, which is one of Turkey's important historic and cultural centers, are in progress. The objects discovered in the excavations are displayed in the Zeugma Open Air Museum.

İşbank undertook the sponsorship of the "House of the Muses" excavation located in the Zeugma Ancient City for a period of 5 years starting from 2012. In 2017, the duration of the sponsorship was decided to be extended. With the increased amount of sponsorship allocated by İşbank to the excavations in 2018, it was decided to give support to the construction of the Excavation Home and Restoration Center. The excavation of the "House of the Muses" is targeted to be completed in 2019.

Ancient City of Patara

İşbank decided to sponsor the excavations in the ancient city of Patara in the Kaş district of Antalya, which is one of the most important archeological sites in Turkey, for a period of 5 years. Besides İşbank, its subsidiaries Şişecam and TSKB have become sponsors of the excavations in 2016.

İstanbul Foundation for Culture and Arts International İstanbul Music Festival

İşbank sponsored the English Chamber Orchestra, Güher & Süher Pekinel concert performed within the scope of the 46th İstanbul Music Festival organized by the İstanbul Foundation for Culture and Arts.

Sustainability at İşbank

“

In line with its founding philosophy and the sustainability approach, İşbank addresses its activities with a holistic and long-term perspective, simultaneously manages economic, environmental and social components, and focuses on creating permanent value for all of its stakeholders.

In line with its sustainability notion driven by its founding philosophy, İşbank addresses its activities with a holistic and long-term perspective, and simultaneously manages economic, environmental and social components. The sustainability concept that has been successfully internalized at İşbank significantly contributes to the creation of multi-dimensional value by the Bank through its activities.

İşbank goes beyond creating value merely in economic sense, and develops products and services that touch the lives of its stakeholders and play a part in the construction of their future, while contributing to increasing the welfare of the society, the development of the country, and the protection of the environment.

The sustainability approach of İşbank

İşbank's sustainability approach is based on a management concept based on long-term and integrated thinking. Having placed its sustainability approach at the epicenter of its business strategy, İşbank handles and executes its activities with a holistic perspective.

Thanks to the Sustainability Management System of İşbank, various activities such as the management of environmental impact, assessment of environmental and social impact resulting from lending operations, and constantly increasing of the HR potential through training programs are put into life with a holistic perspective. Underpinnings of the operation of this system are İşbank's Sustainability Policy and other policies complementary to it.

The policies describing İşbank's sustainability approach, is available at <https://www.isbank.com.tr/EN/about-isbank/sustainability/our-policies/Pages/our-policies.aspx>.

High level ownership in sustainability management

The Corporate Governance Committee, operating under the Board of Directors, is the highest management body that is responsible for sustainability-related activities at İşbank.

The Head of Investor Relations Division acts as the Sustainability Coordinator, and is responsible for coordinating the related activities among the executive bodies. The Sustainability Working Group covering various departments ensures the execution of sustainability activities and information flow.

Responsible banking approach

İşbank's responsible banking of approach envisages management of banking activities with a well-rounded perspective. This comprehensive approach incorporates development of products, services and solutions in many different areas ranging from the financing of renewable energy projects that support a low carbon economy to the empowering of SMEs and women entrepreneurs that are the backbone of the economy.

In loan assessment processes, analyzing and managing environmental and social impacts are as crucial as economic feasibility. At İşbank, potential environmental and social risks of all new

investment projects worth more than USD 10 million and the investors requesting loans are assessed by the Environmental and Social Risk Evaluation Tool (ERET), which requires an examination on the basis of 26 different criteria.

As a prerequisite of its responsible banking notion, İşbank refuses loan demands for activities covered in İşbank Exclusion List appended to its Environmental and Social Impacts Policy, without giving them any consideration.

İşbank Exclusion List is available at https://www.isbank.com.tr/EN/about-isbank/sustainability/our-policies/Documents/environment_and_social_impact_policy.pdf.

Financing renewable energy

Initiatives targeted at low-carbon growth and reduction of carbon emissions represent a priority topic for İşbank's banking operations. İşbank carries out financing of sustainable energy recognizing that the contribution of sustainable energy financing to development produces a multiplier factor.

Renewable energy financing has a very important place in fulfilling the constantly increasing energy demand, as well as reducing carbon emissions. The Bank finances renewable energy and energy efficiency projects through various facilities obtained from international financial institutions. This way, İşbank also supports the future of our world.

Management of direct environmental impact

Monitoring climate change related risks in its activities, İşbank follows up the environmental impact stemming from its operations and continues to work towards improving its performance in this respect.

Besides its environment-friendly head office buildings and data center endorsed by international certifications, the responsible manufacturing and consumption models espoused by İşbank are manifested in the good practices implemented under various headings including a branch network across which resource-efficiency implementations are being deployed, paperless banking and digital transformation.

A decent working environment

Being one of the biggest employers in Turkey, İşbank espouses the vision of being the most preferred Bank by employees. Along this line, İşbank provides a dignified, fair, egalitarian and safe working environment that is conducive to personal and professional development.

Developing practices that will ensure employee satisfaction while observing employee rights and being a bank preferred by talented young people are among top priority topics for İşbank.

Emphatic and long-lasting contribution to social development

Ever since its incorporation, İşbank has undertaken a pioneering and guiding role in terms of social development and progress.

In keeping with its founding mission, İşbank implements sustainable, comprehensive and long-lasting social investment programs. With the purpose of bringing the added value produced in its principal field of activity across the broadest segment of the society, the Bank focuses on education, environment, culture and the arts in its social investment projects. These initiatives are designed within a framework that will cater to the community's current needs. Detailed information about İşbank's activities within the scope of its social investment programs can be found on page 62 of this Report.

A sustainability approach strengthened through collaborations

İşbank backs its sustainability efforts with collaborations carried out on national and international platforms.

Having become a signatory to the UN Global Compact in 2012, İşbank is also a signatory of the Declaration of Sustainable Finance, an initiative of the Global Compact Turkey launched in 2017. With this declaration, the Bank has declared its

commitment to make the environmental and social risk assessment a part of its lending process and to integrate it into related policies.

İşbank has espoused the UN Sustainable Development Goals adopted in 2015 to provide a global guidance to investments and initiatives turned towards sustainable development. Supporting these Goals is important both for growing the Bank's business potential, and also for presenting an opportunity to create environmental and social value for the community.

In its annual sustainability reports, İşbank provides a detailed description of the areas in which it contributes to Sustainable Development Goals and their relation to highly material issues for the Bank.

İşbank is included in Borsa İstanbul (BIST) Sustainability Index consisting of the companies traded on the stock exchange and displaying superior performance in corporate sustainability. The Bank is also a constituent of the FTSE4Good Emerging Markets Index of the Financial Times Stock Exchange Group (FTSE), jointly owned by the London Stock Exchange and Financial Times, which measures the performances of companies that are strong performers in environmental, social and governance areas.

Annual Report Compliance Opinion



Güney Bağımsız Denetim ve
SMMM AS
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Türkiye İş Bankası Anonim Şirketi

1) Qualified Opinion

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

In our opinion, except for the matter described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited unconsolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 dated February 8, 2019, the unconsolidated financial statements as at December 31, 2018 include a free provision at an amount of TL 1,200,000 thousands of which TL 1,550,000 thousands was provided in prior years and TL 350,000 thousands reversed in the current period by the Bank management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of "Turkish Accounting Standard" (TAS) 37 "Provisions, Contingent Liabilities and Contingent Assets". In addition, the consolidated financial statements as at December 31, 2018 include a free provision at an amount of TL 1,200,000 thousands of which TL 1,740,000 thousands was provided in prior years and TL 350,000 thousands reversed in the current period and TL 190,000 thousands reversed under retain earnings by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

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 Banking Regulation and Supervision Agency (BRS) 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 qualified opinion.

3) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed qualified opinions in our auditor's reports dated February 8, 2019 on the full set consolidated and unconsolidated financial statements of the Group for the period of 1/1/2018-31/12/2018.

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 communiqué 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:

- 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.

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 communiqué 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 Communiqué 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 Fatma Ebru Yücel.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



March 6, 2019
İstanbul, Türkiye

İşbank's Dividend Distribution Policy

İşbank's principles of dividend distribution are set by article 58 of the Articles of Incorporation. According to this article, after deducting all general expenses from the income arising from the operations of the Bank within a year, including premiums and bonuses and similar payments to the personnel of the Bank, and funds for all kinds of depreciations, as well as necessary provisions, the net profit obtained shall partly be set aside as contingency reserves and partly distributed in the order, manner and at the rates indicated below:

- a) 1- 5% to statutory reserve fund,
- 2- 5% as provision for probable future losses,
- 3- 10% as first contingency reserve

If the cause for setting aside of a provision and fund for a probable future loss and/or risk doesn't exist anymore, the remaining fund will be added to first contingency reserve (a/3) after distribution of net profit referred to in paragraph (a).

b) From the balance of the net profit after the reserve fund referred to in paragraph (a) above have been set aside, an amount equal to 6% of the paid up capital represented by Group A, B and C share certificates, shall be distributed to shareholders as the "first dividend".

Should the profit realized in any year be insufficient to provide for the first dividend of 6% referred to above, the balance shall be made up and distributed out of the contingency reserve fund. Provided, however, that any amount thus taken out of the reserve fund shall constitute a charge to be made up out of the profits to be realized in the subsequent years.

c) After the reserved fund and the first dividend referred to in paragraphs (a) and (b) above have been provided for, the balance of the net profit shall be set aside and distributed as follows:

- 10% for founder shares (limited to the portion of TL 250 thousand - two hundred and fifty thousand -of paid capital)
- 20% to the employees of the Bank, and
- 10% as second contingency reserve.

d) After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, the balance shall be distributed to the shareholders as "second dividend" in the manner stated below and taking into consideration paragraph (e).

1-The net total of the dividends to be distributed to the holders of Group (A) shares as first and second dividends under paragraphs (b) and (d) may be not exceed 60% of the capital paid up by them, the net total of the dividends to be distributed to holders of Group (B) shares may not exceed 30% of the capital paid up by them, and the net total of the dividends to be distributed to holders of Group (C) shares may not exceed 25% of the capital paid up by them.

2-After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, should the balance be insufficient to distribute the second dividend in the manner specified by the paragraph (1) above, twice the amount of the paid up capital represented by Group (A) shares the actual amount of the capital represented by Group (B) shares, and the 5/6 (five sixth) amount of the capital represented by Group (C) shares shall be taken as the basis, and, total dividends to be paid to the three Groups of shares shall be calculated separately in the distribution of the second dividend.

e) The amount that needs to be added to the statutory reserve under paragraph 2/c of Article 519 of the Turkish Commercial Code, shall be set aside.

f) The General Assembly shall, upon proposal of the Board of Directors, decide whether the balance remaining after the distribution and allocation of the net profit as specified above shall be transferred to the extraordinary reserve funds, or carried over to the following year, or up to 80% of such amount be distributed to the shareholders by dividing of the same by the number of shares and the remaining balance be transferred to the extraordinary reserve funds or carried over to the following year.

In the calculation of the dividends to be paid to all three Groups of shares; group A shares will be considered as 40 times the share quantity, due to the reason that 20 Group (A) shares each with a nominal value of TL 500 (this amount is related to the period prior to the Law regarding the Monetary Unit of the Turkish Republic (No:5083) on which the rate of change has not been applied) have been changed with 1 Group (A) share with a nominal value of 1Kurus, Group B shares will be considered as 1.5.times of the share quantity, and Group C shares will be considered as the same quantity.

The dividends are distributed within the scope of the related legislation in a manner and at a time determined by General Assembly.

Agenda of the Annual Meeting

- 1 - Opening Ceremony, establishment of the Council of Chairmanship
- 2 - Discussion and ratification of the Annual Report of the Board of Directors
- 3 - Discussion of the Independent Auditors' Reports
- 4 - Examination and ratification of 2018 Balance Sheet and Income Statement
- 5 - Discharge of the Board of Directors from their responsibilities for the transactions and accounts of the year 2018
- 6 - Approval, approval with amendments or disapproval of the proposal of the Board of Directors regarding the utilization of 2018 profit
- 7 - Election of the Board of Directors
- 8 - Determination of the allowance for the members of the Board of Directors
- 9 - Selection of the Independent Audit Company
- 10 - Permitting the members of the Board of Directors as per articles 395 and 396 of the Turkish Commercial Code
- 11 - Presenting information to the shareholders on the subjects held in Capital Markets Board (CMB) Corporate Governance Communiqué principle no. 1.3.6
- 12 - Presenting information about the buyback transactions executed in 2018 as per the resolution of the Board of Directors
- 13 - Presenting information to the shareholders about the donations

Summary Report of the Board of Directors

Esteemed Shareholders,

Welcome to our Bank's 95th Ordinary General Meeting.

As we present the Board of Directors' Report, the Balance Sheet and the Income Statement covering the results of our activities in 2018 fiscal year for your review and approval, we respectfully greet all of you here today.

During 2018, a year in which political factors caused deteriorated risk perception and global liquidity conditions have tightened; sharp volatilities were experienced in emerging markets.

The slowdown anticipated in economic activity following the high growth rate of 2017 has reflected on growth data from the second quarter of 2018. The Turkish economy recorded 4.5% expansion in the first nine months of the year.

Tightening steps taken in economy policies for fighting inflation and high volatility in financial markets have been effective on this growth deceleration.

Loan growth in the banking sector experienced a substantial loss of momentum after the first quarter of 2018. Growth rate in TL loans dropped to 2% as of December 2018. The decline in domestic loan demand caused by the financing costs was effective on the decrease of growth rate. Total lending volume of the banking sector expanded by 14.1% with the effect of rise in exchange rates.

The volatility in exchange rates in 2018 have been effective on the course of deposits volume that serves as the main funding source of the banking sector. While FC deposit volume expanded by 29.5% annually as of 2018 December due to the exchange rate effect, the rise in TL deposit volume was 9.4% in the same period. The long-term external debt rollover ratio of the sector was realized as 76% in 2018. The reason behind this fact was the decrease in the non-deposit resource requirement of the sector caused by the decline in loan demand.

For İşbank, 2018 has been a year in which we have achieved our goals and attained successful results.

When compared to the end of the previous year, as of 31 December 2018,

- Our loans grew by 8.7% to TL 260.3 billion.
- Our deposits expanded by 20.4% to TL 245.3 billion.
- Our total assets increased by 14.9% to TL 416.4 billion.
- Our shareholders' equity went up by 15.7% to TL 49.7 billion.

and our net profit amounted to TL 6.8 billion.

On loan side, İşbank adhered to sustainable and problem-free growth strategy during 2018. Standing at 4.1% at year-end, our nonperforming loans ratio was below the private banks' average in 2018. While total deposits kept expanding, with a cost sensitive approach, İşbank continued to utilize non-deposit funds in both domestic and international markets in order to diversify funding sources.

Standing at 16.5% as at the end of 2018, our capital adequacy ratio continued to stay above the regulatory requirement. At the end of 2018, our Bank achieved a return on assets of 1.7% and a return on equity of 14.8%.

It is believed that the deceleration observed in the Turkish economy will persist in the first half of 2019. However, the economy will adopt a restricted recovery trend beginning from the second half of 2019. On the other hand, it is anticipated that this recovery trend will realize gradually and slowly, and annual economic growth will remain below the potential growth rate.

Esteemed Shareholders,

We hereby submit our Annual Report, Balance Sheet and Income Statement pertaining to our 2018 activities for your review and approval.

We would like to take this opportunity to express our gratitude to the Turkish public for their steadfast trust in our Bank, to the institutions of the Turkish State for their continuous support, to our employees for their dedicated efforts, and we extend our respects to you, our valued shareholders, for having honored this General Meeting with your presence.

TÜRKİYE İŞ BANKASI A.Ş. BOARD OF DIRECTORS

Dividend Distribution Proposal

As a result of our activities in 2018, our Bank's net profit for the period was TL 6,769,085,006.47. On the other hand, within the framework of the Turkish Accounting Standard (TAS) n.16 "Tangible Assets" as a result of selling some of our fixed assets, which are being tracked with using revaluation model, in accounting period, in accordance with; TFRS 9 Recognition and Derecognition in the financial statements which has started to apply in the same accounting period of time, regulates the accounting principles of our associates and subsidiaries and the equity method presented on the TAS 27 - Separate Financial Statements, our Bank had TL 5,993,183,880.46 as prior years' profit (retained earnings).

Our Bank had applied to the Banking Regulation and Supervision Agency (BRSA) for the permission for profit distribution, the BRSA had not approved the application for the cash distribution of the net profit as per our Articles of Incorporation, emphasizing that the profits should be retained in the entity in line with the general prudent policy of the Agency for the whole of the banking system, to keep the equity structure of the sector as strong as possible.

Within this framework, as per the resolution of the Board of Directors dated 28.02.2019, the amount of TL 6,769,085,006.47 net profit at the year of 2018, is proposed to be distributed based on the following chart:

- TL 8,629,009.00 of the balance sheet profit is composed of return on real estate sales that is to be kept in a special fund account in order to be used in capital increase if required to be transferred to related reserves, and the amount of TL 15,000,000.00 to be set aside as risk venture capital fund in order to make use of risk venture investment trust and funds,
- It is proposed that TL 337,272,779.87 (the remaining part of 2018 net profit TL 6,745,455,997.47) in accordance with Article 58 (a) of our Articles of Incorporation be set aside as legal reserves,
- It is proposed that TL 6,408,183,197.60 (the remaining part of the profit) be set aside as extraordinary reserves,

is proposed to be distributed based on the following chart:

	TL
NET CURRENT PERIOD PROFIT	6,769,085,006.47
NON-DISTRIBUTABLE PROFIT	- 23,629,009.00
DISTRIBUTABLE PROFIT	6,745,455,997.47
- For Statutory Reserve Fund	337,272,779.87
- Contingency Reserve	6,408,183,197.60

Board of Directors



1



2



3



7



8



9

1- H. Ersin Özince

Chairman

H. Ersin Özince was born in Havran in 1953 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at İşbank, Mr. Ersin Özince was promoted to the post of Deputy Chief Executive in 1994 and until he became the 15th CEO of İşbank on 28 October 1998, his responsibilities encompassed the Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank.

Mr. Ersin Özince was elected as a Board member on 31 March 2011, 28 March 2014 and 31 March 2017, and he has been serving as the Chairman since 1 April 2011. He also serves as the Chairman of the Remuneration Committee since 29 December 2011, as a member of the Audit Committee, T.R.N.C. Internal Systems Committee and an alternate member of the Credit Committee since 4 April 2017.

Mr. Özince served as the Chairman of the Board of Directors of the Banks Association of Turkey between 2 November 1998 - 31 May 2000, and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. between 17 April 2009 - 1 April 2011, and the Chairman of the Board of Directors of Türkiye Şişe ve Cam Fabrikaları A.Ş. between 28 November 1998 - 14 April 2006, and 1 April 2011 - 6 April 2017.

In addition to his duties at the Bank, he serves as the Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund, and as a member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protection of Natural Habitats (TEMA Foundation). Mr. Özince is also the Chairman of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

2- Füsun Tümsavaş

Vice Chairman

Füsun Tümsavaş was born in Ankara in 1957 and graduated from Ankara University, Faculty of Political Science, Department of Economics-Finance. She started her professional career at the Ankara Branch of the Central Bank of the Republic of Turkey in 1979. In 1981, she started to work at İşbank's I. Loans Department as an Officer and subsequently became Assistant Section Head and Assistant Credit Specialist in the same department. Ms. Tümsavaş was appointed Assistant Manager in 1994 and Unit Manager in 1999 in the aforementioned department. She became the Head of Commercial Loans Department in 2004.

Ms. Füsun Tümsavaş was elected to İşbank's Board of Directors on 28 March 2008, 31 March 2011, 28 March 2014 and 31 March 2017. In addition, she continues her duties as the Vice Chairman of the Board of Directors; the Chairman of the Risk Committee, Audit Committee and T.R.N.C. Internal Systems Committee since 30 May 2011; as the Chairman of the Corporate Governance Committee since 27 February 2013, and as an alternate member of the Credit Committee since 4 April 2017.

In addition to her duties at the Bank, Ms. Tümsavaş also serves as the Vice Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund.

3- Adnan Bali

Member of the Board and Chief Executive Officer

Adnan Bali was born in İslahiye in 1962 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. He joined İşbank as Assistant Inspector on the Board of Inspectors in 1986. He became Assistant Manager in the Treasury Department in 1994 and served as a Unit Manager in the same department in 1997. He was appointed Head of the Treasury Department in 1998. Mr. Bali served as the Manager of the Şişli Branch in 2002 and the Manager of Galata Branch in 2004; he was appointed Deputy Chief Executive on 30 May 2006.

Mr. Adnan Bali was appointed as the 16th Chief Executive Officer of İşbank on 1 April 2011. He has also been serving as the Chairman of the Credit Committee and member of the Risk Committee.

Mr. Bali is the Chairman of the Board of Directors of Türkiye Şişe ve Cam Fabrikaları A.Ş. He is also member of the Board of Directors of The Banks Association of Turkey, Vehbi Koç Foundation and Global Relations Forum, member of the Turkish Industry and Business Association (TUSIAD), the Institute of International Finance (IIF) and Institut International D'Etudes Bancaires (IEEB). Mr. Bali is also a member of the High Advisory Board of Darüşşafaka Society.

4- Prof. Dr. Turkay Berksoy

Member of the Board

Prof. Dr. Turkay Berksoy was born in 1951 in Elazığ and graduated from İstanbul Academy of Economic and Commercial Sciences. Subsequently, he completed his master's degree at Boğaziçi University and obtained his doctorate from Marmara University. Prof. Dr. Berksoy worked as faculty member and assumed administrative posts at various universities in Turkey, and worked as visiting lecturer at University of East Anglia School of Development Studies.

Prof. Dr. Berksoy, who is a chartered accountant, served as Chairman of the Board at the Finance Research Center at Marmara University, Faculty of Economics and Administrative Sciences. In addition to his post at the university, he served as adviser in some banks; Auditor on the Board of İşbank; member of the Board of the Tax Reform Commission, The Union of Chambers and Commodity Exchanges of Turkey Private Specialization Commission, Güneş Hayat Sigorta A.Ş., Petkim A.Ş., Ataköy Otelcilik A.Ş., Türkiye Maritime Facilities Inc. and Paşaabahçe Cam Sanayi ve Ticaret A.Ş.; member of the Ministry of Finance Tax Council; and independent member of the Board at Anadoluh Anonim Türk Sigorta Şirketi, Trakya Cam Sanayii A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. Prof. Dr. Berksoy retired from his faculty member position in Marmara University Public Finance Department, Faculty of Economics as of April 2018.

Prof. Dr. Turkay Berksoy was elected to İşbank's Board of Directors on 28 March 2014 and as an Independent Member of the Board of Directors on 31 March 2015 and on 31 March 2017. In addition, he continues his duties as the member of the Audit Committee, T.R.N.C. Internal Systems Committee and Remuneration Committee since 31 March 2014.

5- Feray Demir

Member of the Board

Feray Demir was born in Ağrı in 1968 and graduated from Business Administration Department of the Faculty of Economics and Administrative Sciences of Anadolu University. She started her professional career as an Officer at Türkiye İş Bankası A.Ş. Sefaköy / İstanbul Branch in 1988. She was promoted as an Assistant Section Head in 1990, as a Section Head in 1995, as a Sub-Manager in 1996 and as an Assistant Manager in 1999 at the same branch. She then served at the same position in Commercial Loans Department and Corporate Marketing Department. She was appointed as a Branch Manager to Çarşı-Güneşli/İstanbul Branch in 2005 and then served as Head of Commercial Banking Sales Department between 2007-2011. She served as Branch Manager of İstanbul Corporate Branch between 2011-2016.

Ms. Demir was elected to İşbank's Board of Directors on 25 March 2016 and 31 March 2017. She also serves as member of the Corporate Social Responsibility Committee since 28 March 2016 and as member of the Credit Committee since 4 April 2017.

In addition to her duties at the Bank, Ms. Demir also serves as member of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund.



4



5



6



10



11

6- Ertuğrul Bozgedik Member of the Board

Ertuğrul Bozgedik was born in Kayseri in 1964 and graduated from Ankara University, Faculty of Political Science, Department of Economics.

He began his career as an Assistant Inspector on the Board of Inspectors at İşbank in 1986. He was appointed as an Assistant Manager in II. Loans Department in 1995, Regional Manager in I. Loans Department in 1999, Regional Manager in Non Performing Loans Department in 2002 and Head of Corporate Loans Department in 2004. He was promoted to the post of Chairman of the Board of Inspectors in 2008, and to the post of Deputy Chief Executive in 2011.

Mr. Bozgedik was elected to İşbank's Board of Directors on 31 March 2017. He was also elected as a member to the Credit Committee on 4 April 2017.

7- Ersin Önder Çiftcioglu Member of the Board

Ersin Önder Çiftcioglu was born in Ankara in 1960 and graduated from Hacettepe University, Faculty of Social and Administrative Sciences, Department of English Linguistics. He began his career at İşbank as an Officer in Yenisehir/Ankara Branch in 1985, and was appointed as an Assistant Section Head, Section Head, Sub-Manager and Assistant Manager in the same branch.

In 2007, he was appointed as Assistant Manager at the Başkent Corporate/Ankara Branch, and Regional Manager of SME Loans Underwriting Division of Adana Region in the same year, and subsequently served as Ankara Center I. Region Manager. He was appointed as Ege Corporate/Izmir Branch Manager in 2011 and Başkent Corporate/Ankara Branch in 2016.

Mr. Çiftcioglu was elected to İşbank's Board of Directors on 31 March 2017. He was also elected as a member to the Corporate Governance Committee on 4 April 2017.

8- Murat Karayalçın Member of the Board

Murat Karayalçın was born in Samsun in 1943 and graduated from Middle East Technical University English Preparatory School and Ankara University, Faculty of Political Science, Department of Economics-Finance, and he received his master's degree in Development Economics from University of East Anglia in the United Kingdom.

Mr. Karayalçın served as a Specialist at State Planning Organization between 1969-1978, Deputy Undersecretary at the Ministry of Rural Affairs between 1978-1979, General President at Kent Koop. between

1981-1991 and Central Association of Türkiye Kent Kooperatifleri between 1988-1993, and Board member at International Settlement Council between 1986-1987 and Executive Board Member at International Co-operative Alliance between 1988-1995.

Mr. Karayalçın served as Mayor of Ankara Metropolitan Municipality between 1989-1993, Chairman of Social Democratic People's Party between 1993-1995, Deputy Prime Minister and Minister of State between 1993-1994 and Deputy Prime Minister and Minister of Foreign Affairs between 1994-1995.

Mr. Karayalçın was elected as a member of parliament from Samsun for CHP (Republican People's Party) in 1995 and served as the Chairman of Turkish Grand National Assembly Committee of Foreign Affairs between 1997-1999. He served as Istanbul Provincial Head of CHP between 2014-2015, as a member of the Party Council between 1999-2001 and 2012-2014, and served as the Chairman of Council at the 35th Ordinary Meeting held in January 2016.

Mr. Karayalçın received United Nation World Habitat Year Award in 1986 in England, at the same year he was chosen as the businessman of the year by Nokta Magazine. He received TÜTAV award due to his contributions to international publicity of Turkey in 1987 and 1991. Furthermore, he received Légion d'honneur in 1993 from French government.

Mr. Karayalçın also continues his academic career as a faculty member at Girne American University and T.C. İstanbul Kültür University.

Mr. Karayalçın was elected to İşbank's Board of Directors on 31 March 2017.

9- Özcal Korkmaz Member of the Board

Özcal Korkmaz was born in Aydin in 1945 and graduated from İstanbul University, Department of Economics. He began his career at National Productivity Center in 1970, served as Assistant Account Expert at the Ministry of Finance between 1972-1975, as Account Expert between 1975-1980 and as Senior Account Expert between 1980-1985. Afterwards, he served as Deputy Assistant Treasurer of Ankara between 1985-1987 and as Treasurer of Ankara between 1987-1989. Between 1989-1994, Mr. Korkmaz served as General Manager and Chairman of the Board of Directors of T.C. Government Retirement Fund and retired in 1994. He served as the Chairman of the Board of Directors of Bağımsız Denetim ve Danışmanlık A.Ş. between 2009-2015. He serves as the Chairman of Korkmaz Yemini Mali Müşavirlik A.Ş. from 2016 and continues his work as a Certified Public Accountant since 1994.

Mr. Korkmaz was elected to İşbank's Board of Directors on 31 March 2017, he was also elected as a member to the Corporate Governance Committee on 4 April 2017.

10- Müslüm Sarı Member of the Board

Müsüm Sarı was born in İstanbul in 1974 and graduated from Ankara University, Faculty of Political Science, Department of International Relations and continues his master's degree program at Ankara University, Faculty of Political Science, Public Administration and Political Science Department.

Mr. Sarı served as an Officer at Central Bank of the Republic of Turkey Directorate General for Foreign Relations between 1999-2002 and as an Assistant Specialist between 2002-2005. Mr. Sarı continued his career at the Risk Center of Central Bank of the Republic of Turkey as a Specialist between 2005-2011. Mr. Sarı was elected as a member of parliament from İstanbul for CHP (Republican People's Party) in 2011 and served at the Turkish Grand National Assembly Planning and Budgeting Commission until 2015.

Mr. Sarı was elected to İşbank's Board of Directors on 31 March 2017. He was also elected as a member to the Corporate Social Responsibility Committee on 4 April 2017.

11- Rahmi Aşkin Türeli Member of the Board

Rahmi Aşkin Türeli was born in Merzifon in 1963 and graduated from Ankara University, Faculty of Political Science, Department of Finance and received his master's degree in Economics from University of Southern California.

Mr. Türeli served as Intern National Estate Controller at the Ministry of Finance between 1990-1993 and as Assistant Planning Specialist and Planning Specialist at the Prime Ministry State Planning Organization between 1993-2011. Mr. Türeli also worked as a part time instructor on economics at the Middle East Technical University between 2002-2010. Mr. Türeli was elected as a member of parliament from Izmir for CHP (Republican People's Party) in 2011 and served at the Turkish Grand National Assembly Planning and Budgeting Commission as a member and as CHP group speaker until 2015. Mr. Türeli has academic work on the macroeconomic balances of the Turkish economy, economic crises, industrialization, unemployment and poverty.

Mr. Türeli was elected to İşbank's Board of Directors on 31 March 2017. He was also elected as a member to the Corporate Social Responsibility Committee on 4 April 2017.

Executive Committee



1



2



3



8



9



10

1- Adnan Bali

Member of the Board and Chief Executive Officer

Adnan Bali was born in İslahiye in 1962 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. He joined İşbank as Assistant Inspector on the Board of Inspectors in 1986. He became Assistant Manager in the Treasury Department in 1994 and served as a Unit Manager in the same department in 1997. He was appointed Head of the Treasury Department in 1998. Mr. Bali served as the Manager of the Şişli Branch in 2002 and the Manager of Galata Branch in 2004; he was appointed Deputy Chief Executive on 30 May 2006. Mr. Adnan Bali was appointed as the 16th Chief Executive Officer of İşbank on 1 April 2011. He has also been serving as the Chairman of the Credit Committee and member of the Risk Committee.

Mr. Bali is the Chairman of the Board of Directors of Türkiye Şişe ve Cam Fabrikaları A.Ş. He is also member of the Board of Directors of The Banks Association of Turkey, Vehbi Koç Foundation and Global Relations Forum, member of the Turkish Industry and Business Association (TUSIAD), the Institute of International Finance (IIF) and Institut International D'Etudes Bancaires (IIEB). Mr. Bali is also member of the High Advisory Board of Darüşşafaka Society.

2- Hakan Aran

Deputy Chief Executive

Hakan Aran was born in Antalya in 1968 and graduated from the Computer Engineering Department of the Middle East Technical University and completed his master's degree in management at Başkent University, the Faculty of Social Sciences. He began his professional career at İşbank as Software Specialist in the IT Department in 1990 and has served in different positions in the IT & Software Development Department since then. He was appointed Deputy Chief Executive on 17 July 2008.

3- Yalçın Sezen

Deputy Chief Executive

Yalçın Sezen was born in İzmir in 1965 and graduated from the Political Sciences and Public Administration Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences. He joined İşbank in 1987 as Assistant Inspector on the Board of Inspectors. After serving in various units of İşbank, he was appointed Deputy Chief Executive on 13 April 2011.

4- Senar Akkuş

Deputy Chief Executive

Senar Akkuş was born in Diyarbakır in 1969 and graduated from the Economics Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences in 1991. She joined İşbank as Assistant Specialist in the Treasury Department in 1991. After serving in other various units at İşbank, she was appointed Deputy Chief Executive on 13 April 2011.

5- Yılmaz Ertürk

Deputy Chief Executive

Yılmaz Ertürk was born in İstanbul in 1964 and graduated from the Faculty of Economics at İstanbul University and received his master's degree from the same university, Institute of Social Sciences. He joined İşbank as Assistant Specialist in the Economic Research Division. After serving in various units at İşbank and the Kozyatağı Corporate Branch; he was appointed Deputy Chief Executive on 30 January 2013.

6- Murat Bilgiç

Deputy Chief Executive

Murat Bilgiç was born in Ankara in 1968 and graduated from the International Relations Department of the Middle East Technical University, Faculty of Economic and Administrative Sciences. He holds a master's degree in Money-Banking-Finance from the University of Birmingham. He attended the Advanced Management Program in Harvard Business School. He joined İşbank in 1990 as Assistant Inspector on the Board of Inspectors and served in various units at the Bank. He was appointed Deputy Chief Executive on 25 March 2016.

7- N. Burak Seyrek

Deputy Chief Executive

N. Burak Seyrek was born in Ankara in 1970 and graduated from the International Relations Department of Ankara University, Faculty of Political Science. He joined İşbank in 1990 as Assistant Specialist at Staff Training Department. He served in various units at the Bank. In addition, he served as Chief Executive Officer at İşbank AG which is a subsidiary of our Bank located in Germany. He was appointed Deputy Chief Executive on 25 March 2016.



4



5



6



7



11



12



13

8- Mehmet Şencan**Deputy Chief Executive**

Mehmet Şencan was born in Adapazarı in 1964 and graduated from Management Engineering Department of İstanbul Technical University. He began his professional career at İşbank as an Officer at Galata Branch in 1988 and joined the Board of Inspectors as an Assistant Inspector in 1989. Mr. Şencan has served in various units at İşbank and he was appointed Deputy Chief Executive on 27 April 2017.

9- Ömer Karakuş**Deputy Chief Executive**

Ömer Karakuş was born in Gümüşhane in 1965 and graduated from Public Administration Department of Gazi University, Faculty of Administrative Sciences. He joined İşbank as an Assistant Inspector on the Board of Inspectors in 1989 and has served in various units at İşbank and Yenişehir/Ankara Branch. He was elected as the Chairman of the Board of Inspectors in 2016. He was appointed Deputy Chief Executive on 27 April 2017.

10- Şahismail Şimşek**Deputy Chief Executive**

Şahismail Şimşek was born in Erzurum in 1968 and graduated from Ankara University, Faculty of Political Science, Department of Finance. He joined İşbank as an Officer at Yenişehir/Ankara Branch in 1992, and has served in various units and branches at İşbank. He was appointed Deputy Chief Executive on 28 November 2017.

11- Ebru Özsuca**Deputy Chief Executive**

Ebru Özsuca was born in Ankara in 1971 and graduated from the Economics Department of the Middle East Technical University, Faculty of Economic and Administrative Sciences. She also holds a master's degree in International Banking and Finance from the University of Southampton in the UK. She attended Advanced Management Program in Harvard Business School in 2015. She joined İşbank as an Assistant Specialist at the Treasury Department in 1993 and has served in various units at İşbank. She was appointed Deputy Chief Executive on 28 November 2017.

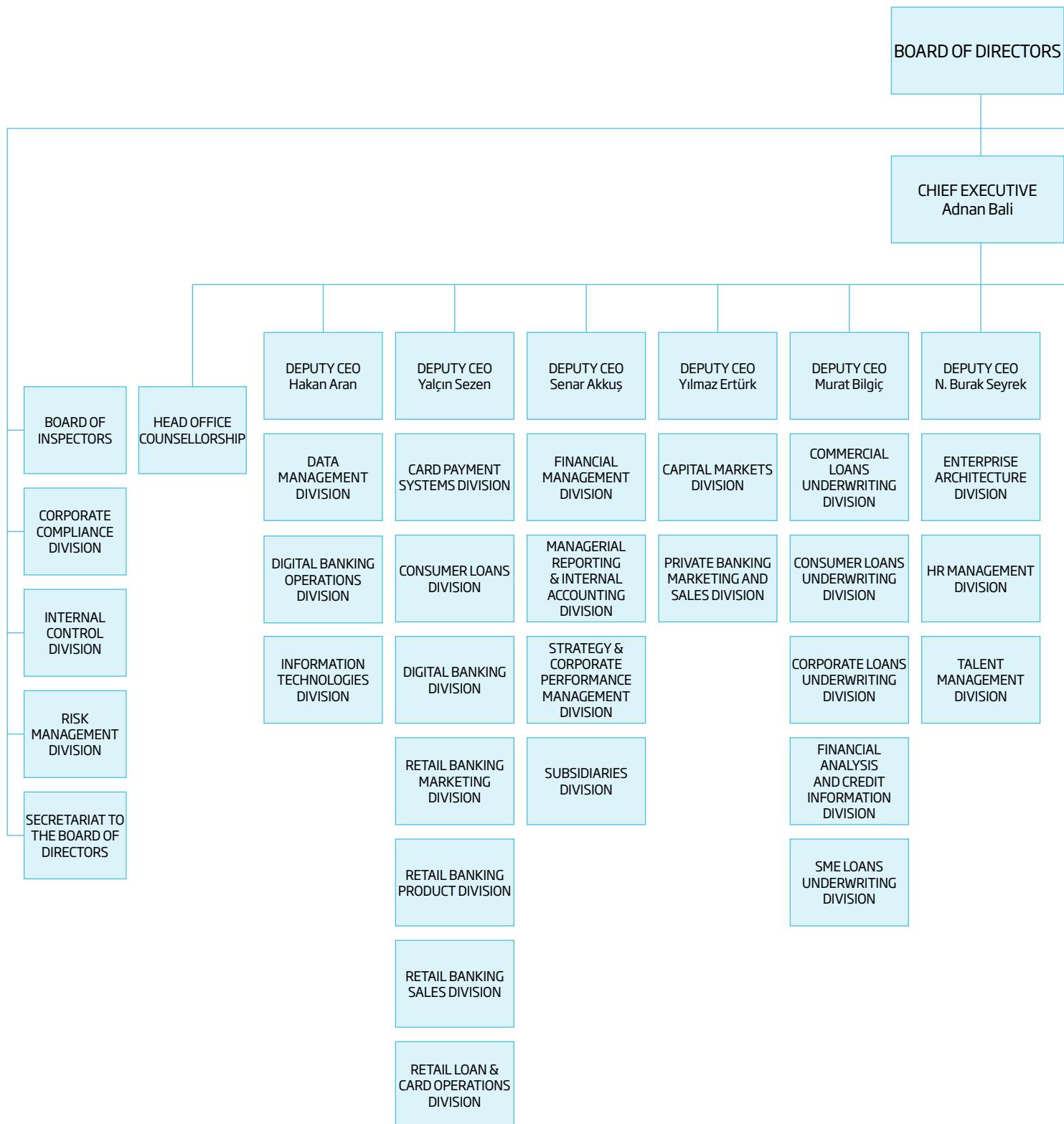
12- Gamze Yalçın**Deputy Chief Executive**

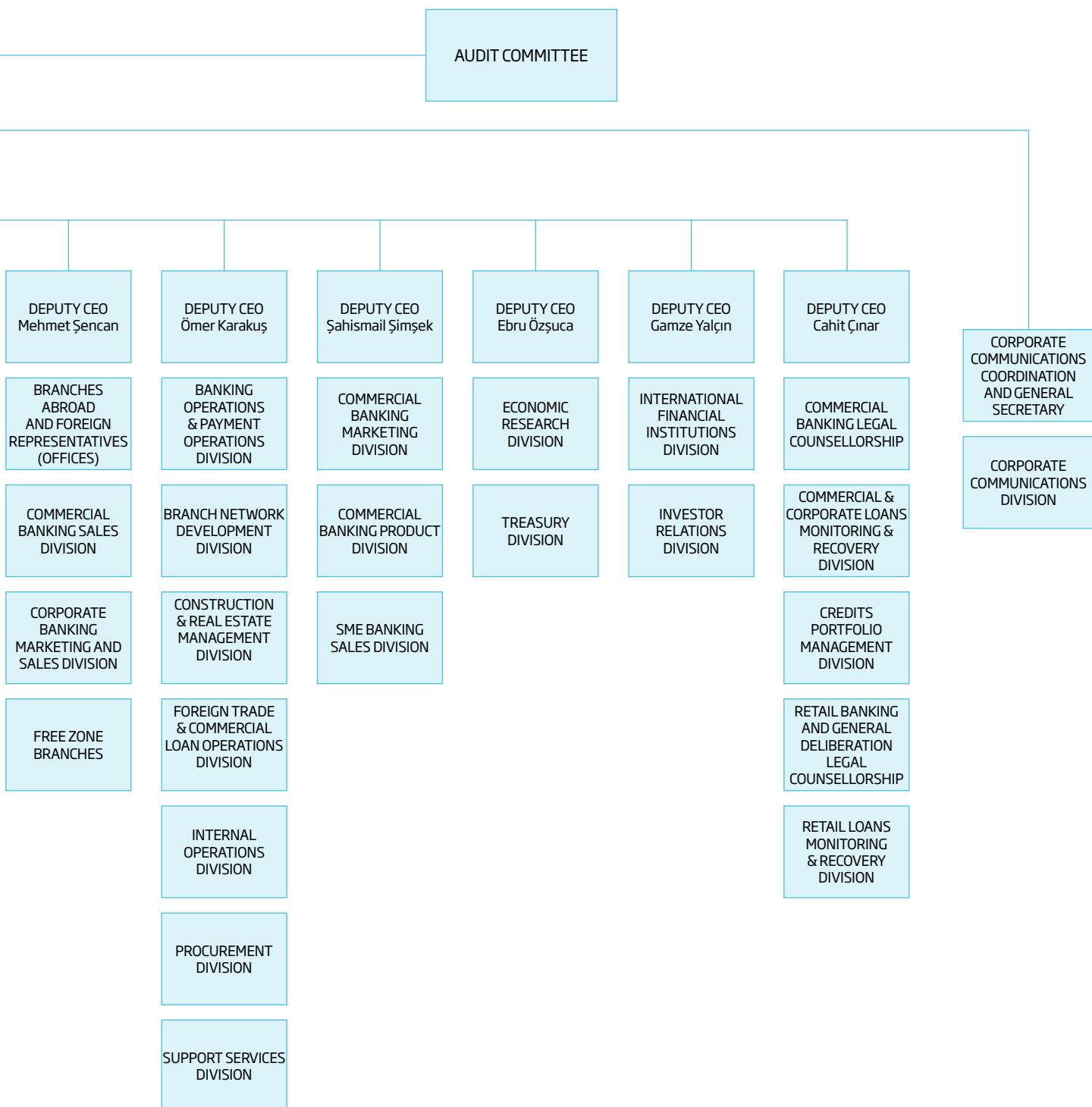
Gamze Yalçın was born in Ankara in 1971 and graduated from the Economics Department of the Middle East Technical University, Faculty of Economic and Administrative Sciences. She also holds a master's degree in International Banking and Finance from the University of Birmingham in the UK. She attended Advanced Management Program in Harvard Business School in 2017. She joined İşbank as an Assistant Specialist in 1993 and has served in various units at İşbank. She was appointed Deputy Chief Executive on 28 November 2017.

13- Cahit Çınar**Deputy Chief Executive**

Cahit Çınar was born in Ankara in 1967 and graduated from International Relations Department of Ankara University, Faculty of Political Science. He attended Munich Ludwig-Maximilians University between 1989-1990. He began his professional career at İşbank as an Assistant Specialist at Economic Research Division in 1991 and joined the Board of Inspectors as an Assistant Inspector in 1992. He served at various units of İşbank and Güneşli Corporate Branch. In addition, he served as Chief Executive Officer at İşbank AG which is a subsidiary of our Bank located in Germany. He was appointed Deputy Chief Executive on 5 October 2018.

Organization Chart





Changes in the Organizational Structure

During the reporting period, in order to increase the effectiveness and efficiency of procurement activity; and provide that the said function is executed as a whole by a single division the Procurement Department was established.

Managers of Internal Systems

Names and surnames, terms of office, areas of responsibility, academic backgrounds and professional experiences of managers of Internal Systems, which consists of Board of Inspectors, Risk Management Division, Corporate Compliance Division and Internal Control Division, are presented below.

Chairman of the Board of Inspectors: Muzaffer Okay

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
1 year 8 months	27 years	Board of Inspectors, Nonperforming Loans Division, Commercial and Corporate Loans Monitoring & Recovery Division, Corporate Compliance Division	B.A. Degree from a Domestic University

Head of Risk Management: Hürdoğan Irmak

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
1 year 18 days	18 years	Corporate Loans Underwriting Division, Board of Inspectors, Risk Management Division	B.S. Degree from a Domestic University

Head of Corporate Compliance Division (Compliance Officer): Ertuğrul Senem

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
1 year 8 months	28 years	Board of Inspectors, Deposits and Banking Services Division, Accounting Division, Budgeting and Planning Division, Change Management Board, Rıhtım-Kadıköy Branch, Enterprise Architecture Division	B.A. Degree from a Domestic University

Head of Internal Control: Hamit Umut Togay

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
4 year 10 months	21 years	Board of Inspectors, Retail Banking Product Division, Galata Branch	B.A. Degree from a Domestic University

Information about the Meetings of the Board of Directors

In İşbank, the Board meetings are generally held at least once a month, yet interim meetings might be held in case of need. Meeting agendas are prepared in accordance with the proposals of Head Office departments. Moreover, various reports requested by the Board of Directors from the Bank management and off the agenda topics put forward by the Board members are discussed during the meetings. Meeting agenda and related documents are distributed to the Board members in a particular time before the meetings.

By the end of 2018, 15 Board meetings were held and 13 of them were held by full participation. 743 pages of minutes were recorded for the said meetings, which lasted 65 hours in total. As of 2018 year-end a total of 228 files were reviewed, which split as 186 files for loan underwriting and 42 files on other issues regarding loans; based on the work carried out by convening meetings or by individual review and signing of the file by each Board Member, which resulted in 152 loan decisions. A total of 252 files were reviewed on non-credit matters and 252 resolutions were taken. Consequently, 594 Board resolutions were made in 2018, including 190 those that were passed during the meetings.

İşbank Committees

Assessments on İşbank Committees

İşbank committees presented their decisions and reports to Board of Directors in 2018, and the necessary decisions have been taken as a result of the assessment of Board of Directors.

The Audit Committee

The Audit Committee which was constituted by the resolution of the Board of Directors dated 04.04.2017 and Nr. 41729 is chaired by Ms. Füsun Tümsavaş, Vice Chairman of the Board of Directors. The other members of the Committee are Mr. Ersin Özince, Chairman of Board of Directors and Prof. Dr. Turkay Berksoy, Independent Member of Board of Directors.

Pursuant to its working principles, Audit Committee is responsible for holding meetings at least twice a year provided that six- month periods are not exceeded, and it is obligated to inform the Board of Directors about the results of the activities it carried out and measures to be taken based on these results and about necessary practices to be implemented. Moreover the Audit Committee is obligated to provide its recommendations regarding other issues that are deemed significant for the Bank in order to carry out its activities safely. Audit Committee works in collaboration with the Remuneration Committee and the Risk Committee.

The Audit Committee is in charge of:

- ensuring that the internal systems of the Bank function efficiently and sufficiently, that these systems and the accounting and reporting systems operate within the framework of the related regulations and the Bank's policies and that the information produced has integrity,
- making preliminary assessment necessary to select independent audit firms, rating, valuation and support service institutions; regularly monitoring the activities of these institutions selected by the Board of Directors; evaluating them periodically within the context of the provisions of the legislation; providing information to the Board of Directors,
- reviewing the assessments of the independent audit firms, evaluating independent audit results, and making discussions with the independent auditors,
- informing the Board of Directors about findings of the independent auditors and internal systems departments, and about measures taken by the top management and by the units reporting to the top management,
- ensuring that the internal audit functions of subsidiaries that are subject to consolidation are coordinated in line with the related regulations,
- receiving information and reports about internal systems and functioning of departments within the scope of internal systems, their operations including consolidated risks, and about related policies and regulations,
- ensuring that the financial reports of the Bank are issued in conformity with relevant legislations, regulations and standards,
- making assessments in order to ensure whether or not required procedures and principles have been implemented for detecting, measuring, monitoring and controlling potential and existing risks incurred by the Bank; ensuring that risk framework and risk culture, in line with the Bank's structure and operations, are established within the Bank,
- ensuring that internal capital adequacy evaluation process (ICAAP) includes all risks in a consolidated manner, auditing and control processes are established to provide required assurance about its adequacy and accuracy,
- evaluating professional education levels and competency of managers and personnel assuming duties in departments within the scope of internal systems; making suggestions to the Board of Directors for the selection of managers, as well as presenting opinion to the Board of Directors during their dismissal,
- establishing communication channels to make sure that information will be provided directly to the Audit Committee or to the internal audit unit or to the Bank inspectors in case of Bank fraud.
- if required, gathering information, documents or reports from all Bank units, support service contractors and independent auditors and being subject to Board approval, receiving consultancy from those who are specialists in their respective fields,
- reporting to and informing the Board about the results of its own operations, the measures needed to be taken in order for the Bank's operations to be within the framework of the related legislation and Bank policies in a continuous and secure way and its evaluation, opinion and recommendation on any other issues that are deemed to be important,
- fulfilling other responsibilities determined by the related legislations and the duties given by the Board within this framework.

As of the end of 2018, Audit Committee held 38 meetings with full participation and adopted 60 resolutions.

İşbank Committees

Turkish Republic of Northern Cyprus (T.R.N.C.) Internal Systems Committee

As per the resolution of the Board of Directors, dated 15.06.2009, Nr. 35546, T.R.N.C. Internal Systems Committee is established within the framework of T.R.N.C. Banking Law and related regulations. The Committee has three members and as per the resolution of the Board of Directors, dated 04.04.2017, Nr. 41730 the Committee is chaired by Ms. Füsün Tümsavaş, the Vice Chairman of the Board of Directors. The other members of the committee are Mr. H. Ersin Özince, the Chairman of the Board and Prof. Dr. Turkay Berksoy who is an independent member of the Board.

The Committee holds meetings at least twice a year provided that a six month period is not exceeded and informs the Board of Directors on the results of its own activities, its opinion on the measures needed to be taken and the necessary practices to be implemented by the branches, that operate under T.R.N.C. office, and other important issues in order for these branches to operate in a secure way.

T.R.N.C. Internal Systems Committee is responsible for ensuring the efficiency and sufficiency of the internal systems provided by the Bank in relation to the operation of the branches, that operate under T.R.N.C. office; ensuring the operation of the internal systems, accounting and reporting systems in line with the law and related regulations and ensuring the integrity of the produced information; carrying out the preliminary assessment of independent audit firms and other companies providing services directly related to other banking operations to be selected by the Board; and monitoring regularly and coordinating these companies that are selected and contracted by the Board.

As of 2018 year-end, T.R.N.C. Internal Systems Committee held meetings 8 times with full participation of the members and took 10 resolutions.

Credit Committee

İşbank's Credit Committee makes resolutions on credit allocation within its authorization limit, makes decisions on demands to change the credit allocation conditions within its authorization limit and carries out other assignments regarding credits given by the Board.

Credit Committee consists of three members; one of them is the Chief Executive Officer or Deputy Chief Executive, who is also the chairman of the Committee and two members from the Board of Directors. Two alternate Committee Members are also designated who will stand if need arises.

As the loan proposal files are presented, the Committee makes decision on the credit allocation with consensus, after each Committee Member examines and signs the files. Resolutions of the Credit Committee which have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board of Directors.

By the end of 2018, by the evaluation of 49 files under the authority of the Credit Committee, 41 resolutions were adopted with full participation of the members.

As per the resolution of the Board of Directors, dated 30.03.2018, Nr. 42392, Chief Executive Officer, Mr. Adnan Bali is the Chairman of the Committee and regular member, member of the Board of Directors Ms. Feray Demir and a member of the Board Mr. Ertuğrul Bozgedik are the Credit Committee members. Mr. H. Ersin Özince, Chairman of the Board of Directors and Ms. Füsün Tümsavaş, Vice Chairman of the Board of Directors are alternate members of the Credit Committee.

Committee Members	Duty	Primary Duty
Adnan Bali	Chairman of the Committee	Member of the Board and Chief Executive Officer
Feray Demir	Member	Board Member
Ertuğrul Bozgedik	Member	Board Member

Alternate Members: H. Ersin Özince- Füsün Tümsavaş

Credit Revision Committee

Being one of the committees of the Board of Directors, the Credit Revision Committee is constituted every year as per the article of Revision of Limits within the context of Credit Risk Policy put in effect as per the resolution of Board of Directors, dated 31.07.2012, Nr. 38485. The Committee holds meetings at least once a year within the framework of the principle of reviewing the loan portfolio, evaluating the relations with credit customers at the end of the year and revising, when necessary, the credit limits allocated to the said persons and corporations for the following year.

Credit Revision Committee, composed of Ms. Füsün Tümsavaş, the Vice Chairman of the Board of Directors, and Ms. Feray Demir, Mr. Ertuğrul Bozgedik and Mr. Ersin Önder Çiftçioğlu who are members of the Board of Directors as per the Board of Directors' resolution dated 09.11.2017, Nr. 42104 for the year 2018; has completed its analyses and evaluations regarding certain firms and groups under the authorization of Board of Directors and Credit Committee on 02.05.2018.

For the year 2019, the Credit Revision Committee is reconstituted with its members being Füsün Tümsavaş, Vice Chairman of the Board of Directors, as well as Feray Demir, Ertuğrul Bozgedik and Ersin Önder Çiftçioğlu, Board of Directors members; as per the Board of Directors' resolution dated 20.11.2018, Nr. 42738.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was established as per the Regulation on Social Responsibility Practice, which was adopted with the resolution of the Board and its members are Board Members Ms. Feray Demir, Mr. Müslüm Sarı, Mr. Rahmi Aşkın Türel, Vice Chief Executives Mr. Yalçın Sezen, Ms. Senar Akkuş, Corporate Communications Coordinator and General Secretary Mr. Suat E. Sözen and Head of the Corporate Communications Division Mr. Bülent Yumuşaker. The committee assessed the project suggestions and demands, as well as terms of cooperation and developments about ongoing activities and accounted for the results.

In 2018, Corporate Social Responsibility Committee held 7 meetings with majority participation and adopted a total of 21 resolutions.

Corporate Governance Committee

As per the resolution of the Board of Directors dated 27.02.2013, Nr. 38923, the Corporate Governance Committee was established in order to monitor the Bank's compliance with the corporate governance principles, perform studies for improvement in corporate governance practices and make suggestions to the Board and fulfill the projected tasks of Corporate Governance Committee and Nomination Committee to be in accordance with the related legislation. The Corporate Governance Committee is the highest authority in matters regarding sustainability management. The Corporate Governance Committee is composed of one chairman and three members. With the decision n.41732, dated 04.04.2017; Board of Directors' Vice Chairman Ms. Füsün Tümsavaş was elected as the Chairman of the Committee, Board Members Mr. Ersin Önder Çiftçioğlu, Mr. Özcal Korkmaz and the Investor Relations Department Manager Mr. Süleyman H. Özcan were elected as Committee Members.

As of 2018 year-end, the Corporate Governance Committee convened 6 times with full participation of the members and took 5 decisions.

Risk Committee

Risk Committee is responsible for formulating the risk management strategies and policies İşbank will adhere to both on a consolidated and unconsolidated basis, presenting them to the İşbank Board of Directors for approval, and monitoring compliance with them. Committee is the common communication platform with Bank's executive divisions in terms of assessing the risk the Bank is exposed, making suggestions about the precautions to be taken and methods to be followed. The Committee's principal duties are the following:

- Prepare the risk strategies and policies, and present to the Board for approval.
- Monitoring the effective usage of outcomes of the internal capital adequacy assessment process in the planning and decision making processes of the Bank.
- Adjudicate by negotiating the issues addressed by Risk Management Division.
- Recommend to the Board the level of risk limits for exposures/possible exposures, monitor the breach of limits and recommend to the Board regarding elimination of those breaches.
- Recommend to the Board changes in risk policies if diverse circumstances require.
- Monitor risk identification, definition, measurement, assessment, and management processes carried out by Risk Management Division.
- Monitor accuracy and reliability concerning the risk measurement methodologies and their results.

İşbank Committees

Committee Members:

- Füsün Tümsavaş: Vice Chairman of Board of Directors and Head of Risk Committee
- Adnan Bali: CEO, Head of Credit Committee
- Senar Akkuş: Deputy Chief Executive
- Murat Bilgiç: Deputy Chief Executive
- Ebru Özsuca: Deputy Chief Executive, Head of Asset & Liability Management Committee
- Ertuğrul Senem: Head of Corporate Compliance Division
- Hürdoğan Irmak: Head of Risk Management Division

Risk Committee contributes to the configuration of Group risk policies also through consolidated group meetings. In the activities that the Risk Committee carries out on a consolidated basis,

- Hansu Uçar, Head of Equity Participations Division

also attend the meetings.

In the Risk Committee meetings that were held 12 times with majority participation in 2018, risk management practices of İşbank and its subsidiaries under Consolidated Risk Policies were evaluated, risk reports presented to the Committee were analyzed and 15 decisions regarding the risk management systems and processes were taken.

Remuneration Committee

As per the resolution of the Board of Directors, dated 29.12.2011, Nr. 38038, Remuneration Committee has been established for the purpose of executing functions and activities related to monitoring and controlling remuneration policies of the Bank on behalf of Board of Directors. The Committee has two members; Mr. H. Ersin Özince, the Chairman of the Board, was elected as the Chairman of the Committee and Prof. Dr. Turkyay Berksoy, Independent Member of the Board of Directors was elected as the member of the Committee dated as per the resolution of the Board dated 04.04.2017 and Nr. 41733.

Provided that it doesn't exceed six-month periods, the Remuneration Committee convenes at least twice a year and submits to the Board of Directors the results of the activities that it carries out and its opinions regarding other issues that it deems important.

Within the framework of compliance to Corporate Governance Principles, Remuneration Committee is responsible for monitoring and controlling policies related to remuneration management on behalf of Board of Directors within the context of compliance to Corporate Governance Principles; providing that remuneration policies are in compliance with the Bank's ethical values, internal balances and strategic goals. The Committee is also responsible for evaluating remuneration policy and practices within the framework of risk management; submitting the proposals regarding the necessities determined after the evaluations to Board of Directors, as well as fulfilling other responsibilities in accordance with relevant legislations and tasks assigned by the Board of Directors within this framework.

In 2018, Remuneration Committee held 3 meetings with full participation of the members and adopted 5 resolutions.

Human Resources Practices at İşbank

In line with İşbank's healthy growth strategy, individuals possessing the competencies and qualifications required by the relevant positions were employed using the appropriate assessment tools and methods also in 2018. As at year-end 2018, 466 new employees have been hired in Turkey and 11 abroad in various title groups. Employing 24,267 people domestically and 303 people abroad at year-end 2018, the total number of employees has reached 24,570.

The Bank kept implementing an onboarding program named "iş'e Merhaba" (Hello to İş) that ensures a faster adjustment process for newly employed, endeavors aiming for updates that would increase process efficacy were initiated. Hiring examination processes were moved to online platforms. MasterClass Internship Programme was launched, with the intention to better inform our potential co-workers about İşbank and 84 students who were successful in evaluation process were employed as interns for 20 work days in from June to September in Information Technologies and various Headquarters departments. Additionally, in cooperation with Yenibiriler Association, İş'te YBL Development Programme was initiated. Within the scope of the programme, 10 university students were assisted in their personal and professional development. In order to enhance İşbank's position as the "Employer of Choice" among candidates, various career events and workshops were hosted and near 9,000 university students were reached.

In 2018 the Human Resources processes were planned in the framework of effectiveness, efficiency, technological development, legal requirements and employee oriented position of İşbank; within the scope of which, digitalization in Human Resources were continued via systematization of manual processes and development of existing systems. With various processes being moved to mobile platforms, many banking operations were rendered available 24/7 and, efficiency and speed increased via robotic process automation.

In addition to the Bank fulfilling its obligations arising out of Occupational Health and Safety Law no. 6331 and the related legislation, various activities were carried out intended to increase the prevalence of an occupational health and safety culture among the employees, as well as to ensure regulatory compliance.

At İşbank, employee compensation and benefits are determined with a Collective Agreement within the frame of applicable legislation and in accordance with the Remuneration Policy. Related information is presented in the relevant sections of the Annual Report.

The conformity of salary levels paid by the Bank to the ones in the sector is reviewed by participating in independent and anonymous salary surveys administered twice a year.

There were 27 identified staff working at İşbank by year-end 2018.

In 2018, for the first time a special training catalogue was prepared exclusively for Branch Managers who lead the transformation in the Bank, to increase their knowledge in banking, to support them in managing the changing customer experience process more effectively in the digitalized world and to reinforce their leadership skills. The Branch Managers' Training Catalogue, to be served every year, includes management trainings focusing on digitalization, relationship management and team management themes, as well as different technical banking issues focusing on credit risk perception and sales competencies. In order to sustain İşbank's leadership position while maintaining its competitive advantage and to realize the vision of being the "best digital bank", Regional Managers, Branch Managers and different Head Office functions have been targeted by another management development programme implemented in 2018. Modular structure and different development approaches are blended in the programme, where themes such as Digital Transformation of Business World and Change Management, Changing Customer Experience in the Digitalized World, Future Trends and Technologies, Innovation and Intrapreneurship, Data Analytics, Data-Based Economy Law besides Leadership Skills are available. The program is expected to continue with new participants in the following years.

Within the framework of the new business operating model implemented under the Digital Transformation Program, İşbank launched new generation learning applications enriched with digital learning tools that support the knowledge and skills required by employees' roles. Employees have experienced over 150 thousand hours of learning experience with tools such as video, e-learning and games on a wide range of topics that support the digitalization process offered through "Öğrenme Dünyası (Learning World)" platform, easily accessible anytime. In addition, İşbank's second learning game "İşGame" has been launched with the aim to improve the product knowledge and sales skills of employees as well as their understanding of bank management dynamics.

Human Resources Practices at İşbank

2019 goals

The digitalization and optimization practices, some of which are completed, were carried out in recruitment processes in 2018 will be continued in 2019 and the prevalence of such practices will be increased, with the addition of new topics. Efficient use of decision support systems, evaluation of mobile solutions, diversification of activities for university students are planned, in order to reduce operational risks and costs, strengthen the interaction with the target group and increase candidate satisfaction.

Other targets include ongoing efforts for giving access to HR Information Systems applications used by employees and senior management also in mobile environments and for 24/7 access to data as well as the utilization of robots wherever appropriate within the scope of İşbank's strategic priorities and the requirements of business life.

In 2019, in addition to the periodic health examinations of the employees within the framework of Occupational Health and Safety (OHS) practices, the Bank will continue to fulfill its legal obligations by continuation of the new hires' starting and basic OHS trainings and renewal trainings. In addition, support programs on occupational health and safety issues will be established for all employees and emergency drills will be continued in all buildings of the Bank.

On the other hand, employees will be encouraged to pursue a physically and mentally healthy lifestyle by practices such as periodic follow-up examinations, preventative measures (prophylaxis) and early diagnosis, aiming to prevent illnesses, injuries, premature deaths and prevent health hazards that may manifest in future.

The great emphasis placed on practices designed to promote a physically, mentally and socially healthier life among employees will continue in 2019. In this regard, "Fit Life Project" and "Diyetkolik Application" had been launched in 2018. In 2019, activities promoting healthier eating, being more physically active and protecting mental balance that complement one another will be continued.

In 2019, İşbank's training strategy designed with a focus on digitalization will continue to support the Bank's Digital Transformation Programme. To improve and increase digital learning experience, various investments and practises will continue so that digital learning technologies and tools such as digital trainings, videos, gamification projects and learning enriched with virtual reality (VR) will be increasingly available for our employees.

İşbank will further support senior managers, mid-level managers and management candidates with structured Development Centres and programmes appropriate for each level. Additionally, the new Artificial Intelligence development programme, mainly in the field of machine learning, artificial learning and deep learning technology, will be complementary to the Data Analytics Programme, carried out to equip the employees with the right tools to process data, interpret and transform it into meaningful outputs and provide added value as well as to make İşbank an organization with a strong data literacy.

Information on the Transactions Carried out with İşbank's Risk Group

All İşbank Risk Group companies are provided with the same kind of financial assistance, by the same procedures and policies, as those provided for third parties. The approved credit lines and other lending procedures in favor of İşbank Group companies are analyzed and monitored to ensure compliance with legal requirements. In 2018, the loans extended to the group companies had all been significantly below the regulatory risk limits.

Activities for which Support Services are Received in Accordance with the Regulation on Procurement of Support Services for Banks

- Support services received from Accenture Danışmanlık Ltd. Şti. for credit management application;
- Support services received from Aktif İleti ve Kurye Hizmetleri A.Ş. for delivery of credit card products to customer addresses;
- Support services received from Aras Kurye Servisi A.Ş. for delivery of card products to our customers addresses;
- Support services received from Aras Kurye Servisi A.Ş. for sending Banking Services Agreement to the addresses of applicants apply for "Anında Müşteri" and sending the signed contract to the Bank;
- Services purchased from Arçelik A.Ş. for maintenance of and running the Bank's application on new generation cash registers;
- Secure e-payment infrastructure service received from Asseco See Teknoloji A.Ş. for electronic commerce;
- Support services received from Atos Bilişim Danışmanlık ve Müşteri Hizmetleri Sanayi ve Ticaret A.Ş. for sales-oriented external calls;
- The service purchased from ATP Ticari Bilgisayar Ağı ve Elektrik Güç Kaynakları Üretim ve Pazarlama Ticaret A.Ş regarding the transfer of right to use software and document;
- Support services received from Bilişim Bilgisayar Hizmetleri Ltd. Şti. for using of payment application on new generation cash register;
- The support services purchased from CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş. aimed at calling customers and reminding them the deferrals regarding retail loans and the credit cards payments;
- The support services purchased from Comdata Teknoloji ve Müşteri Hizmetleri A.Ş. (previous name Win Bilgi İletişim Hizmetleri A.Ş.) aimed at calling customers and reminding them the deferrals regarding retail loans and the credit cards payments;
- Support services received from D-Market Elektronik Hizmetler ve Tic. A.Ş. for marketing of consumer loans;
- Services purchased from Edata Elektronik San ve Tic A.Ş. for maintenance of and running the Bank's application on new generation cash registers;
- Support service received from E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş. for customization of İşbank's credit cards equipped by chip technology;
- Support service received from Erişim Müşteri Hizmetleri A.Ş. for meeting the demands of the customers using Telephone Branch;
- Support services received from Genpa Telekomünikasyon ve İletişim Hizmetleri San. ve Tic. A.Ş. for marketing of consumer loans;
- Support services received from Hangisi İnternet ve Bilgi Hizmetleri A.Ş. for marketing of consumer loans;
- Services purchased from Hobim Digital Elektronik Hizmetler A.Ş. for printing and/or enveloping bank statements of the credit cards and contracted merchants, and other documents like letters and notices;
- Services purchased from Hugin Yazılım Teknolojileri San. ve Tic A.Ş. for maintenance of and running the Bank's application on new generation cash registers;
- Support service received from IBM Global Services İş ve Teknoloji Hizmetleri ve Ticaret Ltd. Şti. for Emergency Center located in İzmir for back up of the system;
- Services purchased from Ingenico Ödeme Sistem Çözümleri for maintenance of and running the Bank's application on new generation cash registers;
- The service purchased from Innova Bilişim Çözümleri A.Ş regarding the use of virtual POS;
- Services purchased from Infina Yazılım A.Ş., for purchasing software, installation, and maintenance, and support services to be received throughout the term of the contract;
- Support service received from İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. for operation, management and maintenance of communication networks and for providing sources relating to operation and management of data processing application servers and server operating systems;
- Services purchased from Karbil Yazılım ve Bilişim Teknolojileri Tic. A.Ş. for maintenance of and running the Bank's application on new generation cash registers;
- Support services received from Konut Kredisi Com Tr Danışmanlık A.Ş. for marketing of consumer loans;
- Support services received from Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. for delivery of credit card products to customer addresses;
- Support services received from Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. for delivery of OGS devices to our customers addresses;
- Support service received from Loomis Güvenlik Hizmetleri A.Ş. for carrying of cheques, promissory notes, other commercial papers and documents between Group Centers and Banking Operations and Payment Operations Division;
- Support service received from Loomis Güvenlik Hizmetleri A.Ş. for carrying of foreign currency cash between Group Centers and İstanbul Cash Management Center;
- The service purchased from MARS Sinema Turizm ve Sportif Tesisler İsl. A.Ş. regarding the transfer of balance from POS devices to the prepaid cards;
- Support service received from Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş. for printing, enveloping and delivery of credit card abstracts to the General Directorate of Post and Telegraph Organization;
- The service received from Mikrosaray Mikrobilgisayar Paz. ve Tic. A.Ş. on directing customers to the Bank's branches for installing the Bank's application to new generation cash registers;
- Services purchased from MT Bilgi Teknoloji Dış Ticaret A.Ş. for maintenance of and running the Bank's application on new generation cash registers;
- Services purchased from Panorama Bilişim Teknolojileri San. ve Tic. A.Ş. for maintenance of and running the Bank's application on new generation cash registers;
- Services purchased from R2 Servis Elektrik, Elektronik ve Bilgisayar Teknolojileri San. ve Tic. A.Ş. for maintenance and running the Bank's application on new generation cash registers;
- Support services received from Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Tic. A.Ş. for information systems management, information systems infrastructure support, software development, project development, business analysis, systems analysis, project and product consulting, technical support issues;
- Support services received from 4 auto dealers for marketing of consumer loans;
- Support services received from 86 retail stores for marketing of retail loans.

Corporate Governance Principles Compliance Statement

İşbank is subject to the provisions stipulated for banks in the Banking legislation and Capital Markets legislation regarding Corporate Governance Principles. The Bank carries out its activities in accordance with the compulsory principles of the Communiqué on Corporate Governance (Communiqué) published by the Capital Markets Board.

Bank's practices regarding the non-compulsory provisions of the principles stipulated in the Communiqué and additional information within in the framework of Corporate Governance are given in the Corporate Governance Compliance Report and Corporate Governance Information Form, which are the parts of Annual Report. There are not any changes foreseen to be performed in the Bank's managerial practices within the framework of the principles stipulated in the Communiqué. Within the year, procedures were carried out to develop the structure of the Corporate Governance Principles that the Bank is subject to.

Corporate Governance Compliance Report

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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				In addition to the shareholders of İşbank, the persons mentioned in "İşbank Internal Directive on Working Principles and Procedures of General Assembly" may attend the General Assembly.
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	
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 twentieth of the outstanding shares, and expand the scope of the minority rights.			X			In our Bank, minority rights are exercised in line with the related legislation.
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	

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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				Information considered necessary for international investors is available on the Bank's website, in the Investor Relations section also in English.
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				İşbank employees participate in the management of the Bank via their beneficiary status in İşbank Members' Supplementary Pension Fund, which holds 40.47% of İşbank shares.
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					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
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				Performance related compensation is used in certain positions.

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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					
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				Our Bank's Board of Directors and Executives are insured with a coverage for a limit up to USD 75 million against the risk of loss they may cause due to their faults while performing their duties within the scope of a liability insurance policy that names our Bank and our participations as the insured.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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			No target ratio is set for the number of female members in the Board of Directors. As of the end of 2018, there are two female members in the Board. Based on the last three terms of İşbank Board of Directors, percentage of the female members in the Board was realized as 22%.
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				The duties that İşbank Board members have outside the Bank are provided in the Annual Report which is presented in the General Assembly.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Members of İşbank Board of Directors may take part in more than one committee within the context of the related legislation.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8 - Minutes of all committee meetings are kept and reported to board members.		X				The committees present information regarding their activities and meeting results to the Board of Directors, whenever needed.
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				Restrictions related with the loans to be extended by İşbank to the Board members and employees are defined in article 50 of the Banking Law. In this context, İşbank does not extend loans to its Board members and employees other than those allowed by the law.
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Total compensation of the Board members and managers with administrative responsibilities is disclosed.

Corporate Governance Information Form

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	In 2018, İşbank participated in a total of 17 conferences in Turkey and abroad. In these events, a total of 135 investor meetings were conducted. 5 investor events took place in the Bank's Headquarters, besides, 241 meetings and teleconferences were conducted.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/663948
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	General Assembly documents except the list of participants and the minutes of the meeting (invitation to the General Assembly, agenda, proxy statement, information document, dividend distribution proposal, Board member nominees) are presented in Turkish and English simultaneously.
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	-
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	-
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	-
The name of the section on the corporate website that demonstrates the donation policy of the company	The limit set for donations was approved in the General Assembly of 2013 and the minutes of said meeting can be found in İşbank website, Home Page > About Us > Investor Relations > Disclosures to BIST. The Bank's policy regarding donations does not take place in the Bank's website.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	None
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 47
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Shareholders and shareholder representatives as well as Board members, independent auditor representatives and İşbank employees (within the context of the legislation) participated in the General Assembly held in 2018.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	40.47%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
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	Home Page > About Us > Investor Relations > Corporate Governance
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.	Profit for the year 2017 was distributed.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

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
30.03.2018	0	87.63%	0.01%	87.62%	Home Page > About Us > Investor Relations > Disclosures to BIST	No question was received during the General Assembly held in 2018.	-	402	https://www.kap.org.tr/tr/Bildirim/672123

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.	Home Page > About Us > Investor Relations
-------------------------------------------------------------------------------------------------------------	-------------------------------------------

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.	Home > About Us > Investor Relations > Corporate Overview > Corporate Information > Ownership Structure
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------

List of languages for which the website is available

Turkish and English

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	Additional Information Provided Within the Context of the Related Legislation
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------

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	İşbank 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	Information about the Meetings of the Board of Directors
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------

c) 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	No legislation change that would significantly impact İşbank activities has occurred
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------

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	Unconsolidated Financial Statements as at and for the Year Ended 31 December 2018 with Independent Audit's Report Thereon - Information on Other Provisions
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------

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	None
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------

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%	İşbank has no cross ownership subsidiaries.
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------

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	Human Resources Practices at İşbank / Corporate Social Responsibility Activities
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------

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	Compensation principles for Bank employees are determined by the Collective Bargaining Agreement which is shared with the employees through İşbank's Corporate Intranet Portal.
------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

The number of definitive convictions the company was subject to in relation to breach of employee rights	None
----------------------------------------------------------------------------------------------------------	------

The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	İşbank has an online communication platform through which employees may submit their requests and complaints to the Senior Management directly. Only a limited number of managers have access to the said platform. Other stakeholders may deliver their suggestions or complaints to the Senior Management through İşbank Corporate Website.
------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

The contact detail of the company alert mechanism	Every person can use the contact form in İşbank website to deliver any demand or complaint to the Bank.
---------------------------------------------------	---------------------------------------------------------------------------------------------------------

Corporate Governance Information Form

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	No information on this matter is available on our website.
Corporate bodies where employees are actually represented	İşbank employees participate in the management of the Bank via their beneficiary status in İşbank Members' Supplementary Pension Fund, which holds 40.47% of İşbank shares.
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	Board of Directors create succession plans.
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.	Home Page > About Us > Sustainability > Our Policies
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
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.	Home Page > About Us > Sustainability > Our Policies
The number of definitive convictions the company is subject to in relation to health and safety measures	None
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Home Page > About Us > Investor Relations > Corporate Governance
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.	Home Page > About Us > Sustainability > Our Reports
Any measures combating any kind of corruption including embezzlement and bribery	Home Page > About Us > Sustainability > Our Policies
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	26-27.12.2018
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation of authority in İşbank
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	453
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	Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period
Name of the Chairman	H. Ersin Özince
Name of the CEO	Adnan Bali
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	Chairman and General Manager seats are held by different persons
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	Our Bank's Board of Directors and Executives are insured with a coverage for a limit up to USD 75 million against the risk of loss they may cause due to their faults while performing their duties within the scope of a liability insurance policy that names our Bank and our participations as the insured. This insurance policy was not made subject to a disclosure.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None
The number and ratio of female directors within the Board of Directors	2 / 18%

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 Independence 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 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
H. Ersin Özince	Non-executive	Independent director	31.03.2011		Not considered	No	Yes	
Füsun Tümsavaş	Non-executive	Independent director	28.03.2008		Not considered	No	Yes	
Adnan Bali	Executive	Not independent director	01.04.2011		-	-	Yes	
Turkay Berksoy	Non-executive	Independent director	28.03.2014	https://www.kap.org.tr/tr/Bildirim/512229	Considered	No	Yes	
Feray Demir	Non-executive	Not independent director	25.03.2016		-	-	Yes	
Ertuğrul Bozgedik	Non-executive	Not independent director	31.03.2017		-	-	Yes	
Ersin Önder Çiftçioğlu	Non-executive	Not independent director	31.03.2017		-	-	Yes	
Murat Karayalçın	Non-executive	Not independent director	31.03.2017		-	-	Yes	
Özcal Korkmaz	Non-executive	Not independent director	31.03.2017		-	-	Yes	
Müslüm Sarı	Non-executive	Not independent director	31.03.2017		-	-	Yes	
Rahmi Aşkın Türeli	Non-executive	Not independent director	31.03.2017		-	-	Yes	
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)	15							
Director average attendance rate at board meetings	98.18%							
Whether the board uses an electronic portal to support its work or not	No							
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3 work days							
The name of the section on the corporate website that demonstrates information about the board charter	Articles of Association							
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None							
4.5. Board Committees								
Page numbers or section names of the annual report where information about the board committees are presented	İşbank Committees							
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/262622							

Corporate Governance Information Form

Composition of Board Committees-I				
Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Corporate Governance Committee		Füsun Tümsavaş	Yes	Board member
Corporate Governance Committee		Ersin Önder Çiftçioğlu	No	Board member
Corporate Governance Committee		Özcal Korkmaz	No	Board member
Corporate Governance Committee		Süleyman H. Özcan	No	Not board member
Audit Committee		Füsun Tümsavaş	Yes	Board member
Audit Committee		H. Ersin Özince	No	Board member
Audit Committee		Turkay Berksoy	No	Board member
Remuneration Committee		H. Ersin Özince	Yes	Board member
Remuneration Committee		Turkay Berksoy	No	Board member
Other	Credit Committee	Adnan Bali	Yes	Board member
Other	Credit Committee	Feray Demir	No	Board member
Other	Credit Committee	Ertuğrul Bozgedik	No	Board member
Other	Credit Committee	H. Ersin Özince (Alternate Member)	No	Board member
Other	Credit Committee	Füsun Tümsavaş (Alternate Member)	No	Board member
Other	Turkish Republic of Northern Cyprus Internal Systems Committee	Füsun Tümsavaş	Yes	Board member
Other	Turkish Republic of Northern Cyprus Internal Systems Committee	H. Ersin Özince	No	Board member
Other	Turkish Republic of Northern Cyprus Internal Systems Committee	Turkay Berksoy	No	Board member
Other	Credit Revision Committee	Füsun Tümsavaş	No	Board member
Other	Credit Revision Committee	Feray Demir	No	Board member
Other	Credit Revision Committee	Ertuğrul Bozgedik	No	Board member
Other	Credit Revision Committee	Ersin Önder Çiftçioğlu	No	Board member
Other	Corporate Social Responsibility Committee	Feray Demir	No	Board member
Other	Corporate Social Responsibility Committee	Müslüm Sarı	No	Board member
Other	Corporate Social Responsibility Committee	Rahmi Aşkin Türeli	No	Board member
Other	Corporate Social Responsibility Committee	Yalçın Sezen	No	Not board member
Other	Corporate Social Responsibility Committee	Senar Akkuş	No	Not board member
Other	Corporate Social Responsibility Committee	Suat E. Sözen	No	Not board member
Other	Corporate Social Responsibility Committee	Bülent Yumuşaker	No	Not board member
Other	Risk Committee	Füsun Tümsavaş	Yes	Board member
Other	Risk Committee	Adnan Bali	No	Board member
Other	Risk Committee	Senar Akkuş	No	Not board member
Other	Risk Committee	Murat Bilgiç	No	Not board member
Other	Risk Committee	Ebru Özsuca	No	Not board member
Other	Risk Committee	Ertuğrul Senem	No	Not board member
Other	Risk Committee	Hürdoğan Irmak	No	Not 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)	Information about the activities of Audit Committee which was established within the context of the related legislation is presented in "İşbank Committees" section of the Annual Report.
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)	İşbank Committees
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)	At İşbank, functions of Nomination Committee are fulfilled by Corporate Governance Committee.
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)	Information about the activities of Risk Committee is presented in "İşbank Committees" section of the Annual Report.
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)	Information about the activities of Remuneration Committee which was established within the context of the related legislation is presented in "İşbank Committees" section of the Annual Report.

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)	CEO's Message
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Home Page > About Us > Investor Relations > Corporate Governance
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)	Additional Information Provided Within the Context of the Related Legislation

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	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
Corporate Governance Committee		75%	25%	6	-
Audit Committee		100%	100%	38	25
Remuneration Committee		100%	100%	3	-
Other	Credit Committee	80%	40%	-	-
Other	Turkish Republic of Northern Cyprus Internal Systems Committee	100%	100%	8	2
Other	Credit Revision Committee	100%	25%	1	1
Other	Corporate Social Responsibility Committee	43%	0%	7	8
Other	Risk Committee	14%	14%	12	13

Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period

Internal Audit

İşbank Board of Inspectors (the Board), operates under the Board of Directors. By adopting ethical principles stated by banking and internal audit regulations and taking IIA Internal Audit Standards into consideration, İşbank Board of Inspectors audits the activities of the Bank's Head Office divisions (including internal control, risk management and compliance divisions), banking and IS processes, domestic and foreign branches and subsidiaries; in accordance with the Bank's mission, strategies and policies, as well as relevant laws and regulations. The Board of Inspectors conducts inspections, ad-hoc audits and investigations.

İşbank Board of Inspectors, which is certified to be in conformance with the international quality standards, performs its duties by combining its long-established audit experience with advanced technology in a modern, risk-oriented way. Constituted by 175 auditors, the Board carries out on-site audits as well as remote audits with the help of its IT capabilities.

Audit reports are submitted to the Board of Directors, the Audit Committee, senior management and related Head Office divisions according to the reports' importance and priority. In the meantime, corrective measures taken by the relevant Head Office divisions are monitored by the Board of Inspectors. The Board of Directors monitors activities of the Board of Inspectors through periodic business reports presented via the Audit Committee.

During 2018, the Board undertook audits of 462 domestic branches, 1 overseas branch, 7 Head Office divisions and 4 subsidiaries. Moreover, IFRS9 process and models together with the Sales Process have been subject to auditing in 2018. Audits of 49 domestic branches, 2 Head Office divisions and 1 subsidiary which have begun in 2018, haven't been finalized. Banking processes and IT audits are conducted annually by the members of the Board of Inspectors in accordance with the "Regulation on Bank Information Systems and Banking Processes Audits to be Performed by External Audit Institutions" which is published by the Turkish Banking Regulation and Supervision Agency. In addition to the review of the unconsolidated financial reporting process, the consolidated financial reporting process is reviewed as well during the financial reporting process audit.

According to the results of the information systems and banking process audits conducted in 2018, there has been;

- no significant control deficiencies in the main banking processes preventing the Bank from performing effectively, reliably and continuously,
- no material finding about the integrity, availability, consistency and reliability of the data reported in consolidated and unconsolidated financial statements.

With the help of a risk-oriented audit plan, the Board audited a significant portion of İşbank's entire credit portfolio in 2018. Additionally, a Data Analytics team has been formed in 2018 to gather big data through IT tools and software known globally and accredited by the sector and to process, interpret and bring the gathered data into the service of the Board. As a result of the Board's improvement in its ability to gather and process big data, the Internal Fraud Detection Team took over the responsibility of auditing HR related risks with a comprehensive and centralized approach. In this sense; both the effectiveness and efficiency of the audits and the early detection of misuse is aimed through detection of fraudulent transactions throughout the bank and development of new alerts based on fraudulent transactions that have occurred in the past.

Internal Control

The main objective of the internal control system is to provide the maximum contribution to achieve İşbank's corporate targets set in accordance with the Bank's vision, mission and strategies and stakeholder expectations. To this end, the performance required to ensure that all components of the internal control system operate together in an integrated and effective manner, under the supervision of İşbank's Board of Directors, with the contribution and support of all İşbank's employees, is being rigorously carried out with professional care and attention.

The design and operational effectiveness of the internal control activities carried out by the relevant units in the process are regularly examined by the Internal Control Division which is an independent function. For this purpose, "onsite" and/or "remote" controls have been carried out by the Internal Control Division with a risk-oriented approach, on the activities of the Bank's domestic and foreign branches and Head Office units, financial reporting and information systems and internal control structures of the subsidiaries subject to consolidation.

The results of the reviews were analyzed by the Internal Control Division and developing proposals, monitoring and follow up activities intended for eliminating the existing deficiencies and preventing the recurrence of the defects were continued.

In order to contribute to their professional development, İşbank's internal control personnel were provided with various trainings during the year. Internal Control Division also supported the Bank's employees' trainings in order to increase the awareness of internal control activities across the organization.

İşbank's internal control system and internal control activities are structured and operated to make sure that: i) The Bank's assets are protected, ii) The Bank's activities are carried out in compliance with the Law and other relevant legislations, the Bank's internal policies and guidelines, and banking practices, iii) accounting and financial reporting systems function securely and in integrity, and iv) information is provided promptly.

Compliance

Compliance is the foremost duty and responsibility of all managers and employees of the Bank and financial subsidiaries which are subject to consolidation at any level. The functions and activities regarding compliance executed in the Head Office Divisions, Branches of the Bank local and abroad, financial subsidiaries which are subject to consolidation is monitored through the corporate compliance activities conducted within the Corporate Compliance Division, which reports to the Board of Directors.

Corporate Compliance Division operates with the purpose to provide maximum contribution in order to manage the compliance risk and control this risk in an appropriate and efficient manner and in this regard to execute and manage the activities of the Bank and financial subsidiaries which are subject to consolidation continuously in compliance with the relevant laws, regulations and standards.

The necessary researching, analyzing, monitoring, assessing, informing, conducting, coordinating and reporting activities regarding compliance issues are conducted within the Corporate Compliance Division, which consists of four sub-units, namely, Subsidiaries and Foreign Branches Compliance, Banking Activities Compliance, Fiscal Offences and Sanctions and International Obligations.

The duties and responsibilities of the Compliance Officer as stated in the Prevention of Laundering Proceeds of Crime Law and other related regulations in effect are fulfilled by the Head of Corporate Compliance Division, who is the legal "Compliance Officer" of the Bank as well. The activities regarding the prevention of laundering proceeds of crime and finance of terror in our Bank are executed in an express and efficient manner within the context of related legislations and the Bank's Policy and the Compliance Program, which have been prepared in accordance with these legislations.

Bank's Compliance and Compliance Risk Management Policy and Prevention of Laundering Proceeds of Crime and Finance of Terror Policy are stated in "Investor Relations / Corporate Governance" link at our Bank's website www.isbank.com.tr in English and Turkish.

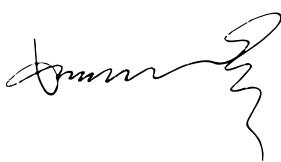
The results of the activities regarding compliance are also regularly monitored and evaluated by the senior management and the Board of the Bank.

Risk Management

Besides banking activities, both financial and non-financial risks encompassing the whole group required to be analyzed, monitored and reported from the standpoint of group risk management in addition to that of banking-specific risk management principles. This aspect of risk management, beyond regulatory requirements has become an industry standard for corporate governance.

The risk management process, organized within the framework of advanced risk management methodologies and favors a common risk management culture throughout the establishment, is structured to emphasize good corporate governance, assuring independency of units responsible for monitoring and controlling risk from executive functions, so that risk definition, measurement, analysis, monitoring, reporting, and control functions are carried out within the same framework.

The process of risk management and the functions involved in that process are among the highest priority responsibilities of the İşbank Board of Directors. The Risk Management Division, which acts through the Risk Committee and forms a functional constituent of the risk management function in collaboration with the Bank Credit Committee and the Asset & Liability Management Committee, carries out the works towards the legal and internal capital adequacy in accordance with the Basel framework and consistent with international best practices, in addition to working towards developing and validating risk measurement methodologies and optimizing the capital adequacy management process.



Prof. Dr. Turkay Berksoy
Member of the Board and Audit Committee



H. Ersin Özince
Chairman and Member of the Audit Committee



Füsun Tümsavaş
Vice Chairman and Chairman of the Audit Committee

Explanations on Financial Condition, Profitability and Solvency

Total assets of İşbank grew by 14.9% in 2018 and increased to TL 416.4 billion at the end of the year.

Total cash loans reached TL 260.3 billion as of the end of 2018. TL loans decreased by 2.4% in 2018, and FC loans decreased by 9.5% when adjusted for the exchange rates.

By the end of 2018, loans and securities portfolio accounted for 62.5% and 16.4% of total assets, respectively.

With a focus on effective risk management and giving utmost importance to the correct allocation of its resources, İşbank's ratio of non-performing loans to total loans stood at 4.1%, which is lower than the average of private banks.

Being the first choice of deposit holders thanks to its strong position in the sector, widespread branch network and digital channels, İşbank maintained its position as the largest private bank in terms of total, TL and FC deposits in 2018.

İşbank's total deposits grew by 20.4% in 2018 and increased to TL 245.3 billion by the end of year. While TL deposits increased by 16.5% compared to the end of the previous year, FC deposits decreased by 11.4% when adjusted for the exchange rate. As of the end of 2018, the share of demand deposits in total deposits was 24.4%.

Having a share of 58.9% in liabilities by the end of 2018, deposits continued to be the main funding source of İşbank. With a cost sensitive approach, İşbank also continued to utilize non-deposit funding opportunities in domestic and international markets in order to diversify its funding sources. The share of non-deposit funding sources in total liabilities was 22.7% as of the end of 2018.

The shareholders' equity of İşbank reached TL 49.7 billion at the end of 2018, up by 15.7% compared to the end of the previous year. Maintaining its solid capitalization, İşbank's capital adequacy ratio stood at 16.5% at year-end 2018.

In 2018, İşbank booked a net profit of TL 6.8 billion and achieved an average return on equity of 14.8% and an average return on assets of 1.7%.

Information on Risk Management Policies Applied per Risk Types

Risk policies and procedures constitute the internal rules and principles which are approved and enforced by the Board considering Risk Management Division suggestions and executed by the senior management.

These policies that have been put into effect in accordance with international standards, stipulate general standards regarding the organization and scope of risk management function, risk measurement methods, roles and responsibilities of the risk management group, risk limit setting methodology, rules governing the breach of limits and confirmations that have to be given in various situations.

To ensure the conformity of the Bank's risk appetite with business plan and prevailing market environment, risk limits set by the Board of Directors and defined in the Bank's risk appetite framework are monitored. In this context, breaches in market, liquidity, structural interest rate, credit and operational risk limits are analyzed by Risk Management Division and reported to the Audit Committee.

Apart from the financial risks mentioned above, the most important non-financial risk of the Bank appears to be business environment risk. Geopolitical risks arising from political instability in nearby geography of Turkey features business environment risk. Additionally, another important source of non-financial risks that the Bank is exposed to is related to IT processes. The above mentioned assessments are presented in the financial statements footnotes.

Capital Adequacy Policy

Capital Adequacy Policy defines the level of capital, on consolidated and unconsolidated basis, that the Bank must hold against potential losses arising from financial risks associated with on and off-balance sheet items in addition to non-financial risks caused by the Bank's operations; and establishes the principles for maintaining and monitoring the minimum capital levels determined in accordance with the legal regulations and the Internal Capital Adequacy Assessment Process. Risk management policies form an integral part of the Capital Adequacy Policy.

Credit Risk Policy

Credit risk is defined as any situation where the counterparty obligation will not or cannot be fulfilled partially or fully on maturity as affirmed in the agreement. Credit Risk Policy sets the framework for credit risk management, control and monitoring, roles and responsibilities and credit risk limits.

İşbank maintains identification, measurement and management of credit risk across all products and activities. The Board reviews credit risk policies and strategies annually at minimum. Senior management is responsible for the execution of credit risk policies.

The findings of independent review of loans and credit risk are reported to the Board and the senior management regularly. Monitoring credit risk includes parameters such as maturity, industry, collateral, geography, currency, loan type, and credit risk ratings as a whole, in addition to the assessments on the obligor and the facility.

In managing credit risk, İşbank implements internal risk limits specified by the Board of Directors that restrict the maximum credit risk based on parameters such as risk groups and sectors in addition to the credit risk limits that are mandated by legal regulations. These internal limits are determined in a way that does not lead to risk concentrations.

Breaching risk limits until the regulatory limits are treated as "exceptional procedure". The authorization for exceptional procedure resides with the Board of Directors. The results of controls and assessments related to risk limit breaches are presented to senior management and the Board of Directors by Internal Audit and Risk Management Functions.

İşbank employs internal credit risk rating systems that are developed to service the needs for credit management, credit granting decisions, credit process audits and credit provision calculations. Internal audit and risk management functions regularly assess the internal credit risk rating systems according to their compatibility with the structure, size and complexity of the Bank's operations. If diverse circumstances required, necessary adjustments and/or modifications are made to the system. Internal credit risk rating systems are assessed by the Risk Committee and approved by the Board of Directors.

Information on Risk Management Policies Applied per Risk Types

Asset and Liability Management Risk Policy

Asset and liability management risk is defined as; loss risk caused by Bank's failure to effectively manage all financial risks arising from the bank's assets, liabilities and off-balance sheet transactions. Market risk of trading book, structural interest rate risk of banking book and liquidity risk are all within the scope of asset and liability management risk.

All principles and procedures related to constitution and management of Bank's asset-liability structure and Bank's risk appetite is established by the Board of Directors. Ensuring asset and liability management risk being within the levels imposed by legal legislation and internal risk limits is the first priority. Within the Bank's risk appetite framework risk tolerance levels which aim to put a cap on the amount of risk undertaken by the Bank are determined by Board of Directors for each risk type on both bank-only and consolidated basis. In this process, liquidity, target income level and general expectations about the risk factors are taken into consideration.

Board of Directors and Audit Committee are obliged to track that Bank's capital is used optimally. For this purpose they have to keep risk limits under control and ensure necessary actions being taken.

Asset-Liability Management Committee is responsible for governance of asset and liability management risk in accordance with the risk appetite framework and risk limits determined by Board of Directors and within the principles and procedures expressed in this policy.

Measuring asset and liability management risk, reporting the results and monitoring the compliance with the risk limits are the responsibilities of Risk Management Division. The course of the risk taken is reviewed under different scenarios. Measurement results are tested in terms of reliability and integrity. Asset and liability management risk is reported to Risk Committee and reported to the Board of Directors through Audit Committee.

Compliance with risk limits is closely and continuously monitored by Risk Management Division, Asset-Liability Management Committee and related business units. In the event of a breach in the risk limits, the breach and its reasons are instantly reported to Board of Directors through Audit Committee. Course of action needed to be taken in order to eliminate the breach is determined by the Board.

Asset and liability management processes and compliance with the policy rules are audited by internal audit system. The principles regarding the audit process, audit reports and fulfillment of action plans to eliminate the errors and gaps determined by internal audit are established by the Board of Directors.

Stress Testing Policy

The purpose of the Stress Testing Policy is to measure the significant risks and vulnerabilities that may arise from both bank specific adverse developments or from stress conditions on general economic and financial environment.

Stress testing program is defined as the collection of studies and analyses to assess the risks generated by Bank's activities and the program covers the methodologies, assumptions and scenarios related with those analyses as well. In order to ensure the validity and appropriateness of the results; stress testing program is regularly monitored and updated taking into consideration the current economical conjuncture and market conditions, Bank's products, strategies and technological capabilities and Bank's risk appetite framework.

Bank implements a stress testing program oriented to assess the risks both from an holistic view (i.e. bank-wide stress tests) and on the basis of the important risk types (i.e. individual stress tests) in accordance with the legal regulations and internal procedures and the results are reported to the senior management, Board of Directors and other related legal authorities.

The Board of Directors is responsible for conducting the stress testing program as a whole.

The Board of Directors ensures that the outputs of the stress testing program are evaluated and used on the relevant fields. Executing the analyses included in stress testing program, reporting the outputs of the stress tests and monitoring the compliance with respect to the risk limits are the responsibility of Risk Management Division. The scope of the stress testing program, the set of risk factors to be used in the analyses and the level of the stress parameters are determined by Risk Committee.

The processes related to stress testing and compliance with the policy rules are audited by internal audit system. The principles regarding the audit process, audit reports and fulfillment of action plans to eliminate the errors and gaps determined by internal audit are established by the Board of Directors.

Operational Risk Policy

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Risk Management Division is responsible for the risk management activity on this particular risk. Operational risk management activities comprise defining, measuring, analyzing, monitoring and reporting of operational risks, following up the new techniques on management of operational risks besides regulatory and internal reporting. The fundamental principles and procedures of risk management are determined in Operational Risk Policy.

Categorization of inherited operational risks within the activities and processes is made possible by the Risk Catalogue. It serves as the basic document to define and classify the risks and is subject to alteration as conditions change. Risk Catalogue is modified in line with the improving risk management practices and changing regulations.

The methodology employed to identify operational risks is "self-assessment". This methodology requires staff with roles and responsibilities in a particular activity to get involved in the risk and control assessment process of that activity. Operational risk management process combines both qualitative and quantitative approaches in measurement and assessment. The measurement process uses data obtained from "impact - likelihood analysis", "loss event database", "scenario analysis" and "key risk indicators".

All operational risks inherited in the banking processes and information systems, risk levels of new products and processes and outsourcing risk, operational losses incurred by the Bank are monitored continuously, risk assessments are updated regularly and reported to the Risk Committee and the Board in a timely manner.

Employees have the understanding of the Bank's objective to attain a working environment aiming to reduce the probability of loss, considering that the entire internal rules and procedures, led by operational risk policy, and act sensitively to the inherited operational risks and controls.

Information on Risk Management Policies Applied per Risk Types

Reputational Risk Policy

Reputational risk is defined as loss of trust to the Bank or reputation impairment as a result of non-compliance with existing legal regulations or negative view of parties such as current or potential customers, partners, opponents and supervisory authorities and related studies are conducted by Risk Management Division. Reputational Risk Policy determines principles and procedures for definition, evaluation, control, monitoring, reporting and management activities of reputational risk sources.

Reputational risk sources are evaluated both individually and totally, appropriate systems and controls are established to manage risky elements efficiently. Risk Management Division is responsible for reporting reputational risk evaluations periodically to Risk Committee, Audit Committee and the Board of Directors.

All the employees execute their functions with the responsibility of preserving the reputation of the Bank.

Consolidated Risk Policies

Compliance with risk management principles related to the Bank's subsidiaries are monitored according to Bank's Consolidated Risk Policies. Through Consolidated Risk Policies, subsidiaries identify their specific risk management policies which are approved by their boards that form the framework of their risk management systems and processes.

Information Systems Management Policy

The purpose of Information Systems Management Policy is to determine the principles which will constitute a basis for the management of information systems that the Bank uses to fulfill its activities and the procedures in order to define, measure, control, monitor, report and manage the risks derived from using information technologies. With the Policy, the information technologies which is an important element for sustaining Bank activities is intended to be managed effectively as information systems management, being handled as a part of corporate governance practices. On the management of Bank's information systems and all the elements relating to those systems articles of this Policy are applied.

Risks derived from information technologies are basically assessed within the scope of Bank's operational risk management. It is essential that those risks which could be seen as multipliers of the other risks derived from activities of the Bank are measured, closely monitored and controlled within the framework of Bank's integrated risk management.

İşbank Credit Ratings

	Rating	Outlook ^(*)
MOODY'S		
Long-term Foreign Currency Deposit	B2	Negative
Long-term Local Currency Deposit	B2	Negative
Long-term Foreign Currency Senior Debt	B2	Negative
Short-term Foreign Currency Deposit	NP	-
Short-term Local Currency Deposit	NP	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB-	Negative
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
National Long-term Rating	A+ (tur)	Stable
Viability Rating	b+	-
Support Rating	4	-
STANDARD & POOR'S		
Long-term Counterparty Credit Rating	B+	Negative
Short-term Counterparty Credit Rating	B	-
Long-term National Scale Rating	trA+	-
Short-term National Scale Rating	trA-1	-

The dates on which the Bank's credit ratings/outlook was last updated are given below:

Moody's 28.08.2018, Fitch Ratings: 01.10.2018, Standard & Poor's: 17.08.2018

(*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

Unconsolidated Financial Statements as at and For the year Ended December 31, 2018 with Independent Audit Report Thereon

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Independent Auditor's Report



**Güney Bağımsız Denetim ve
SMMM A.Ş.**
Eski Büyükdere Cad. Orjin Maslak
No: 27 Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Board of Directors of Türkiye İş Bankası Anonim Şirketi:

Audit of Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye İş Bankası A.Ş (the Bank), which comprise the statement of balance sheet as at December 31, 2018, and the unconsolidated statement of income, unconsolidated statement of profit or loss and other comprehensive income, 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, except for the effects of the matter on the unconsolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Türkiye İş Bankası A.Ş. as at December 31, 2018 and financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.2633 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BSRA 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.

Basis for Qualified Opinion

As explained in Section Five Part II-i.5.5, the accompanying unconsolidated financial statements as at December 31, 2018 include a free provision at an amount of TL 1,200,000 thousands of which TL 1,550,000 thousands was provided in prior years and TL 350,000 thousands reversed in the current period by the Bank management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of "Turkish Accounting Standard" (TAS) 37 "Provisions, Contingent Liabilities and Contingent Assets".

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRS (BSRA Independent Audit Regulation) and Independent Auditing Standards ("ISA") 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 qualified opinion.

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

Independent Auditor's Report

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>Transition impact of TFRS 9 "Financial Instruments" Standard and recognition of impairment on financial assets and related significant disclosures</i></p> <p>As presented in Section III disclosure XXIV.1, as of 1 January 2018, the Bank adopted the TFRS 9 "Financial Instruments" standard began to recognize expected credit losses of 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:</p> <ul style="list-style-type: none"> - Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - TFRS 9 transition has an effect on Bank's equity. - There are complex and comprehensive requirements of TFRS 9. - The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance 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, according to relevant business model category, the fair value of the financial assets at fair value shall be determined according to Level 3, when there are financial inputs that are not observable in the fair value measurement which includes significant estimation and assumption. - 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. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex. 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - 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 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. - Reviewing the Bank's classification and measurement models of the financial instruments (financial instruments determined as Level 3 according to fair value hierarchy) and comparing with TFRS 9 requirements - 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 regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Bank's internal processes where applicable. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation. - 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 TFRS 9 disclosures.

Pension Fund Obligations	<p>Employees of the Bank are members of "Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in the "Section Three Note XVII" to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the authority of the "Council of Ministers" on the determination of the mentioned transfer date is changed as "President" in the Decree Law No. 703 published in the Official Gazette numbered 30473 and dated July 9, 2018. According to the technical balance sheet report as at 31 December 2018 prepared considering the related articles of the Law regarding the transferrable benefit obligations for the non- transferrable social benefits and payments which are included in the articles of association, the Fund has an actuarial and technical deficit which is fully provisioned for.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Bank Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plans during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial auditor of another entity who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the Bank's provision provided for the deficit and also disclosures on key assumptions related to pension fund deficit.</p>
Derivative Financial Instruments	<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures 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.c." and "Section Five Note II.b".</p> <p>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.</p>	<p>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 which is carried out by valuation experts of our firm 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.</p>

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 BRS 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report

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 ISAs 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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.

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; 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 Fatma Ebru Yücel.

Additional paragraph for convenience translation to English

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Fatma Ebru Yücel SMMM
Partner

February 8, 2019
İstanbul, Türkiye

Türkiye İş Bankası A.Ş.

The Unconsolidated Financial Report as at and For the Year Ended December 31, 2018

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
 Telephone: 0212 316 00 00
 Fax: 0212 316 09 00
 Web site: www.isbank.com.tr
 E-mail: musteri.iliskileri@isbank.com.tr

The unconsolidated financial report as at and for the year ended prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED AUDIT FINANCIAL STATEMENTS
- EXPLANATIONS ON THE ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- DISCLOSURES AND FOOTNOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements for the year ended and related disclosures and footnotes in this report are prepared in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, "Banking Regulation and Supervision Agency" (BRSA) regulations, "Turkish Accounting Standards", "Turkish Financial Reporting Standards" and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been subjected to independent audit and presented as the attached.

Prof. Dr. Turkay Berksoy
Member of the Board and
the Audit Committee

Füsun Tümsavaş
Deputy Chairman of the Board of Directors and
Chairman of the Audit Committee

H. Ersin Özince
Chairman of the Board of Directors and
Member of the Audit Committee

Ali Tolga Ünal
Head of Financial
Management Division

Senar Akkuş
Deputy Chief Executive
In Charge of Financial Reporting

Adnan Bali
Chief Executive Officer

The authorized contact person for questions on this financial report:

Name - Surname/Title	:	Süleyman H. Özcan/Head of Investor Relations Division
Phone No	:	+90 212 3161602
Fax No	:	+90 212 3160840
E-mail	:	Suleyman.Ozcan@isbank.com.tr investorrelations@isbank.com.tr
Website	:	www.isbank.com.tr

	Page Number
SECTION I	
General Information about the Bank	
I. Explanations on the Establishment Date and Initial Status of the Bank, History Including the Changes in the Former Status	114
II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group	114
III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank	114
IV. Information on the Bank's Qualified Shareholders	115
V. Summary Information on the Bank's Functions and Business Lines	115
VI. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholders' Equity between the Bank and its Subsidiaries or the Reimbursement of Liabilities	115
VII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures	115
SECTION II	
Unconsolidated Audit Financial Statements	
I. Balance Sheet (Statement of Financial Position) - Assets	116
II. Balance Sheet (Statement of Financial Position) - Assets (Prior Period)	117
III. Balance Sheet (Statement of Financial Position) - Liabilities	118
IV. Balance Sheet (Statement of Financial Position) - Liabilities (Prior Period)	119
V. Statement of Off-Balance Sheet Items	120
VI. Statement of Off-Balance Sheet Items (Prior Period)	121
VII. Statement of Income	122
VIII. Statement of Income (Prior Period)	123
IX. Statement of Profit or Loss and Other Comprehensive Income	124
X. Statement of Income and Expense Items Accounted under Shareholders' Equity (Prior Period)	125
XI. Statement of Changes in the Shareholders' Equity	126
XII. Statement of Changes in the Shareholders' Equity (Prior Period)	128
XIII. Statement of Cash Flows	130
XIV. Statement of Cash Flows (Prior Period)	131
XV. Statement of Profit Distribution	132
XVI. Statement of Profit Distribution (Prior Period)	133
SECTION III	
Explanations on Accounting Policies	
I. Basis of Presentation	134
II. Strategy for Use of Financial Instruments and Foreign Currency Transactions	135
III. Associates and Subsidiaries	136
IV. Forward and Option Contracts and Derivatives Instruments	136
V. Interest Income and Expenses	136
VI. Fees and Commission Income and Expenses	136
VII. Financial Assets	136
VIII. Explanations on Expected Credit Losses	137
IX. Offsetting Financial Instruments	138
X. Sale and Repurchase Agreements and Securities Lending Transactions	139
XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities	139
XII. Goodwill and Other Intangible Assets	139
XIII. Tangible Assets	139
XIV. Leasing Transactions	140
XV. Provisions and Contingent Liabilities	140
XVI. Contingent Assets	140
XVII. Liabilities Regarding Employee Benefits	140
XVIII. Taxation	141
XIX. Borrowings	142
XX. Equity Shares and Issuance of Equity Securities	142
XXI. Bank Acceptances and Bills of Guarantee	142
XXII. Government Incentives	142
XXIII. Segment Reporting	143
XXIV. Other Disclosures	143

	Page Number
SECTION IV	
Information on the Financial Position and Risk Management of the Bank	
I. Explanations on Shareholders' Equity	146
II. Explanations on Credit Risk	155
III. Explanations on Currency Risk	164
IV. Explanations on Interest Rate Risk	166
V. Explanations on Equity Shares Risk Arising from Banking Book	169
VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	170
VII. Explanations on Leverage Ratio	175
VIII. Explanations on Other Price Risks	176
IX. Explanations on Presentation of Assets and Liabilities at Fair Value	176
X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions	178
XI. Explanations on Risk Management Objectives and Policies	178
XII. Explanations on Segment Reporting	195
SECTION V	
Disclosures and Footnotes on the Unconsolidated Financial Statements	
I. Disclosures and Footnotes on Assets	196
II. Disclosures and Footnotes on Liabilities	213
III. Disclosures and Footnotes on Off Balance Sheet Items	221
IV. Disclosures and Footnotes on Statement of Income	223
V. Disclosures and Footnotes on Statement of Changes in Shareholders' Equity	229
VI. Disclosures and Footnotes on Statement of Cash Flows	229
VII. Disclosures and Footnotes on The Bank's Risk Group	230
VIII. Disclosures on The Bank's Domestic, Foreign, Off-Shore Branches or Associates and Foreign Representative Offices	232
IX. Subsequent Events	232
SECTION VI	
Other Explanations	
I. Explanations on The Bank's Credit Ratings	232
II. Explanations on Special Purpose Audit and Public Audit	233
SECTION VII	
Explanations on the Audit Report	
I. Explanations on the Independent Auditors' Report	233
II. Explanations and Footnotes of the Independent Auditors Report	233

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION ONE: GENERAL INFORMATION ABOUT THE BANK

I. Explanations on the Establishment Date and Initial Status of the Bank, History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank") was established on August 26, 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group

As at December 31, 2018, 40.47% of the Bank's shares are owned by T. İş Bankası A.Ş. Supplementary Pension Fund (Fund), 28.09% are owned by the Republican People's Party- CHP (Atatürk's shares) and 31.44% are on free float (December, 31 2017: Fund 39.95%, CHP 28.09%, Free float 31.96%).

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Chairman and Members of the Board of Directors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee, Member of the Audit Committee, TRNC Internal Systems Committee and Substitute Member of the Credit Committee
Füsun Tümsavas	Deputy Chairman, Audit Committee, TRNC Internal Systems Committee, Chairman of the Risk Committee and the Corporate Governance Committee, Substitute Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee, Chairman of the Human Resources Committee
Prof. Dr. Turkyay Berksoy	Director, Audit Committee, TRNC Internal Systems Committee and Member of the Remuneration Committee
Faray Demir	Director, Credit Committee, Member of Corporate Social Responsibility Committee
Ertuğrul Bozgedik	Director, Credit Committee
Ersin Önder Çiftçioğlu	Director, Corporate Governance Committee
Murat Karayalçın	Director
Özcal Korkmaz	Director, Corporate Governance Committee
Müslüm Sarı	Director, Member of Corporate Social Responsibility Committee
Rahmi Aşkin Türelî	Director, Member of Corporate Social Responsibility Committee

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Areas of Responsibility
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee, Chairman of the Human Resources Committee
Hakan Aran	Information Technologies, Digital Banking Operations, Data Management
Yalçın Sezen	Retail Banking Marketing-Sales and Products, Retail Loan and Card Operations, Retail Loans, Digital Banking, Card Payment Systems, Member of the Corporate Social Responsibility Committee
Senar Akkuş	Financial Management, Strategy and Corporate Performance Management, Managerial Reporting and Internal Accounting, Subsidiaries, Member of the Corporate Social Responsibility Committee and the Risk Committee
Yılmaz Ertürk	Private Banking Marketing and Sales, Capital Markets
Murat Bilgiç	Corporate, SME, Commercial, Retail Banking Allocation, Credit Portfolio Management, Financial Analysis and Credit Information, and Member of the Risk Committee
Nevzat Burak Seyrek	Enterprise Architecture, Human Resources and Talent Management, Consumer Relations Coordination Officer
Mehmet Şençan	Commercial Banking Marketing, Sales and Product, Banking Sales, Corporate Banking Sales, Free Zone Branches, Foreign Branches and Representations
Ömer Karakuş	Banking Basic Operations, Support Services and Purchasing, Foreign and Commercial Credit Operations, Internal Operations, Construction and Property Management, Branch Network Development
Şahismail Şimşek	SME and Enterprise Banking Sales, Commercial Banking Marketing and Product
Ebru Özsuca	Treasury, Economic Enquiries, Member of the Risk Committee
Gamze Yalçın	International Financial Institutions, Investor Relations
H. Cahit Çınar	Commercial Banking, Retail Banking and General Deliberation Legal Counsellorship, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery, Credits Portfolio Management

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. Information on the Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,821,049	40.47%	1,821,049	
Cumhuriyet Halk Partisi - Republican People's Party -(Atatürk's Shares)	1,264,142	28.09%	1,264,142	

V. Summary Information on the Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholders' Equity between the Bank and its Subsidiaries or the Reimbursement of Liabilities

None.

VII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policies which are agreed by Board of Directors' can be obtained from the Bank's website.

Türkiye İş Bankası A.Ş.

Unconsolidated Balance Sheet

As of December 31, 2018

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

ASSETS	Footnotes	THOUSAND TL		
		CURRENT PERIOD (31/12/2018)		
		TL	FC	Total
I. FINANCIAL ASSETS (NET)				
1.1 Cash and Cash Equivalents		61,021,994	60,700,062	121,722,056
1.1.1 Cash and Balances with Central Bank	V-I-a	6,420,987	33,714,894	40,135,881
1.1.2 Banks	V-I-d	393,655	7,989,485	8,383,140
1.1.3 Money Market Placements				-
1.2 Financial Assets at Fair Value Through Profit or Loss	V-I-b	574,413	17,160	591,573
1.2.1 Government Debt Securities		428,905	15,465	444,370
1.2.2 Equity Securities		144,203		144,203
1.2.3 Other Financial Assets		1,305	1,695	3,000
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	V-I-e	28,443,983	12,370,140	40,814,123
1.3.1 Government Debt Securities		28,289,459	12,060,157	40,349,616
1.3.2 Equity Securities		53,409	229,248	282,657
1.3.3 Other Financial Assets		101,115	80,735	181,850
1.4 Financial Assets Measured at Amortised Cost	V-I-g	24,754,084	1,973,879	26,727,963
1.4.1 Government Debt Securities		24,433,190	1,605,742	26,038,932
1.4.2 Other Financial Assets		320,894	368,137	689,031
1.5 Derivative Financial Assets	V-I-c	442,023	4,651,472	5,093,495
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		442,023	4,651,472	5,093,495
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		7,151	16,968	24,119
1.7 Expected Credit Loss (-)	V-I-f	145,688,516	114,506,504	260,195,020
II. LOANS (NET)		143,908,814	116,407,477	260,316,291
2.1 Loans		143,908,814	114,280,550	258,189,364
2.1.1 Loans Measured at Amortised Cost			2,126,927	2,126,927
2.1.2 Loans Measured at Fair Value Through Profit or Loss				-
2.1.3 Loans Measured at Fair Value Through Other Comprehensive Income				-
2.2 Lease Receivables	V-I-k			-
2.2.1 Financial Lease Receivables				-
2.2.2 Operating Lease Receivables				-
2.2.3 Unearned Income (-)				-
2.3 Factoring Receivables				-
2.3.1 Factoring Receivables Measured at Amortised Cost				-
2.3.2 Factoring Receivables Measured at Fair Value Through Profit or Loss				-
2.3.3 Factoring Receivables Measured at Fair Value Through Other Comprehensive Income				-
2.4 Non-Performing Loans	V-I-f	10,530,430	661,259	11,191,689
2.5 Expected Credit Loss (-)		8,750,728	2,562,232	11,312,960
2.5.1 12 Month Expected Credit Losses (Stage I)		1,088,659	773,914	1,862,573
2.5.2 Significant Increase in Credit Risk (Stage II)		1,252,614	1,632,175	2,884,789
2.5.3 Credit-Impaired Losses (Stage III/Special Provision)		6,409,455	156,143	6,565,598
III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-r	243,350		243,350
3.1 Held for Sale		243,350		243,350
3.2 Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		16,018,971	1,619,749	17,638,720
4.1 Investments in Associates (Net)	V-I-h	206,775		206,775
4.1.1 Associates Accounted by using Equity Method		-	-	-
4.1.2 Unconsolidated Associates		206,775		206,775
4.2 Subsidiaries (Net)	V-I-i	15,812,196	1,619,749	17,431,945
4.2.1 Unconsolidated Financial Subsidiaries		6,635,993	1,619,749	8,255,742
4.2.2 Unconsolidated Non-Financial Subsidiaries		9,176,203		9,176,203
4.3 Joint Ventures (Net)	V-I-j			-
4.3.1 Joint Ventures Accounted by using Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. TANGIBLE ASSETS (Net)		5,121,510	8,804	5,130,314
VI. INTANGIBLE ASSETS (Net)		622,662	632	623,294
6.1 Goodwill		622,662	632	623,294
6.2 Other		-	-	-
VII. INVESTMENT PROPERTY (Net)	V-I-o			-
VIII. CURRENT TAX ASSET				-
IX. DEFERRED TAX ASSET	V-I-p	1,201,504	291,402	1,492,906
X. OTHER ASSETS	V-I-s	4,964,920	4,377,024	9,341,944
TOTAL ASSETS		234,883,427	181,504,177	416,387,604

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

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

Türkiye İş Bankası A.Ş.

Unconsolidated Balance Sheet

As of December 31, 2017

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

		Footnotes	THOUSAND TL		
			RESTATED PRIOR PERIOD (31/12/2017)		
			TL	FC	Total
ASSETS					
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-a	4,991,697	30,958,770	35,950,467	
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-b-c	461,851	1,969,831	2,431,682	
2.1 Financial Assets Held for Trading		461,851	1,969,831	2,431,682	
2.1.1 Government Debt Securities		122,039	10,648	132,687	
2.1.2 Equity Securities		221,589		221,589	
2.1.3 Derivative Financial Assets Held for Trading		118,215	1,959,183	2,077,398	
2.1.4 Other Marketable Securities		8		8	
2.2 Financial Assets at Fair Value Through Profit and Loss		-		-	
2.2.1 Government Debt Securities		-		-	
2.2.2 Equity Securities		-		-	
2.2.3 Loans		-		-	
2.2.4 Other Marketable Securities		-		-	
III. BANKS	V-I-d	192,077	2,281,128	2,473,205	
IV. MONEY MARKET PLACEMENTS		-	-	-	
4.1 Interbank Money Market Placements		-		-	
4.2 Istanbul Stock Exchange Money Market Placements		-		-	
4.3 Receivables from Reverse Repurchase Agreements		-		-	
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	V-I-e	38,470,070	10,912,374	49,382,444	
5.1 Equity Securities		34,350	141,852	176,202	
5.2 Government Debt Securities		38,430,607	10,606,923	49,037,530	
5.3 Other Marketable Securities		5,113	163,599	168,712	
VI. LOANS AND RECEIVABLES	V-I-f	148,199,165	91,966,600	240,165,765	
6.1 Loans and Receivables		147,442,195	91,966,600	239,408,795	
6.1.1 Loans to the Bank's Risk Group		993,869	498,871	1,492,740	
6.1.2 Government Debt Securities		-	-	-	
6.1.3 Other		146,448,326	91,467,729	237,916,055	
6.2 Non-Performing Loans		5,382,865	20,669	5,403,534	
6.3 Specific Provisions (-)		4,625,895	20,669	4,646,564	
VII. FACTORING RECEIVABLES		-	-	-	
VIII. HELD TO MATURITY INVESTMENTS (Net)	V-I-g	7,255,317	359,498	7,614,815	
8.1 Government Debt Securities		7,111,197		7,111,197	
8.2 Other Marketable Securities		144,120	359,498	503,618	
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-h	185,399	-	185,399	
9.1 Associates Accounted for Using the Equity Method		-	-	-	
9.2 Unconsolidated Associates		185,399		185,399	
9.2.1 Financial Investments		163,821		163,821	
9.2.2 Non-Financial Investments		21,578		21,578	
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-i	12,599,949	1,016,895	13,616,844	
10.1 Unconsolidated Financial Subsidiaries		5,430,802	1,016,895	6,447,697	
10.2 Unconsolidated Non-Financial Subsidiaries		7,169,147		7,169,147	
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-j	-	-	-	
11.1 Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-	
11.2 Unconsolidated Jointly Controlled Entities		-	-	-	
11.2.1 Jointly Controlled Financial Entities		-	-	-	
11.2.2 Jointly Controlled Non-Financial Entities		-	-	-	
XII. LEASE RECEIVABLES	V-I-k	-	-	-	
12.1 Finance Lease Receivables		-	-	-	
12.2 Operating Lease Receivables		-	-	-	
12.3 Other		-	-	-	
12.4 Unearned Income (-)		-	-	-	
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	V-I-l	-	-	-	
13.1 Fair Value Hedges		-	-	-	
13.2 Cash Flow Hedges		-	-	-	
13.3 Net Foreign Investment Hedges		-	-	-	
XIV. TANGIBLE ASSETS (Net)		4,441,939	7,286	4,449,225	
XV. INTANGIBLE ASSETS (Net)		557,109	307	557,416	
15.1 Goodwill		-	-	-	
15.2 Other		557,109	307	557,416	
XVI. INVESTMENT PROPERTY (Net)	V-I-o	-	-	-	
XVII. TAX ASSETS	V-I-p	480,850	28,119	508,969	
17.1 Current Tax Assets		-	-	-	
17.2 Deferred Tax Assets		480,850	28,119	508,969	
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-r	155,920	-	155,920	
18.1 Held for Sale		155,920	-	155,920	
18.2 Discontinued Operations		-	-	-	
XIX. OTHER ASSETS	V-I-s	3,175,679	1,575,703	4,751,382	
TOTAL ASSETS		221,167,022	141,076,511	362,243,533	

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Balance Sheet

As of December 31, 2018

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

LIABILITIES	Footnotes	THOUSAND TL		
		CURRENT PERIOD (31/12/2018)		
		TL	FC	Total
I. DEPOSITS	V-II-a	113,054,647	132,214,199	245,268,846
II. FUNDS BORROWED	V-II-c	2,198,903	42,593,665	44,792,568
III. MONEY MARKETS		5,207,327	3,864,566	9,071,893
IV. SECURITIES ISSUED (Net)	V-II-d	5,087,889	24,357,192	29,445,081
4.1 Bills		4,386,277	-	4,386,277
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		701,612	24,357,192	25,058,804
V. FUNDS		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	V-II-b	1,248,291	2,457,199	3,705,490
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		1,248,291	2,457,199	3,705,490
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES (Net)	V-II-g	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	V-II-i	6,129,827	126,635	6,256,462
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		1,003,364	-	1,003,364
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		5,126,463	126,635	5,253,098
XI. CURRENT TAX LIABILITY	V-II-j	1,472,739	16,218	1,488,957
XII. DEFERRED TAX LIABILITY	V-II-j	-	-	-
XIII. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-
13.1 Held for Sale		-	-	-
13.2 Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT		1,136,214	10,022,587	11,158,801
14.1 Loans		-	-	-
14.2 Other Debt Instruments		1,136,214	10,022,587	11,158,801
XV. OTHER LIABILITIES	V-II-f	12,919,797	2,559,085	15,478,882
XVI. SHAREHOLDERS' EQUITY	V-II-m	50,919,858	(1,199,234)	49,720,624
16.1 Paid-in capital		4,500,000	-	4,500,000
16.2 Capital Reserves		1,047,229	204	1,047,433
16.2.1 Share Premium		5,328	204	5,532
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		1,041,901	-	1,041,901
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		4,290,573	(506)	4,290,067
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1,081,082	(1,198,932)	(117,850)
16.5 Profit Reserves		27,238,705	-	27,238,705
16.5.1 Legal Reserves		4,034,962	-	4,034,962
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		23,203,743	-	23,203,743
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or Loss		12,762,269	-	12,762,269
16.6.1 Prior Periods' Profit or Loss		5,993,184	-	5,993,184
16.6.2 Current Period Profit or Loss		6,769,085	-	6,769,085
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		199,375,492	217,012,112	416,387,604

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Balance Sheet

As of December 31, 2017

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

LIABILITIES	Footnotes	THOUSAND TL			
		RESTATED PRIOR PERIOD (31/12/2017)	TL	FC	Total
I. DEPOSITS	V-II-a	97,050,054	106,701,978	203,752,032	
1.1 Deposits from the Bank's Risk Group		2,598,162	3,115,774	5,713,936	
1.2 Other		94,451,892	103,586,204	198,038,096	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-b	274,798	1,018,230	1,293,028	
III. FUNDS BORROWED	V-II-c	1,966,845	36,457,591	38,424,436	
IV. MONEY MARKET FUNDS		17,318,967	2,514,594	19,833,561	
4.1 Interbank Money Market Funds		2,502,656	-	2,502,656	
4.2 Istanbul Stock Exchange Money Market Funds		488,026	-	488,026	
4.3 Funds Provided Under Repurchase Agreements		14,328,285	2,514,594	16,842,879	
V. MARKETABLE SECURITIES ISSUED (Net)	V-II-d	4,396,751	21,514,528	25,911,279	
5.1 Bills		3,237,626	71,646	3,309,272	
5.2 Asset-backed Securities		-	-	-	
5.3 Bonds		1,159,125	21,442,882	22,602,007	
VI. FUNDS		-	-	-	
6.1 Borrower funds		-	-	-	
6.2 Other		-	-	-	
VII. MISCELLANEOUS PAYABLES		9,262,456	814,270	10,076,726	
VIII. OTHER LIABILITIES	V-II-f	960,019	1,124,345	2,084,364	
IX. FACTORING PAYABLES		-	-	-	
X. LEASE PAYABLES (Net)	V-II-g	-	-	-	
10.1 Finance Lease Payables		-	-	-	
10.2 Operating Lease Payables		-	-	-	
10.3 Other		-	-	-	
10.4 Deferred Financial Lease Expenses (-)		-	-	-	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-g	-	-	-	
11.1 Fair Value Hedges		-	-	-	
11.2 Cash Flow Hedges		-	-	-	
11.3 Net Foreign Investment Hedges		-	-	-	
XII. PROVISIONS	V-II-h	8,713,316	95,418	8,808,734	
12.1 General Loan Loss Provisions		2,903,423	7,189	2,910,612	
12.2 Provision for Restructuring		-	-	-	
12.3 Reserves for Employee Benefits		807,188	-	807,188	
12.4 Insurance Technical Reserves (Net)		-	-	-	
12.5 Other Provisions		5,002,705	88,229	5,090,934	
XIII. TAX LIABILITIES	V-II-i	780,876	6,249	787,125	
13.1 Current Tax Liabilities		780,876	6,249	787,125	
13.2 Deferred Tax Liabilities		-	-	-	
XIV. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	
14.1 Held for Sale		-	-	-	
14.2 Discontinued Operations		-	-	-	
XV. SUBORDINATED DEBT		1,124,891	7,163,090	8,287,981	
XVI. SHAREHOLDERS' EQUITY	V-II-m	43,091,719	(107,452)	42,984,267	
16.1 Paid-in Capital		4,500,000	-	4,500,000	
16.2 Capital Reserves		3,905,037	(107,452)	3,797,585	
16.2.1 Share premium		5,246	204	5,450	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Marketable Securities Value Increase Fund		(1,050,967)	(107,209)	(1,158,176)	
16.2.4 Tangible Assets Revaluation Reserve		3,518,771	(447)	3,518,324	
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	
16.2.6 Investment Property Revaluation Reserve		-	-	-	
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-	-	
16.2.8 Hedging Reserves (Effective Portion)		(73)	-	(73)	
16.2.9 Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		-	-	-	
16.2.10 Other Capital Reserves		1,432,060	-	1,432,060	
16.3 Profit Reserves		24,088,510	-	24,088,510	
16.3.1 Legal Reserves		3,076,046	-	3,076,046	
16.3.2 Statutory Reserves		-	-	-	
16.3.3 Extraordinary Reserves		20,176,527	-	20,176,527	
16.3.4 Other Profit Reserves		835,937	-	835,937	
16.4 Profit or Loss		10,598,172	-	10,598,172	
16.4.1 Prior Years' Profit/(Loss)		4,396,893	-	4,396,893	
16.4.2 Current Period Profit/(Loss)		6,201,279	-	6,201,279	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		184,940,692	177,302,841	362,243,533	

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Off-Balance Sheet Items as of December 31, 2018

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

		Footnotes	THOUSAND TL		
			CURRENT PERIOD (31/12/2018)	TL	FC
OFF-BALANCE SHEET ITEMS		V-III			
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)					
I. GUARANTEES AND SURETIES					
1.1 Letters of Guarantee			142,340,703	259,264,460	401,605,163
1.1.1 Guarantees Subject to State Tender Law			32,415,624	58,907,288	91,322,912
1.1.2 Guarantees Given for Foreign Trade Operations			32,331,131	37,823,956	70,155,087
1.1.3 Other Letters of Guarantee			817,618	2,615,819	3,433,437
1.2 Bank Acceptances			1,764,875	12,986,188	14,751,063
1.2.1 Import Letter of Acceptance			29,748,638	22,221,949	51,970,587
1.2.2 Other Bank Acceptances			-	4,379,607	4,379,607
1.3 Letters of Credit			-	205,562	205,562
1.3.1 Documentary Letters of Credit			-	4,174,045	4,174,045
1.3.2 Other Letters of Credit			84,493	14,408,070	14,492,563
1.4 Pre-financing Given as Guarantee			68,660	11,010,797	11,079,457
1.5 Endorsements			15,833	3,397,273	3,413,106
1.5.1 Endorsements to the Central Bank of Turkey			-	-	-
1.5.2 Other Endorsements			-	-	-
1.6 Purchase Guarantees for Securities Issued			-	-	-
1.7 Factoring Guarantees			-	-	-
1.8 Other Guarantees			-	2,295,655	2,295,655
1.9 Other Suretyships			-	-	-
II. COMMITMENTS			51,793,450	15,296,152	67,089,602
2.1 Irrevocable Commitments			51,091,005	9,034,855	60,125,860
2.1.1 Forward Asset Purchase Commitments			1,684,678	2,982,764	4,667,442
2.1.2 Forward Deposit Purchase and Sales Commitments			-	-	-
2.1.3 Capital Commitments to Associates and Subsidiaries			-	-	-
2.1.4 Loan Granting Commitments			15,747,394	363,639	16,111,033
2.1.5 Securities Underwriting Commitments			-	-	-
2.1.6 Commitments for Reserve Deposit Requirements			-	-	-
2.1.7 Commitments for Cheque Payments			2,600,948	-	2,600,948
2.1.8 Tax and Fund Liabilities from Export Commitments			17,791	-	17,791
2.1.9 Commitments for Credit Card Expenditure Limits			27,477,673	-	27,477,673
2.1.10 Commitments for Credit Cards and Banking Services Promotions			113,226	-	113,226
2.1.11 Receivables from Short Sale Commitments			-	-	-
2.1.12 Payables for Short Sale Commitments			-	-	-
2.1.13 Other Irrevocable Commitments			3,449,295	5,688,452	9,137,747
2.2 Revocable Commitments			702,445	6,261,297	6,963,742
2.2.1 Revocable Loan Granting Commitments			602,445	6,261,297	6,863,742
2.2.2 Other Revocable Commitments			100,000	-	100,000
III. DERIVATIVE FINANCIAL INSTRUMENTS			58,131,629	185,061,020	243,192,649
3.1 Derivative Financial Instruments Held for Risk Management			-	-	-
3.1.1 Fair Value Hedges			-	-	-
3.1.2 Cash Flow Hedges			-	-	-
3.1.3 Net Foreign Investment Hedges			-	-	-
3.2 Derivative Financial Instruments Held for Trading			58,131,629	185,061,020	243,192,649
3.2.1 Forward Foreign Currency Buy/Sell Transactions			6,078,339	11,507,343	17,585,682
3.2.1.1 Forward Foreign Currency Buy Transactions			3,096,081	5,697,656	8,793,737
3.2.1.2 Forward Foreign Currency Sell Transactions			2,982,258	5,809,687	8,791,945
3.2.2 Currency and Interest Rate Swaps			46,758,472	157,606,624	204,365,096
3.2.2.1 Currency Swap Buy Transactions			7,172,559	55,102,408	62,274,967
3.2.2.2 Currency Swap Sell Transactions			39,308,113	22,725,522	62,033,635
3.2.2.3 Interest Rate Swap Buy Transactions			138,900	39,889,347	40,028,247
3.2.2.4 Interest Rate Swap Sell Transactions			138,900	39,889,347	40,028,247
3.2.3 Currency, Interest Rate and Security Options			5,294,818	10,184,275	15,479,093
3.2.3.1 Currency Call Options			2,806,159	3,959,008	6,765,167
3.2.3.2 Currency Put Options			2,488,659	4,202,091	6,690,750
3.2.3.3 Interest Rate Call Options			-	1,011,588	1,011,588
3.2.3.4 Interest Rate Put Options			-	1,011,588	1,011,588
3.2.3.5 Securities Call Options			-	-	-
3.2.3.6 Securities Put Options			-	-	-
3.2.4 Currency Futures			-	-	-
3.2.4.1 Currency Buy Futures			-	-	-
3.2.4.2 Currency Sell Futures			-	-	-
3.2.5 Interest Rate Futures			-	-	-
3.2.5.1 Interest Rate Buy Futures			-	-	-
3.2.5.2 Interest Rate Sell Futures			-	-	-
3.2.6 Other			-	5,762,778	5,762,778
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)			491,949,787	327,020,023	818,969,816
IV. ITEMS HELD IN CUSTODY			43,264,171	28,855,646	72,119,817
4.1 Customers' Securities Held			-	-	-
4.2 Investment Securities Held in Custody			23,784,677	2,719,469	26,504,146
4.3 Cheques Received for Collection			16,174,536	10,659,413	26,833,949
4.4 Commercial Notes Received for Collection			2,932,823	11,834,457	14,767,280
4.5 Other Assets Received for Collection			-	251	251
4.6 Assets Received for Public Offering			-	-	-
4.7 Other Items Under Custody			372,135	3,642,056	4,014,191
4.8 Custodians			-	-	-
V. PLEDGED ITEMS			448,685,616	298,164,383	746,849,999
5.1 Marketable Securities			24,313,343	-	24,313,343
5.2 Guarantee Notes			3,093,867	14,537,333	17,631,200
5.3 Commodity			84,861,294	9,093,066	93,954,360
5.4 Warranty			-	-	-
5.5 Real Estates			294,240,086	221,288,415	515,528,501
5.6 Other Pledged Items			42,177,026	53,245,569	95,422,595
5.7 Pledged Items-Depository			-	-	-
VI. ACCEPTED BILL, GUARANTEES AND SURETIES			-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			634,290,490	586,284,489	1,220,574,979

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Off-Balance Sheet Items as of December 31, 2017

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

		THOUSAND TL			
		PRIOR PERIOD (31/12/2017)			
	Footnotes	TL	FC	Total	
OFF-BALANCE SHEET ITEMS					
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	V-III	126,783,287	204,674,565	331,457,852	
I. GUARANTEES AND SURETIES		30,304,874	51,112,109	81,416,983	
1.1. Letters of Guarantee		30,293,364	29,468,711	59,762,075	
1.1.1. Guarantees Subject to State Tender Law		842,452	2,757,476	3,599,928	
1.1.2. Guarantees Given for Foreign Trade Operations		2,044,694	10,676,161	12,720,855	
1.1.3. Other Letters of Guarantee		27,406,218	16,035,074	43,441,292	
1.2. Bank Acceptances		-	3,337,813	3,337,813	
1.2.1. Import Letters of Acceptance		-	107,001	107,001	
1.2.2. Other Bank Acceptances		-	3,230,812	3,230,812	
1.3. Letters of Credit		11,510	16,658,466	16,669,976	
1.3.1. Documentary Letters of Credit		9,275	13,422,916	13,432,191	
1.3.2. Other Letters of Credit		2,235	3,235,550	3,237,785	
1.4. Pre-financing Given as Guarantee		-	-	-	
1.5. Endorsements		-	-	-	
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	
1.5.2. Other Endorsements		-	-	-	
1.6. Purchase Guarantees for Securities Issued		-	-	-	
1.7. Factoring Guarantees		-	-	-	
1.8. Other Guarantees		-	1,647,119	1,647,119	
1.9. Other Suretyships		-	-	-	
II. COMMITMENTS		49,677,449	19,256,693	68,934,142	
2.1. Irrevocable Commitments		49,417,141	14,621,881	64,039,022	
2.1.1. Forward Asset Purchase Commitments		1,152,526	10,500,261	11,652,787	
2.1.2. Forward Deposit Purchase and Sale Commitments		-	-	-	
2.1.3. Capital Commitment for Associates and Subsidiaries		-	67,523	67,523	
2.1.4. Loan Granting Commitments		14,479,657	284,381	14,764,038	
2.1.5. Securities Underwriting Commitments		-	-	-	
2.1.6. Commitments for Reserve Deposit Requirements		6,056,477	-	6,056,477	
2.1.7. Commitments for Cheque Payments		20,805	-	20,805	
2.1.8. Tax and Fund Liabilities from Export Commitments		24,193,467	-	24,193,467	
2.1.9. Commitments for Credit Card Expenditure Limits		84,622	-	84,622	
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-	
2.1.11. Receivables from Short Sale Commitments		-	-	-	
2.1.12. Payables for Short Sale Commitments		-	-	-	
2.1.13. Other Irrevocable Commitments		3,429,587	3,769,716	7,199,303	
2.2. Revocable Commitments		260,308	4,634,812	4,895,120	
2.2.1. Revocable Loan Granting Commitments		260,308	4,634,812	4,895,120	
2.2.2. Other Revocable Commitments		-	-	-	
III. DERIVATIVE FINANCIAL INSTRUMENTS		46,800,964	134,305,763	181,106,727	
3.1. Derivative Financial Instruments Held for Risk Management		-	-	-	
3.1.1. Fair Value Hedges		-	-	-	
3.1.2. Cash Flow Hedges		-	-	-	
3.1.3. Net Foreign Investment Hedges		-	-	-	
3.2. Derivative Financial Instruments Held for Trading		46,800,964	134,305,763	181,106,727	
3.2.1. Forward Foreign Currency Buy/Sell Transactions		5,970,950	10,820,316	16,791,266	
3.2.1.1. Forward Foreign Currency Buy Transactions		2,910,754	5,483,809	8,394,563	
3.2.1.2. Forward Foreign Currency Sell Transactions		3,060,196	5,336,507	8,396,703	
3.2.2. Currency and Interest Rate Swaps		35,537,852	110,073,526	145,611,378	
3.2.2.1. Currency Swap Buy Transactions		4,362,485	47,241,756	51,604,241	
3.2.2.2. Currency Swap Sell Transactions		30,424,625	17,935,996	48,360,621	
3.2.2.3. Interest Rate Swap Buy Transactions		375,371	22,447,887	22,823,258	
3.2.2.4. Interest Rate Swap Sell Transactions		375,371	22,447,887	22,823,258	
3.2.3. Currency, Interest Rate and Security Options		5,292,162	9,443,504	14,735,666	
3.2.3.1. Currency Call Options		2,512,548	4,220,094	6,732,642	
3.2.3.2. Currency Put Options		2,779,614	3,952,634	6,732,248	
3.2.3.3. Interest Rate Call Options		-	635,388	635,388	
3.2.3.4. Interest Rate Put Options		-	635,388	635,388	
3.2.3.5. Securities Call Options		-	-	-	
3.2.3.6. Securities Put Options		-	-	-	
3.2.4. Currency Futures		-	-	-	
3.2.4.1. Currency Buy Futures		-	-	-	
3.2.4.2. Currency Sell Futures		-	-	-	
3.2.5. Interest Rate Futures		-	-	-	
3.2.5.1. Interest Rate Buy Futures		-	-	-	
3.2.5.2. Interest Rate Sell Futures		-	-	-	
3.2.6. Other		-	3,968,417	3,968,417	
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		378,492,651	226,926,104	605,418,755	
IV. ITEMS HELD IN CUSTODY		41,996,497	17,974,809	59,971,306	
4.1. Customers' securities held		-	-	-	
4.2. Investment securities held in custody		20,895,685	1,938,155	22,833,840	
4.3. Cheques received for collection		17,567,505	5,275,088	22,842,593	
4.4. Commercial notes received for collection		3,146,970	8,724,159	11,871,129	
4.5. Other assets received for collection		-	2,638	2,638	
4.6. Assets received for public offering		-	2,527	2,527	
4.7. Other items under custody		381,172	2,037,407	2,418,579	
4.8. Custodians		-	-	-	
V. PLEDGED ITEMS		336,496,154	208,951,295	545,447,449	
5.1. Marketable securities		15,197,589	-	15,197,589	
5.2. Guarantee notes		3,157,401	12,631,989	15,789,390	
5.3. Commodity		69,766,556	15,306,869	85,073,425	
5.4. Warranty		-	-	-	
5.5. Real Estates		226,621,431	146,941,186	373,562,617	
5.6. Other pledged items		21,753,177	34,071,251	55,824,428	
5.7. Pledged items-depository		-	-	-	
VI. ACCEPTED BILL GUARANTEES AND SURETIES		505,275,938	431,600,669	936,876,607	
TOTAL OFF-BALANCE SHEET ITEMS (A+B)					

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Income as of December 31, 2018

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

			THOUSAND TL CURRENT PERIOD (01/01-31/12/2018)
I. INCOME STATEMENT		Footnotes	
INTEREST INCOME		V-IV-a	38,840,381
1.1 Interest Income on Loans			30,681,126
1.2 Interest Income on Reserve Deposits			506,694
1.3 Interest Income on Banks			137,604
1.4 Interest Income on Money Market Placements			1,118
1.5 Interest Income on Marketable Securities Portfolio			7,488,713
1.5.1 Financial Assets At Fair Value Through Profit or Loss			38,351
1.5.2 Financial Assets At Fair Value Through Other Comprehensive Income			4,676,798
1.5.3 Financial Assets At Measured at Amortised Cost			2,773,564
1.6 Financial Lease Income			-
1.7 Other Interest Income			25,126
INTEREST EXPENSE (-)		V-IV-b	21,788,130
2.1 Interest on Deposits			13,498,140
2.2 Interest on Funds Borrowed			1,715,612
2.3 Interest on Money Market Funds			3,580,712
2.4 Interest on Securities Issued			2,955,352
2.5 Other Interest Expenses			38,314
NET INTEREST INCOME (I - II)			17,052,251
IV. NET FEES AND COMMISSIONS INCOME		V-IV-i	4,405,201
4.1 Fees and Commissions Received			5,385,351
4.1.1 Non-cash Loans			864,065
4.1.2 Other			4,521,286
4.2 Fees and Commissions Paid			980,150
4.2.1 Non-cash Loans			294
4.2.2 Other			979,856
V. PERSONNEL EXPENSE (-)			3,675,519
VI. DIVIDEND INCOME			6,425
VII. TRADING INCOME/(LOSS) (Net)			(4,071,660)
7.1 Gains/(Losses) on Securities Trading			93,630
7.2 Derivative Financial Transactions Gains/Losses			(3,269,401)
7.3 Foreign Exchange Gains/(Losses)			(895,889)
VIII. OTHER OPERATING INCOME		V-IV-e	1,912,307
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)			15,629,005
X. EXPECTED CREDIT LOSS (-)			6,343,674
XI. OTHER OPERATING EXPENSES (-)		V-IV-h	4,364,202
XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)			4,921,129
XIII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-
XIV. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			2,808,736
XV. NET MONETARY POSITION GAIN/LOSS			-
XVI. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XII+...+XV)			7,729,865
XVII. TAX PROVISION FOR CONTINUING OPERATIONS (±)		V-IV-j	960,780
17.1 Current Tax Provision			1,194,393
17.2 Deferred Tax Income Effect (+)			486,494
17.3 Deferred Tax Expense Effect (-)			720,107
XVIII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)			6,769,085
XIX. INCOME ON DISCONTINUED OPERATIONS			-
19.1 Income on Assets Held for Sale			-
19.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-
19.3 Other Income on Discontinued Operations			-
XX. EXPENSE ON DISCONTINUED OPERATIONS (-)			-
20.1 Expense on Assets Held for Sale			-
20.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-
20.3 Other Expense on Discontinued Operations			-
XXI. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XIX-XX)			-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			-
22.1 Current Tax Provision			-
22.2 Deferred Tax Expense Effect (+)			-
22.3 Deferred Tax Income Effect (-)			-
XXIII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)			-
XXIV. NET PERIOD PROFIT/LOSS (XVIII+XXIII)		V-IV-i	6,769,085
Earnings per Share (*)			0.060168441

(*) Expressed in exact TL.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Income as of December 31, 2017

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

			THOUSAND TL RESTATED PRIOR PERIOD (01/01-31/12/2017)
I. INCOME STATEMENT		Footnotes	
I. INTEREST INCOME		V-IV-a	27,655,465
1.1 Interest Income on Loans			22,339,281
1.2 Interest Income on Reserve Deposits			316,469
1.3 Interest Income on Banks			38,188
1.4 Interest Income on Money Market Placements			246
1.5 Interest Income on Marketable Securities Portfolio			4,933,153
1.5.1 Financial Assets Held for Trading			32,341
1.5.2 Financial Assets at Fair Value Through Profit and Loss			-
1.5.3 Financial Assets Available for Sale			4,191,351
1.5.4 Held to Maturity Investments			709,461
1.6 Finance Lease Income			-
1.7 Other Interest Income			28,128
II. INTEREST EXPENSE		V-IV-b	14,447,809
2.1 Interest on Deposits			9,215,209
2.2 Interest on Funds Borrowed			934,766
2.3 Interest on Money Market Funds			2,338,056
2.4 Interest on Securities Issued			1,930,977
2.5 Other Interest Expense			28,801
III. NET INTEREST INCOME/EXPENSE (I - II)			13,207,656
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE			3,373,715
4.1 Fees and Commissions Received			4,053,926
4.1.1 Non-cash Loans			594,283
4.1.2 Other			3,459,643
4.2 Fees and Commissions Paid			680,211
4.2.1 Non-cash Loans			210
4.2.2 Other			680,001
V. DIVIDEND INCOME			11,072
VI. TRADING INCOME/LOSS (NET)		V-IV-i	(1,878,444)
6.1 Gains/Losses on Securities Trading			132,771
6.2 Derivative Financial Transactions Gains/Losses			(1,902,167)
6.3 Foreign Exchange Gains/Losses			(109,048)
VII. OTHER OPERATING INCOME		V-IV-e	1,146,647
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)			15,860,646
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)			2,633,246
X. OTHER OPERATING EXPENSES (-)		V-IV-h	7,395,787
XI. NET OPERATING INCOME (VIII-IX-X)			5,831,613
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			1,610,386
XIV. NET MONETARY POSITION GAIN/LOSS			-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)			7,441,999
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)		V-IV-j	1,240,720
16.1 Current Tax Provision			1,406,791
16.2 Deferred Tax Provision			(166,071)
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)			6,201,279
XVIII. INCOME ON DISCONTINUED OPERATIONS			-
18.1 Income on Assets Held for Sale			-
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-
18.3 Other Income on Discontinued Operations			-
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)			-
19.1 Expense on Assets Held for Sale			-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-
19.3 Other Expense on Discontinued Operations			-
XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)			-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			-
21.1 Current Tax Provision			-
21.2 Deferred Tax Provision			-
XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)			-
XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)		V-IV-l	6,201,279
Earnings per Share (*)			0.055121378

(*)Expressed in exact TL.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income of December 31, 2018

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

		THOUSAND TL
		CURRENT PERIOD
		(01/01-31/12/2018)
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY		
I.	PROFIT/LOSS FOR THE PERIOD	6,769,085
II.	OTHER COMPREHENSIVE INCOME	203,242
2.1	Other comprehensive income that will not be reclassified to profit or loss	902,850
2.1.1	Revaluation Surplus on Tangible Assets	663,340
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Gains/(Losses) on remeasurements of Defined Benefit Plans	(84,621)
2.1.4	Other Income/Expense Items of Other Comprehensive Income not to be Reclassified to Profit Or Loss	373,541
2.1.5	Taxes Relating To Components Of Other Comprehensive Income not to be Reclassified To Profit Or Loss	(49,410)
2.2	Other Income/Expense Items not be Reclassified to Profit or Loss	(699,608)
2.2.1	Exchange Differences on Translation	433,535
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income	(1,775,683)
2.2.3	Income/(Loss) Related with Cash Flow Hedges	-
2.2.4	Income/(Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items of Other Comprehensive Income to be Reclassified to Other Profit or Loss	271,301
2.2.6	Taxes Relating To Components Of Other Comprehensive Income to be Reclassified To Profit Or Loss	371,239
III.	TOTAL COMPREHENSIVE INCOME (I+II)	6,972,327

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Income and Expense Items Under Shareholders' Equity of December 31, 2017

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

	THOUSAND TL
	RESTATED PRIOR PERIOD (01/01-31/12/2017)
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	712,622
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	76,360
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	252,576
V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	472
VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	-
VII. THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	-
VIII. OTHER INCOMES AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS	(114,419)
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	(173,001)
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	754,610
XI. PROFIT/LOSS FOR THE PERIOD	6,201,279
1.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	59,452
1.2 The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	-
1.3 The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	-
1.4 Other	6,141,827
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	6,955,889

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Changes in Shareholders' Equity as of December 31, 2018

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

CHANGES IN SHAREHOLDERS' EQUITY	Footnotes							THOUSAND TL		
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves (*)	Tangible assets revaluation reserve	Accumulated gains/(losses) on remeasurements of defined benefit plans	Accumulated Other Comprehensive Income That will not be Reclassified in Profit/(Loss)	Other (1)	
Current Period (31/12/2018)	V-V	4,500,000	5,450	-	1,563,167	2,155,082	(99,478)	1,331,613	-	
I. Beginning Balance										
2.1 The Effect of Adjustments										
2.2 The Effect of Changes in Accounting Policies										
III. New Balance (I+II)		4,500,000	5,450	-	1,563,167	2,155,082	(99,478)	1,331,613		
IV. Total Comprehensive Income										
V. Capital Increase in Cash										
VI. Capital Increase Through Internal Reserves										
VII. Paid-in-Capital inflation adjustment difference										
VIII. Convertible Bonds										
IX. Subordinated Debt										
X. Increase/(Decrease) Through Other Changes				82		(521,266)				
XI. Profit Distribution										
11.1 Dividend Paid										
11.2 Transfer to Reserves										
11.3 Other (**)										
Ending Balance (III+IV+.....+X+XI)		4,500,000	5,532	-	1,041,901	2,752,088	(167,175)	1,705,154		

⁽¹⁾ Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss.

⁽²⁾ Accumulated gains/(losses) on cash flow hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for using equity method that will be classified to Profit/(Loss), Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss

^(*) The repurchase of shares amounting to TL 530,307 in accordance with the Bank's Board of Directors decision dated August 17, 2018 has been classified under Other Capital Reserves, related amount have been allocated as Legal Reserve in accordance with Article 612 of the Turkish Trade Law.

^(**) According to the Articles of Incorporation of the Bank, since a portion of the net profit for the period is distributed to the employees as a dividend, the provision provided for employee dividend distribution within the scope of "TAS 19-Employee Benefits", has been added to distributable profit.

^(***) TL 78,736 of the related amount resulted from the reversal of the free reserves provided by the subsidiary in prior year, by the Bank in accordance with the TAS 27 policy.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

THOUSAND TL						
Accumulated Other Comprehensive Income That will be Reclassified in Profit/(Loss)						
Exchange differences on translation reserve	Accumulated gains/(losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other ⁽²⁾	Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/(Loss)	Total Shareholder's Equity
				-	-	-
276,751	(1,311,571)	712,508	23,252,573	10,598,172	-	42,984,267
-	904,070	-	-	554,439	-	1,458,509
276,751	(407,501)	712,508	23,252,573	11,152,611	-	44,442,776
433,535	(1,404,444)	271,301	-	-	6,769,085	6,972,327
-	-	-	-	150,877 (***)	-	(370,307)
-	-	-	3,986,132	(5,310,304)	-	(1,324,172)
-	-	-	3,631,132	(1,679,172)	-	(1,679,172)
-	-	-	355,000	(3,631,132)	-	355,000
710,286	(1,811,945)	983,809	27,238,705	5,993,184	6,769,085	49,720,624

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Changes in Shareholders' Equity as of December 31, 2017

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

		THOUSAND TL					
CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves
RESTATED PRIOR PERIOD (31/12/2017)	V-V						
I. Beginning Balance			4,500,000	1,615,938	3,694	-	2,714,077
II. Adjustment in accordance with TAS 8			-	-	1,756	-	-
2.1 The Effect of Adjustments			-	-	-	-	-
2.2 The Effect of Changes in Accounting Policies			-	-	1,756	-	-
III. New Balance (I+II)			4,500,000	1,615,938	5,450	-	2,714,077
Changes During the Period							
IV. Increase/Decrease Due to Mergers			-	-	-	-	-
V. Marketable Securities Value Increase Fund			-	-	-	-	-
VI. Hedge Reserves (Effective Portion)			-	-	-	-	-
6.1 Cash Flow Hedges			-	-	-	-	-
6.2 Net Foreign Investment Hedges			-	-	-	-	-
VII. Revaluation Surplus on Tangible Assets			-	-	-	-	-
VIII. Revaluation Surplus on Intangible Assets			-	-	-	-	-
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-	-	-	-	-
X. Translation Differences			-	-	-	-	-
XI. The Effect of Disposal of Assets			-	-	-	-	-
XII. The Effect of Reclassification of Assets			-	-	-	-	-
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank			-	-	-	-	-
XIV. Capital Increase			-	-	-	-	-
14.1 Cash			-	-	-	-	-
14.2 Internal Sources			-	-	-	-	-
XV. Share Issue			-	-	-	-	-
XVI. Share Cancellation Profits			-	-	-	-	-
XVII. Paid-in-Capital Inflation Adjustment			-	-	-	-	-
XVIII. Other			-	-	-	-	-
XIX. Net Profit/Loss for the Period			-	-	-	-	361,969
XX. Profit Distribution			-	-	-	-	-
20.1 Dividend Paid			-	-	-	-	-
20.2 Transfer to Reserves			-	-	-	-	361,969
20.3 Other (*)			-	-	-	-	-
Ending Balance (III+IV+V+.....+XVIII+XIX+XX)			4,500,000	1,615,938	5,450	-	3,076,046

(*) According to the Articles of Incorporation of the Bank, since a portion of the net profit for the period is distributed to the employees as a dividend, the provision provided for employee dividend distribution within the scope of "TAS 19-Employee Benefits", has been added to distributable profit.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

THOUSAND TL									
Extraordinary Reserves	Other Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedging Reserves	Accumulated Rev. Reserve on Asset Held for Sale and Discontinued Operations	Total Shareholder's Equity
17,057,785	28,187	-	4,734,198	3,026,223	2,254,187	26,692	-	-	35,960,981
-	465,050	-	4,524,330	(4,824,168)	1,308,590	(26,692)	(545)	-	1,448,321
-	465,050	-	4,524,330	(4,824,168)	1,308,590	(26,692)	(545)	-	1,448,321
17,057,785	493,237	-	9,258,528	(1,797,945)	3,562,777	-	(545)	-	37,409,302
				639,769	-	-	-	-	639,769
				-	-	-	472	-	472
				-	-	(44,453)	472	-	472
		252,576	-	-	-	-	-	-	252,576
		-	-	-	-	-	-	-	-
		(93,754)	-	(127,437)	-	-	-	-	(221,191)
3,118,742	-	6,201,279	-	(4,734,198)	-	-	-	-	6,201,279
-	-	-	-	(1,471,737)	-	-	-	-	(1,253,487)
2,900,492	-	-	-	(3,262,461)	-	-	-	-	(1,471,737)
218,250	-	-	-	-	-	-	-	-	218,250
20,176,527	652,059	6,201,279	4,396,893	(1,158,176)	3,518,324	-	(73)	-	42,984,267

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Cash Flow as of December 31, 2018

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

		THOUSAND TL CURRENT PERIOD (01/01-31/12/2018)
	Footnotes	
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		16,772,613
1.1.1 Interest Received		35,943,972
1.1.2 Interest Paid		(20,667,838)
1.1.3 Dividend Received		506,006
1.1.4 Fees and Commissions Received		5,381,025
1.1.5 Other Income		231,027
1.1.6 Collections from Previously Written Off Loans and Other Receivables		514,719
1.1.7 Payments to Personnel and Service Suppliers		(6,003,038)
1.1.8 Taxes Paid		(964,352)
1.1.9 Other		1,831,092
1.2 Changes in Operating Assets and Liabilities		12,338,503
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(274,456)
1.2.2 Net (Increase)/Decrease in Due From Banks		8,314,359
1.2.3 Net (Increase)/Decrease in Loans		(17,755,475)
1.2.4 Net (Increase)/Decrease in Other Assets		(3,543,691)
1.2.5 Net Increase/(Decrease) in Bank Deposits		(547,800)
1.2.6 Net Increase/(Decrease) in Other Deposits		31,774,715
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		1,909,221
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(7,538,370)
I. Net Cash Provided From Banking Operations		29,111,116
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from/Used in Investing Activities		(5,827,445)
2.1 Cash Paid for the Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(157,802)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-
2.3 Cash Paid for the Purchase of Tangible Asset		(299,593)
2.4 Cash Obtained from the Sale of Tangible Asset		178,431
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(13,712,263)
2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		9,478,503
2.7 Cash Paid for Purchase of Financial Assets Measured at Amortised Cost		(4,675,254)
2.8 Cash Obtained from Sale of Financial Assets Measured at Amortised Cost (*)		3,737,743
2.9 Other		(377,210)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from/used in financing activities		(7,611,461)
3.1 Cash obtained from funds borrowed and securities issued		9,768,383
3.2 Cash used for repayment of funds borrowed and securities issued		(15,170,365)
3.3 Equity Instruments		-
3.4 Dividends Paid		(1,679,172)
3.5 Payments for Finance Leases		-
3.6 Other(**)		(530,307)
IV. Effect of change in foreign exchange rate on cash and cash equivalents		67,856
V. Net increase/(Decrease) in cash and cash equivalents (I+II+III+IV)		15,740,066
VI. Cash and cash equivalents at beginning of the period		14,819,787
VII. Cash and cash equivalents at end of the period		30,559,853

(*)Includes Redeemed Financial Assets measured at amortized cost.

(**)Includes repurchased share amount in accordance with the Bank's Board of Directors decision dated August 17, 2018.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Cash Flow as of December 31, 2017

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

		Footnotes	(01/01-31/12/2017)
		THOUSAND TL PRIOR PERIOD	
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	10,702,461	
1.1.1	Interest Received	26,475,171	
1.1.2	Interest Paid	(14,165,701)	
1.1.3	Dividend Received	405,344	
1.1.4	Fees and Commissions Received	4,054,392	
1.1.5	Other Income	438,681	
1.1.6	Collections from Previously Written Off Loans and Other Receivables	792,012	
1.1.7	Cash Payments to Personnel and Service Suppliers	(5,157,375)	
1.1.8	Taxes Paid	(1,249,766)	
1.1.9	Other	(890,297)	
1.2	Changes in Operating Assets and Liabilities	(7,849,332)	
1.2.1	Net (Increase) Decrease in Financial Assets Held for Trading	271,813	
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	-	
1.2.3	Net (Increase) Decrease in Due From Banks	(2,846,961)	
1.2.4	Net (Increase) Decrease in Loans	(27,500,860)	
1.2.5	Net (Increase) Decrease in Other Assets	(418,790)	
1.2.6	Net Increase (Decrease) in Bank Deposits	(1,631,898)	
1.2.7	Net Increase (Decrease) in Other Deposits	19,710,471	
1.2.8	Net Increase (Decrease) in Funds Borrowed	4,138,187	
1.2.9	Net Increase (Decrease) in Matured Payables	-	
1.2.10	Net Increase (Decrease) in Other Liabilities	428,706	
I.	Net Cash Provided From Banking Operations	2,853,129	
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from/Used in Investing Activities	(5,567,219)	
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(278,832)	
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	
2.3	Tangible Asset Purchases	(486,250)	
2.4	Tangible Asset Sales	136,036	
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	(15,338,563)	
2.6	Cash Obtained from Sales of Financial Assets Available for Sale	12,958,329	
2.7	Cash Paid for Purchase of Investment Securities Held to Maturity	(4,653,304)	
2.8	Cash Obtained from Sales of Investment Securities Held to Maturity ^(*)	2,660,425	
2.9	Other	(565,060)	
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from/Used in Financing Activities	3,630,191	
3.1	Cash Obtained from Funds Borrowed and Securities Issued	16,785,622	
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(11,683,694)	
3.3	Equity Instruments	-	
3.4	Dividends Paid	(1,471,737)	
3.5	Payments for Finance Leases	-	
3.6	Other	-	
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(45,170)	
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	870,931	
VI.	Cash and Cash Equivalents at Beginning of the Period	13,948,856	
VII.	Cash and Cash Equivalents at End of the Period	14,819,787	

^(*) Includes Redeemed Financial Assets measured at amortized cost.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Profit Distribution as of December 31, 2018

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

		THOUSAND TL CURRENT PERIOD (31/12/2018)
I.	DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾	
1.1	CURRENT PERIOD PROFIT	7,729,865
1.2	TAXES AND DUES PAYABLE (-)	960,780
1.2.1	Corporate Tax (Income Tax)	1,175,043
1.2.2	Income Tax Withholding	19,350
1.2.3	Other Taxes and Dues Payable ⁽²⁾	(233,613)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	6,769,085
1.3	PRIOR YEARS' LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	-
B.	NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	6,769,085
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of Preferred Shares	-
1.6.3	To Preferred Shares (Preemptive Rights)	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit/Loss Share Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To Owners of Ordinary Shares	-
1.9.2	To Owners of Preferred Shares	-
1.9.3	To Preferred Shares (Preemptive Rights)	-
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit/Loss Share Certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	-
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II.	DISTRIBUTION FROM RESERVES	
2.1	DISTRIBUTED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Preferred Shares	-
2.3.3	To Preferred Shares (Preemptive Rights)	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit/Loss Share Certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
III.	EARNINGS PER SHARE	
3.1	TO OWNERS OF ORDINARY SHARE ⁽³⁾	0.0602
3.2	TO OWNERS OF ORDINARY SHARE (%)	150
3.3	TO OWNERS OF PREFERRED SHARES	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-
IV.	DIVIDEND PER SHARE	
4.1	TO OWNERS OF ORDINARY SHARES	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PREFERRED SHARES	-
4.4	TO OWNERS OF PREFERRED SHARES (%)	-

⁽¹⁾The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.

⁽²⁾Deferred Tax Income.

⁽³⁾Expressed in exact TL.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Profit Distribution as of December 31, 2017

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

		THOUSAND TL PRIOR PERIOD (31/12/2017)
I. DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾		
1.1	CURRENT PERIOD PROFIT ⁽¹⁾	6,906,024
1.2	TAXES AND DUES PAYABLE (-)	1,240,720
1.2.1	Corporate Tax (Income Tax)	1,393,317
1.2.2	Income Tax Withholding	13,474
1.2.3	Other Taxes and Dues Payable ⁽²⁾	(166,071)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		5,665,304
1.3	PRIOR YEARS' LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	283,192
1.5	OTHER STATUTORY RESERVES (-)	3,351,129
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]		2,030,983
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	270,000
1.6.1	To Owners of Ordinary Shares	269,998
1.6.2	To Owners of Preferred Shares	2
1.6.3	To Preferred Shares (Preemptive Rights)	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit/Loss Share Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	352,197
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	1,056,976
1.9.1	To Owners of Ordinary Shares	1,056,944
1.9.2	To Owners of Preferred Shares	22
1.9.3	To Preferred Shares (Preemptive Rights)	10
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit/Loss Share Certificates	-
1.10	SECOND LEGAL RESERVES (-)	145,417
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	206,393
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II. DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Preferred Shares	-
2.3.3	To Preferred Shares (Preemptive Rights)	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit/Loss Share Certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
III. EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARE ⁽³⁾	0.0472
3.2	TO OWNERS OF ORDINARY SHARE (%)	118
3.3	TO OWNERS OF PREFERRED SHARES ⁽³⁾	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-
IV. DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES ⁽³⁾	0.0118
4.2	TO OWNERS OF ORDINARY SHARES (%)	29
4.3	TO OWNERS OF PREFERRED SHARES ⁽³⁾	0.0288
4.4	TO OWNERS OF PREFERRED SHARES (%)	288

⁽¹⁾ Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three. For this reason, Profit shown in profit distribution table is different from the restated prior period income statement profit. In accordance with "TAS 19-Employee Benefits", TL 355,000 which was added to the employee dividend distribution and to the same year profit distribution of 2017, and TL 2,399 prior year's profit which has been added to the same profit distribution, has been added to "current period profit".

⁽²⁾ Deferred Tax Income.

⁽³⁾ Expressed in exact TL

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION THREE: EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation:

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSAC Accounting and Financial Reporting Legislation") and requirements of Turkish Accounting Standards (TAS) published by Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying unconsolidated financial statements for the first time in the current period based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from January 1, 2018. Transition of the mentioned standard replacing "TAS 39-Financial Instruments: Recognition and Measurement", the financial statements and footnotes of the prior periods have not been restated and the total effect of the first application of the standard is presented under equity in the current period. Due to the fact that the financial statements of the current period and the prior period are prepared on different basis, financial statements and related footnotes have not been presented comparatively. Impacts and explanations of the transition to TFRS 9 are disclosed in note XXIV of Section Three.

In the current period, as detailed in Section Three of footnote III, while all associates and subsidiaries are accounted in accordance with TAS 27 "Separate Financial Statements" and TAS 28 "Investments in Associates and Joint Ventures" respectively, the Bank has started to use the equity method described in TAS 28 by changing the accounting policy for the valuation within the framework of TAS 27. With the equity method, the value of the equity investments is corrected in line with the share of the Bank and the portion of the shareholders' equity and the portion of the Bank's share in the profit/loss table is adjusted in the financial statements. On the other hand, due to the change in the accounting policy, the change in the valuation policy of associates and subsidiaries in accordance with "TAS 8-Accounting Policies, Changes in Accounting Estimates and Errors" has been applied retrospectively and the prior period financial statements have been restated. The effects of these corrections on the financial statements as of December 31, 2017 and December 31, 2016 are given below.

	Announced	Adjustment of the Accounting Policy Change	Restated
December 31, 2017			
Subsidiaries (Net)	128,246	57,153	185,399
Unconsolidated	128,246	57,153	185,399
Financial Subsidiaries	124,575	39,246	163,821
Non-Financial Subsidiaries	3,671	17,907	21,578
Associates (Net)	13,782,989	(166,145)	13,616,844
Unconsolidated Financial Associates	6,134,856	312,841	6,447,697
Unconsolidated Non-Financial Associates	7,648,133	(478,986)	7,169,147
TOTAL ASSETS	362,352,525	(108,992)	362,243,533
 Shareholder's Equity	 43,093,259	 (108,992)	 42,984,267
Capital Reserves	10,119,942	(6,322,357)	3,797,585
Profit Reserves	23,163,013	925,497	24,088,510
Profit or Loss	5,310,304	5,287,868	10,598,172
Prior Years' Profit/Loss	2,399	4,394,494	4,396,893
Current Year Profit/Loss	5,307,905	893,374	6,201,279
TOTAL LIABILITIES	362,352,525	(108,992)	362,243,533
 Dividend Income	 718,242	 (707,170)	 11,072
Other Operating Income	1,156,489	(9,842)	1,146,647
Profit/Loss From Associates Accounted for Using the Equity Method		1,610,386	1,610,386
NET PERIOD PROFIT/LOSS	5,307,905	893,374	6,201,279

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

		<i>Announced</i>	<i>Adjustment of the Accounting Policy Change</i>	<i>Restated</i>
December 31, 2016				
Subsidiaries (Net)		128,246	23,777	152,023
Unconsolidated		128,246	23,777	152,023
Financial Subsidiaries		124,575	10,009	134,584
Non-Financial Subsidiaries		3,671	13,768	17,439
Associates (Net)		10,314,151	1,424,544	11,738,695
Unconsolidated Financial Associates		4,604,678	940,690	5,545,368
Unconsolidated Non-Financial Associates		5,709,473	483,854	6,193,327
TOTAL ASSETS		311,625,913	1,448,321	313,074,234
Shareholders Equity		35,960,981	1,448,321	37,409,302
Capital Reserves		6,900,854	(3,605,303)	3,295,551
Profit Reserves		19,825,929	529,294	20,355,223
Profit or Loss		4,734,198	4,524,330	9,258,528
Prior Years' Profit/Loss		32,992	3,794,029	3,827,021
Current Year Profit/Loss		4,701,206	730,301	5,431,507
TOTAL LIABILITIES		311,625,913	1,448,321	313,074,234
Dividend Income		682,673	(676,284)	6,389
Other Operating Income		1,313,972	(8,902)	1,305,070
Impairment Loss for Loans and Other Receivables (-)		2,597,641	(149,494)	2,448,147
Profit/Loss From Associates Accounted for Using the Equity Method			1,265,993	1,265,993
NET PERIOD PROFIT/LOSS		4,701,206	730,301	5,431,507

Apart from TFRS 9, the TAS and TFRS amendments effective from January 1, 2018 do not have a material impact on the Bank's accounting policies and financial position. The amendments of TAS and TFRS which are not effective as of the reporting date, will not have an important effect on the accounting policies and financial position of the Bank. According to the "TFRS-16 Leases", which was published on the Official Gazette dated April 16, 2018 and numbered 30393, a similar application will be applied for operational leases, similar to the accounting of existing financial leases effective from January 1, 2019. In accordance with the TFRS 16 application, the right to use and the lease liability will be calculated for the lease contracts and/or transactions. The amount of the asset to be incurred shall be subject to amortization, and the interest expense related to the lease liability will be reflected separately. The Bank continues to work on compliance with the mentioned standard, and given the existing contract portfolio and the cash flows of contracts, no significant impact is expected on the transition to TFRS 16.

Additional paragraph for convenience translation to English

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

The accounting policies and valuation principles used in the preparation of financial statements are presented below in detail.

II. Strategy for Use of Financial Instruments and Foreign Currency Transactions

1. The Bank's Strategy on Financial Instruments

The Bank's main activities comprise private, retail, commercial and corporate banking, money market and securities market operations, as well as activities related to international banking services.

In conformity with the general liability structure of the banking system, the Bank's liabilities are mainly composed of short-term deposits and other medium and long-term liabilities. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Republic of Turkey ("CBRT"). As a result, the liquidity of the Bank and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the sectoral developments and the yields of alternative investment instruments, fixed and floating rate placements are made.

Safety principle has always been the top priority in placements and the placements are focused on high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy aiming at high return is implemented in the long-term placements and attention is paid to the maximum use of non-interest income generation opportunities. The Bank determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, currency and credit risks. Furthermore, in conformity with this strategy, the Bank acts within the legal limits in terms of asset-liability management.

The primary objectives related to balance sheet components are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

2. Foreign Currency Transactions

Foreign currency monetary assets and liabilities on the balance sheet are converted into Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into Turkish Lira by the rates at the date of which the fair value is determined. Exchange rate differences arising from the conversions of monetary foreign currency items and the collections of and payments in foreign currency transactions are reflected to the income statement.

In the current period, the Bank started to apply equity method for the foreign associates and subsidiaries which were followed with historical rates in the prior periods, in accordance with the TAS 27 "Separate Financial Statements" as stated in the footnote III of Section Three. In this context, foreign subsidiaries are accounted at current rates in the financial statement and the resulting exchange differences are accounted under equity.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TL which is the functional currency of the Bank and the presentation currency of the financial statements. Assets and liabilities of the foreign branches of the Bank are converted into TL by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions. The exchange rate differences arising from the conversion are recorded in the shareholders' equity.

III. Associates and Subsidiaries

Investments in associates and subsidiaries are recognized within the scope of "TAS 27-Separate Financial Statements" and "TAS 28-Investments in Associates and Joint Ventures". While investments in subsidiaries, whose shares are traded in an active market (stock market), were shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market) and investments in subsidiaries and associates, whose shares are not traded in an active market (stock market), were followed at their cost of acquisition and these assets were shown in the financial statements with their cost values after the deduction of, if any, impairment losses in the prior periods. As of March 31, 2018, investments in associates and subsidiaries are accounted with the equity method in accordance with TAS 28.

Under the equity method, Bank's share of net assets of the associates and subsidiaries is recognized in the Bank's financial statements. The profit or loss of the Bank includes the Bank's share of the profit or loss of the associates and subsidiaries and Bank's other comprehensive income or expenses include the Bank's share of other comprehensive income or expenses of the associates and subsidiaries. Mergers/acquisitions and change in share ratios of related associates and subsidiaries during the period are shown under the item "Increase/Decrease through Other Changes" in the statement of changes in shareholders' equity.

IV. Forward and Option Contracts and Derivatives Instruments

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, forwards, foreign currency options and interest rate options. The Bank has no derivative instruments decomposed from the main contract.

The Bank classifies derivative transactions, which act as a hedge but does not meet qualification criteria for hedge accounting, as "Derivative Financial Assets at Fair Value through Profit or Loss" in accordance with the "TFRS 9 Financial Instruments" requirements.

Derivative transactions are recorded at their fair value at the date of contract, receivables and payables arising from these transactions are recorded in off-balance sheet accounts.

Derivative transactions are measured at fair value at subsequent reporting dates and if the valuation difference is positive they are classified as "Derivative Financial Assets at Fair Value through Profit or Loss", if it is negative they are classified as "Derivative Financial Liabilities at Fair Value through Profit or Loss". The differences arising from the valuation of derivative transactions are associated with the income statement.

On off-balance sheet items table, options which generated assets for the Bank are presented under "call options" line and which generated liabilities are presented under "put options" line.

V. Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit-impaired financial assets.

Under the scope of TFRS 9 application, the Bank does not reverse the interest accruals and rediscounts of non-performing loans and other receivables and monitors the related amounts under interest income and calculates expected credit loss on these amounts according to the related methodology.

VI. Fees and Commission Income and Expenses

Except for fees and commissions that are an integral part of the effective interest rates of financial instruments measured at amortized costs, fees and commissions are accounted for in accordance with TFRS 15 "Revenue from Contracts with Customers". Fees and commission income and expenses are recorded either on accrual basis or by using the effective interest rate method. Income earned in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recognized in income accounts in the period of collection.

VII. Financial Assets

As of January 1, 2018, the Bank within the scope of "TFRS 9 Financial Instruments", classifies and accounts its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets at Measured at Amortised Cost" by taking into account their business model and contractual cash flow characteristics.

Financial assets are recognized or derecognized according to TFRS 9 "Recognition and Derecognition in the financial statements" requirements. The Bank recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The bank has three different business models for classification of financial assets:

- Business model aimed at holding financial assets in order to collect contractual cash flows: Financial assets held under the mentioned business model are managed to collect contractual cash flows over the life of these assets. The Bank manages its assets held under this portfolio in order to collect certain contractual cash flows
- Business model aimed at collecting contracted cash flows of financial assets and selling: In this business model, the Bank intends both to collect contractual cash flows of financial assets and to sell these assets.
- Other business models: A business model in which financial assets; are not held within the scope of a business model aimed at collection of contractual cash flows and within the scope of a business model aimed at collecting and selling contracted cash flows, are measured by reflecting fair value in profit or loss.

The bank is able to reclassify all affected financial assets in case it changes the business model that is used for the management of financial asset.

In the event of the termination of the rights related to the cash flows from a financial asset, the transfer of all risks and rewards of the financial asset to a significant extent or has no longer control of the financial assets, the Bank derecognizes the financial asset.

1. Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason or financial assets that are not held in a business model that aims at collecting and/or selling contractual cash flows of financial assets.

Financial assets at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. Gains or losses arising from the valuation are related to income statement.

In some cases, restructuring, alteration or counterparty changes of contractual cash flows of loans may lead to derecognition of related loans in accordance with TFRS 9. When the change in the financial asset results from derecognizing the existing financial asset from the financial statements and the revised financial asset is recognized in the financial statements, the revised financial asset is considered as a new financial asset in accordance with TFRS 9. When the Bank determines that there are significant changes between the first conditions in the new conditions of the revised financial asset, the Bank evaluates the new financial asset according to the current business models. When it is determined that the contractual conditions do not only result in cash flows that include principal and interest payments at certain dates, the financial asset is recognized at fair value and is subject to valuation. The differences arising from the valuation are reflected in the nominal accounts.

The Bank recognizes loans at fair value through profit or loss, if the contractual terms of the loan, do not result in cash flow including the principal payments and interest payments generated from principal amounts at certain dates. These loans are valued at their fair values after their recognition and the losses or gains arising from the valuation are included in the profit and loss accounts.

2. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flows and to sell financial assets, and financial assets with contractual terms that lead to cash flows that are solely payments of principal and interest on the principle amount outstanding at specific dates.

Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction costs on the financial statements. The initial recognition and subsequent valuation of such financial assets, including the transaction costs, are carried out on a fair value basis and the difference between amortized cost and the cost of borrowing instruments is recognized in profit or loss by using the effective interest method. Dividend income arising from investments in equity instruments that are classified as at fair value through other comprehensive income is also recognized in income statements.

Gains and losses, except impairment gain or loss and foreign exchange gain or loss, arising from changes in the fair value of financial assets at fair value through other comprehensive income are reflected to other comprehensive income until derecognized or reclassified. When the value of the financial asset is collected or when financial asset is disposed, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

During the initial introduction to financial statements, amendments to the fair value of an investment in an equity instrument within the framework of TFRS 9 that are not held for trading or that are not valued in a financial statement of an entity that acquires a business combinations under the "TFRS 3 Business Combinations" may be subject to an irreversible preference regarding these amendments being accounted in other comprehensive income. In such case dividends taken from mentioned investment will be accounted in financial statement as profit or loss.

3. Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. Financial assets measured at amortized cost with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. Interest income from financial assets measured at amortized cost are recognized in the income statement as an "interest income".

The Bank evaluates its loans within the framework of current business models and can be classified as Financial Assets measured at Amortized Cost.

VIII. Explanations on Expected Credit Losses

In accordance with the "TFRS 9-Financial Instruments" and the regulation "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" issued by BRSA, in the current period the Bank recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income, financial assets measured at amortized cost, credit commitments and financial guarantee contracts.

Under TFRS 9, the expected credit loss is calculated according to the "three-stage" impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Stage 1:

An important determinant for calculating the expected credit loss in accordance with TFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the Stage 1 financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument's lifetime expected credit loss. In order to classify a financial asset in the second stage, the following criteria is considered:

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability of default

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is classified as stage 2. The absolute and gradual thresholds used to increase the probability of default are differentiated on the basis of portfolio and product group. In this manner, for the commercial portfolio, definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from the integrated rating/score based on bank's internal rating and probability of default of the same loan on reporting date, obtained from the integrated rating/score based on bank's internal rating. For the individual portfolio, it is accepted that the probability of default is worsened in cases where the behavioral score falls below the thresholds determined on the basis of the product and the probability of default exceeds the thresholds determined on the basis of the product.

Stage 3:

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Expected credit loss of these financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic factors are considered for the classification of a financial asset in the third stage:

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a certain opinion on this matter

While estimating the expected credit loss, statistical models, methods and tools are used in accordance with the relevant legislation and accounting standards. Expected credit loss is measured using reasonable and supportable information by taking into account current and forecasts of future economic information, including macroeconomic factors. Three scenarios, base scenario, optimistic scenario and the worst scenario, are used in forecasting studies made by macroeconomic models. The macroeconomic variables highlighted during estimations are the calendar-adjusted Industrial Production Index, the Consumer Price Index and the 2-year benchmark government bond interest rate. The validity of the risk parameter estimates used in the calculation of expected credit losses is reviewed and evaluated at least annually within the framework of model validation processes. Macroeconomic forecasts and risk delinquency data used in risk parameter models are re-evaluated every quarter to reflect the changes in economic conjuncture and are updated if needed. In the expected credit loss calculations carried out for year-end, macroeconomic information is taken into account under multiple scenarios.

Except for demand or revolving loans, the maximum period for which expected credit losses are to be determined is the contractual life of the financial asset. For demand or revolving loans, maturity is determined by taking into account the future risk mitigation processes such as behavioral maturity analyses performed by the Bank and cancellation/revision of the Bank's credit limit.

While calculating the expected credit loss, aside from assessment of whether there is a significant increase in credit risk or not, basic parameters expressed as probability of default, loss given default and exposure at default are used.

Probability of Default: Represents the likelihood of a default over a specified time period. In this context, the Bank has developed models to calculate 12-month and life-time default probabilities by using internal rating based on credit rating models.

Loss Given Default (LGD): Defined as the damage caused by the default of borrower to the total balance of the exposure at the time of default. The LGD estimates are determined in terms of credit risk groups that are detailed in the Bank's data resources and system facilities. The model used for the estimation of the LGD was established by taking into account the direct cost items during the collection process, based on the historical data of the Bank's collection, cash flows are discounted at effective interest rates.

Exposure at Default: For cash loans, the cash balance at the date of report, for non-cash loans the balance calculated using the Credit Conversion Factor (CCF) is represented by Exposure at Default.

Credit Conversion Factor: Calculated for non-cash loans (undrawn limit for revolving loans, commitments, non-cash loans etc.) The historical limit usage data of the Bank for revolving loans are analyzed and the limit amount that can be used until the moment of default is estimated. For non-cash loans, the cash conversion ratio of the loan amount is estimated by analyzing the product type and the past compensation amount of the bank.

Expected credit loss is reflected in the income statement. Released provisions in the current year are accounted under "Expected Credit Losses", the released portion of the free provisions set aside in previous years is transferred to "Other Operating Income".

IX. Offsetting Financial Instruments

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

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

X. Sale and Repurchase Agreements and Securities Lending Transactions

Marketable securities subject to repurchase agreements are classified under "Financial Assets at Fair Value through Profit and Loss", "Financial Assets at Fair Value through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost" in the Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the effective interest rate method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the effective interest rate method.

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Assets held for sale are not amortized or depreciated and presented in the financial statements separately. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. Goodwill and Other Intangible Assets

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

The Bank's intangible assets are composed of software programs. The purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 -Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

The related assets are amortized by the straight-line method considering the estimated useful life. The amortization method and period are periodically reviewed at the end of each year.

XIII. Tangible Assets

Tangible assets purchased before January 1, 2005, are presented in the financial statements at their inflation adjusted acquisition costs as at December 31, 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In 2015, the Bank, has been changed its accounting policies from historical cost method to revaluation method for the real estate properties which are held for own use in accordance with "TAS 16-Property, Plant and Equipment". The positive difference between the net book value of real estate property values and the renewed expertise values which are determined by the licenced valuation companies in 2018 are recorded under the shareholders' equity.

In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 - Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets held under finance lease are depreciated over the expected useful life of the related assets.

Leasehold improvements are amortized in equal amounts considering their useful life. However, in any case the useful life cannot exceed leasing term. When the lease period is not certain or longer than 5 years, the amortization period is recognized as 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible assets are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The "Regulation on Procedures and Principles for the Trading of Precious Metals by Banks and the Disposal of Commodities and Real Properties acquired by Banks due to their Receivables" has been abolished by BRSA effective from January 1, 2017. Real properties acquired by Group due to their receivables and not treated in the scope of "TFRS5 - Non-current Assets Held for Sale and Discontinued Operations" has been started to follow under "Other Assets" in accordance with the related accounting standard from the current period.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	50	2%
Safe Boxes	2-50	2% - 50%
Other Movable	2-25	4% - 50%

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

XIV. Leasing Transactions

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion of the payables is recognized as a deferred amount of interest. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Bank's general borrowing policy, financial expenses are recognized in the income statement. Assets held under financial leases are recognized under the "Property, Plant and Equipment" account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a "lessor".

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XV. Provisions and Contingent Liabilities

As of the end of the reporting period, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists, the entity recognizes a provision in the financial statements. As of the end of the reporting period where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XVI. Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of "TAS 19-Employee Benefits", the Bank allocates severance indemnity provisions for employee benefits by estimating the present value of the probable future liabilities. According to TAS 19, the actuarial gains and losses occurred is recognized under equity. The Bank also allocates provision for the unused paid vacation.

2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı ("İşbank Pension Fund"), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Act, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 numbered 2006/11345. However, the related article of the act has been cancelled upon the President's application dated November 2, 2005, by the Supreme Court's decision dated March 22, 2007, numbered E.2005/39, K.2007/33, which was published on the Official Gazette dated March 31, 2007 and numbered 26479 and the execution decision was ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated December 15, 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emending Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the Bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated March 14, 2011, which was published on the Official Gazette dated April 9, 2011 and numbered 27900. In addition, by the Law "Emending Social Security and General Health Insurance Act", which was published on the Official Gazette dated March 8, 2012 and numbered 28227, this period of 2 years has been raised to 4 years after that related transfer period has been prolonged for one more year by the Cabinet decision dated April 8, 2013, which was published on the Official Gazette dated 3 May 2013 and numbered 28636 also this period has revaluated one more year by the Cabinet decision dated February 24, 2014, which was published on the Official Gazette dated April 30, 2014 and numbered 28987. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the "Occupational Health and Safety Law and Other Laws and Decree Laws" published in the Official Gazette dated April 23, 2015 and numbered 29335. This authority was transferred to the President with the delegated legislation No.703 which was published in the repetitive Official Gazette No. 30473 dated July 9, 2018.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The above mentioned Law also states that:

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank obtained a technical actuarial valuation report from the licenced actuary for the year ended December 31, 2018. And provided full provision for the total amount of technical and actual deficit in the actuarial report in the financial statements. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-i-5-1.

There has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı (İşbank Members' Supplementary Pension Fund), which has been founded by the Bank as per the provisions of the Turkish Commercial Code and Turkish Civil Code.

XVIII. Taxation

1. Corporate Tax:

With the change in Law no: 7061, in accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 22% for 2018, 2019 and 2020 taxation period's income. As per the Corporate Tax law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The 4th temporary provisional tax for the year 2018 has paid in February, 2019 and will be offset with the current period's corporate tax.

Tax expense consists of current tax and deferred tax. The current tax liability is calculated over the portion of the period subject to taxation. The taxable profit differs from the profit stated in the income statement, as the income and expense items that can be taxable or deductible at other periods, and items that are not taxable or deductible are excluded. The current tax amounts payable are netted off with prepaid tax amounts and presented on the financial statements.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovable are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years. However, in accordance with Article 89/a of the Law No. 7061 and Article 5.1.e and Article 5.1.f of the Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, the 75% applied in terms of immovable sales mentioned above has been reduced to 50% which is effective from the date of publication of the Law.

2. Deferred Tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. General provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91 of the Law numbered 7061, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020.

Within this context deferred tax is calculated using the related rates considering the periods when deferred tax assets and liabilities are realized.

Although according to BRSA article numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, deferred tax asset was not provided to general reserve for possible risk and general loan loss provisions, the Bank has started to calculate deferred tax for the expected credit loss for 1st and 2nd stage as of January 1, 2018. Deferred tax calculation is not made for free provisions.

Deferred tax assets and liabilities are shown in financial tables by way of offsetting.

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

In accordance with TRNC tax legislation, 15% income tax is accrued on the remaining tax base after 10% corporate tax is deducted from corporate income. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in September, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The related withholding tax payments are deducted from corporate tax payable and the difference between withholding amount and corporate tax payable is discounted from income tax provided that the withholding tax amount is higher than corporate tax amount.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

England

Corporate earnings are subject to 19% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of September following the year that the profit is made.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

The Republic of Iraq (Iraq)

The corporate tax is 15% in Iraq. In central government-dependent cities tax is paid in the following year to the related tax administration by the end of May at the latest and in the cities under the administration of Northern Iraq tax is paid in the following year to the related tax administration by the end of June, at latest and the financial statements must be presented and accrued taxes must be paid. In accordance with the agreement reached between the Central Administration of Iraq and the Northern Iraq Regional Government at the end of 2018, the corporate tax of the Bank's Iraq Branches will be paid in Erbil in a consolidated manner starting from the 2017 financial period.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, July, October and the 15th day of January of the following year by four installments. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the end of March of the following year, in case of a claim made by the company, if it is higher, then the difference is returned to the institution by the tax authorities after the inspection conducted by those institution.

4. Transfer Pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions according to article 11 of Corporate Tax Law in means of corporate tax.

XIX. Borrowings

The Bank, whenever required, generates funds from individuals and institutions residing domestically and abroad by approaching the borrowing instruments in the form of syndication, securitization, collateralized borrowing and issue of bonds/bills. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the effective interest rate method.

XX. Equity Shares and Issuance of Equity Securities

Share issuance related costs is recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Bank's earnings per share calculations taking place in the income statement are as follows:

	Current Period
Profit distributable to shareholders	6,769,085
Weighted average number of share certificates (Thousand figure)	112,502,250
Earnings per share - (in full TL)	0.060168441

	Prior Period
Profit distributable to shareholders	6,201,279
Weighted average number of share certificates (Thousand figure)	112,502,250
Earnings per share - (in full TL)	0.055121378

XXI. Bank Acceptances and Bills of Guarantee

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXII. Government Incentives

There are no government incentives utilized by the Bank, during the current or prior accounting periods.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

XXIII. Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Bank's business segmentation and related information is explained in Section IV, Note XII.

XXIV. Other Disclosures

1. Explanations on "TFRS 9-Financial Instruments" Standard

The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 instead of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. The Bank measures and classifies its financial instruments in accordance with the requirements of TFRS 9 as of the mentioned date. The explanation for the application and the effect of the mentioned TFRS 9 standard is listed below.

1.a. Classification and Measurement

In accordance with TFRS 9, if a financial asset is held in a business model that aims to collect contractual cash flows or in a business model that aims to collect contractual cash flows and to sell financial assets, the financial asset is classified based on the contractual cash flow's characteristics. The Bank has assessed whether contractual cash flows for all financial assets within the scope of TFRS 9 include principle and interest payments on principle balance only and has implemented asset classifications within the framework of existing business models.

	Book Value Before TFRS 9 December 31, 2017	Reclassifications	Remeasurements	Book Value after TFRS 9 January 1, 2018	Tax Effect	Equity Effect
Financial Assets						
Financial Assets Measured at Amortized Cost						
Pre-classification balance (Held to maturity)	7,614,815					
Classification from Financial Assets Available for Sale		15,474,626				
Valuation Difference			1,159,065		(254,995)	904,070
Book Value After Classification				24,248,506		
Financial Assets At Fair Value Through Profit or Loss						
Pre-classification (Held for Trading)	354,284					
Book Value After Classification				354,284		
Financial Assets At Fair Value Through Other Comprehensive Income						
Pre-classification balance (Available for Sale)	49,382,444					
Classification to Financial Assets Held to Maturity		(15,474,626)				
Book Value After Classification				33,907,818		
Loans Measured at Amortized Cost (Gross)						
Pre-classification balance	244,812,329					
Valuation effect			2,883			
Book Value After Classification				244,815,212		
Expected Credit Loss	(7,735,140)		(80,198)	(7,815,338)	656,231	576,033

Within the framework of current business models, the Bank has classified its securities held under Financial Assets Available for Sale as of December 31, 2017 with a nominal value of TL 15,307,457 as Financial Assets Measured at Amortized Cost. Other than these securities, securities held for trading, available-for-sale and held-to-maturity in previous periods are classified as Financial Assets at Fair Value through Profit or Loss, at Fair Value through Other Comprehensive Income and Measured at Amortized Cost respectively.

	Book Value Before TFRS 9 December 31, 2017	Reclassifications	Remeasurements	Book Value after TFRS 9 January 1, 2018
Loans (Gross)	244,812,329			244,815,212
Standard Loans	227,295,329	(1,973,229)		225,322,100
Closely Monitored Loans	12,113,466	1,973,229		14,086,695
Non-performing Loans	5,403,534		2,883	5,406,417

The difference between December 31, 2017 and January 1, 2018 amounting to TL 2,883 in the loans is the result of the change of the valuation method for loans under "Non-performing Loans" account.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

On the other hand, in the financial statements that are effective as of January 1, 2018;

- Cash and Cash Equivalents includes "Cash and Balances with the Central Bank", "Banks" and "Money Market Placements" items which were shown as separate items in the prior period's financial statements,
- Other Liabilities includes "Miscellaneous Payables" and "Other Foreign Liabilities" items which were shown as separate items in the prior period's financial statements.

1.b. Provision for expected credit losses

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value after TFRS 9 January 1, 2018
Loans	7,164,116	(5,348)	7,158,768
Stage 1	2,152,371	(145,509)	2,006,862
Stage 2	365,181	912,164	1,277,345
Stage 3	4,646,564	(772,003)	3,874,561
Financial Assets (*)	133,331	(79,394)	53,937
Non-cash Loans (**)	437,693	164,940	602,633
Stage 1 and 2	259,729	(79,156)	180,573
Stage 3	177,964	244,096	422,060
Total	7,735,140	80,198	7,815,338

(*) Within the scope of TFRS 9, consists of provisions for Cash and Cash Equivalents, Securities Measured at Amortized Cost and Other financial assets.

(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified in "General Provisions" and the expected credit loss for stage 3 non-cash loans is classified in "Other Provisions" under liabilities. In accordance with TFRS 9, the expected credit loss for the 1st, 2nd and 3rd stage non-cash loans are classified in "Other Provisions" under liabilities.

1.c. Effects on Equity

In accordance with the related requirements of "TFRS 9-Financial Instruments" published in the Official Gazette numbered 29953 dated January 19, 2017, there is no obligation to restate the prior period information. If the prior period information is not restated, the difference between the prior book value and the book value of January 1, 2018 at the date of application must be reflected in the opening balance of equity. The explanations regarding the issue is presented below.

Specific and general provisions reserved under the applicable legislation before the transition to TFRS 9 are canceled and the expected loss provision is set according to TFRS 9 principles. In this context;

- A net expense effect of TL 80,198 on total loan provisions of the above mentioned transactions,
- A deferred tax asset of TL 770,292 for stage 1 and stage 2 expected loss provisions,
- An expense effect of TL 114,061 on the corporate tax for the amount between the difference of reversed specific provision with the transition to TFRS 9 and the expected loss provision in stage 3,

has been reflected to prior year's profit/loss. As a result of the mentioned transactions, there has been an increase of TL 576,033 in prior year's profit.

Within the scope of transition to TFRS 9, the Bank reclassified securities classified under Financial Assets Available for Sale with a nominal value of TL 15,307,457 to Financial Assets Measured at Amortized Cost. As a result of mentioned reclassification there has been an after tax net increase of TL 904,070 in equity.

2. Explanations on Prior Period Accounting Policies Not Valid for the Current Period

The Bank has started to apply "TFRS 9 Financial Instruments" (TFRS 9) instead of "TAS 39 Financial Instruments: Accounting and Measurement" starting from January 1, 2018. With the transition to the mentioned application the accounting policies which are not valid are given below.

2.a. Explanations on Financial Assets

Financial assets are comprised of cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with the counterparty or the capital instrument transactions of the counterparty. According to the Parent Bank management's purpose of holding, the financial assets are classified into four groups as "Financial Assets at Fair Value through Profit And Loss", "Financial Assets Available for Sale", "Held to Maturity Investments" and "Loans and Receivables".

1. Explanations on Financial Assets at Fair Value through Profit or Loss

1.a. Financial Assets Held for Trading

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading is presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Fair values are measured within the scope of "TFRS 13 Fair Value Measurement" while measuring the fair values, market prices, quoted prices, prices set by CBRT and published in official gazette and the values derived from the alternative models are used within the context of related accounting standards.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are recognized under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is recognized in the "Gains on Securities Trading" account. If the fair value is less than the amortized cost, the negative difference is recognized under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

1.b. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

2. Explanations on Financial Assets Available for Sale

Financial assets available for sale represent non-derivative financial assets, loans and receivables, held to maturity investments and financial assets at fair value through profit or loss. The initial recognition and subsequent valuation of financial assets available for sale, including transaction costs, are performed on a fair value basis, and the difference between the discounted value and the cost is recognized in profit or loss using the effective interest rate. Dividend income from the Equity Securities which are classified under Available for Sale Financial Assets are reflected to Income Statement. Within the scope of "TFRS 13 Fair Value Measurement" while measuring the fair values of available for sale securities, market prices, quoted prices, prices set by CBRT and published in official gazette and the values derived from the alternative models are used within the context of related accounting standards. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences recognized under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

3. Held to Maturity Investments

Held to maturity investments are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest method less provision for any impairment, if any. Interest income from held to maturity investments are recognized in the income statement as an "interest income".

There are no financial assets that are classified by the Group as held to maturity investments; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments and other than derivative financial assets.

Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted value calculated using the "effective interest method".

Retail and corporate loans that are followed under cash loans are recognized at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

Foreign currency indexed consumer and corporate loans are followed at TL accounts after converting into TL by using the opening date exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

2.b. Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amount of its financial assets or a group of its financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the held to maturity investments are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When an impairment occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If the fair value of the related asset increases in a subsequent period, the amount of increase is recognized in equity.

Loans are classified and followed in line with the provisions of the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside", published on the Official Gazette numbered 26333 dated November 1, 2006. Within the scope of the relevant legislation, the Bank allocates specific provision in accordance with the minimum provision rates mentioned for loans and other receivables that are accepted as problematic. Allocated specific provisions are reflected on the income statement. Provisions released in the same year are credited "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

Other than specific allowances, the Bank allocates "general allowances" for loan and other receivables classified in accordance with the abovementioned legal regulations and communiqués.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Shareholders' Equity

The capital adequacy standard ratio of the bank is 16.49%. (December 31, 2017: 16.65%)

	Current Period	Amount as per the regulation before 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	6,115,938	
Share Premium	5,532	
Legal Reserves	26,663,782	
Other Comprehensive Income according to TAS	6,796,903	
Profit	12,762,269	
Net Current Period Profit	6,769,085	
Prior Period Profit	5,993,184	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit		
Common Equity Tier I Capital Before Deductions	52,344,424	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9, (i) of the Regulation on Bank Capital		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	2,623,800	
Leasehold improvements on operational leases	69,413	
Goodwill Netted with Deferred Tax Liabilities		
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	598,577	598,577
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences		
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting		
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach		
Securitization gains		
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness		
Net amount of defined benefit plans		
Direct and Indirect Investments of the Bank on its own Tier 1 Capital		
Shares Obtained against Article 56, Paragraph 4 of the Banking Law		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
Mortgage servicing rights (amount above 10% threshold)		
Net Deferred Tax Assets arising from Temporary Differences Exceeding the Threshold of Tier I Capital		
Amount Exceeding the 15% Threshold of Tier 1 Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks		
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier 1 Capital		
Excess Amount arising from Mortgage servicing rights		
Excess Amount arising from Deferred Tax Assets from Temporary Differences		
Other items to be defined by the regulator		
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals		

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Current Period	Amount as per the regulation before 1/1/2014 (*)
Total Deductions from Common Equity Tier I Capital	3,291,790	
Total Common Equity Tier I Capital	49,052,634	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)		
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 regulator		
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)		
Total Deductions from Additional Tier I Capital		
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	49,052,634	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,720,000	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	2,105,200	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4,077,654	
Tier II Capital Before Total Deductions		
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)		
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		
The Total of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		
The Total of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		
Other items to be Defined by the regulator (-)		
Total Deductions from Tier II Capital		
Total Tier II Capital	9,902,854	
Total Equity (Total Tier I and Tier II Capital)	58,955,488	
Deductions from Total Equity (Tier I Capital and Tier II Capital)	4,958	

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Current Period	Amount as per the regulation before 1/1/2014 (*)
Loans Granted against the Articles 50 and 51 of the Banking Law	2,824	
Net Book Values of Movables and Immovable's 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	2,134	
Other items to be Defined by the regulator	2,134	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation		
The Portion of Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% of the Issued Share Capital, Deferred tax assets based on temporary differences and the right to offer mortgage as per the Temporary Article 2, Clause 1, Sub Clause 1 and 2 of the Regulation		
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	58,950,530	
Total Risk Weighted Assets	357,502,189	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Ratio (%)	13.72	
Tier I Capital Ratio (%)	13.72	
Capital Adequacy Ratio (%)	16.49	
BUFFERS		
Total Additional Common Equity Requirement Ratio (a+b+c)	1.915	
a) Capital Conservation Buffer Ratio (%)	1.875	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.040	
c) Systematic Important Bank Buffer Ratio (%)	0.000	
Additional Common Equity Tier I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	7.721	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	181,741	
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences	1,492,906	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,052,022	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	4,077,654	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to the Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach		
Total Loan Provision that Exceeds Total Expected Loss Calculated According to the Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets		
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4		
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	2,105,200	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	5,230,800	

(*) Represents the amounts taken into consideration according to transition clauses.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period (**)	Amount as per the regulation before 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	6,115,938	
Share Premium	3,694	
Legal Reserves	22,679,105	
Other Comprehensive Income according to TAS	10,458,135	
Profit	5,310,304	
Net Current Period Profit	5,307,905	
Prior Period Profit	2,399	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	26,692	
Common Equity Tier I Capital Before Deductions	44,593,868	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	1,500,609	
Leasehold improvements on operational leases	73,719	
Goodwill Netted with Deferred Tax Liabilities		
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	435,926	544,907
Deferred Tax Assets that Rely on Future Profitability Excluding Those Arising from Temporary Differences (net of related tax liability)		
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting		
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach		
Securitization gains		
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness		
Net amount of defined benefit plans		
Direct and Indirect Investments of the Bank on its own Tier 1 Capital		
Shares Obtained against Article 56, Paragraph 4 of the Banking Law		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
Mortgage servicing rights (amount above 10% threshold)		
Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital		
Amount Exceeding the 15% Threshold of Tier 1 Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks		
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier 1 Capital		
Mortgage servicing rights (amount above 10% threshold)		
Excess Amount arising from Deferred Tax Assets from Temporary Differences		
Other items to be defined by the regulator		
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals		

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period (**)	Amount as per the regulation before 1/1/2014 (*)
Total Deductions from Common Equity Tier I Capital		
Total Common Equity Tier I Capital	2,010,254	42,583,614
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Additional Tier I Capital before Deductions		
Deductions from Additional Tier 1 Capital		
Direct and Indirect Investments of the Bank on its own Additional Core Capital		
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier 1 Capital		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital		
Other items to be Defined by the regulator		
Items to be Deducted from Tier 1 Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	108,981	
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Deduction from Additional Tier 1 Capital when there is not enough Tier II Capital (-)		
Total Deductions from Additional Tier I Capital		
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	42,474,633	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,972,500	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	2,212,000	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,910,612	
Tier II Capital before Regulatory Deductions	8,095,112	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)		
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital		
Other items to be Defined by the regulator		
Total Deductions from Tier II Capital		
Total Tier II Capital	8,095,112	
Total Equity (Total Tier I and Tier II Capital)	50,569,745	

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period (**)	Amount as per the regulation before 1/1/2014 (*)
Deductions from Total Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	9,785	
Net Book Values of Movables and Immovable's 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	2,201	
Other items to be Defined by the regulator	7,584	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1 st clause of the Provisional Article 2 of the Regulation on the Equity of Banks,		
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1 st clause of the Provisional Article 2 of the Regulation on the Equity of Banks		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1 st and 2 nd Paragraph of the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks		
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	50,559,960	
Total Risk Weighted Assets	303,608,585	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Ratio (%)	14.03	
Tier I Capital Ratio (%)	13.99	
Capital Adequacy Ratio (%)	16.65	
BUFFERS		
Total Additional Common Equity Requirement Ratio (a+b+c)	12.73	
d)Capital Conservation Buffer Ratio (%)	1.250	
e)Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.023	
f) Systematic Important Bank Buffer Ratio (%)	0.000	
Additional Common Equity Tier I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7,990	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	124,575	
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences	508,969	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2,910,612	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	2,910,612	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach		
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets		
Debt Instruments Covered by Temporary Article 4 (effective between January 1,2018-January 1,2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4		
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4		
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		

(*) Represents the amounts taken into consideration according to transition clauses.

(**) The adjustments for the prior period which are explained in footnote I, Section Three are not included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Details on Subordinated Liabilities:

Issuer	Türkiye İş Bankası A.Ş.	Türkiye İş Bankası A.Ş.	Türkiye İş Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	US900151AB70 - XS0847042024	US900151AF84 - XS1003016018	US90016BAF58 - XS1623796072
Governing law(s) of the instrument	With the exception of certain substances will be subject to Turkish law is subject to English law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.	With the exception of certain substances will be subject to Turkish law is subject to English law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.	With the exception of certain substances will be subject to Turkish law is subject to English law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.
Taking into account in equity calculation			
Subject to 10% deduction as of 1/1/2015	Yes	No	No
Eligible at unconsolidated/consolidated	Unconsolidated -Consolidated	Unconsolidated -Consolidated	Unconsolidated -Consolidated
Instrument type	Bond	Bond	Bond
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	428	1,677	2,620
Par value of instrument	5,240	2,096	2,620
Accounting classification	Subordinated Liabilities	Subordinated Liabilities	Subordinated Liabilities
Original date of issuance	24.10.2012	10.12.2013	29.06.2017
Perpetual or dated	Dated	Dated	Dated
Original maturity date	10 Years	10 Years	11 Years
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	The Bank; (1) provided that subject to having obtained the prior approval of the BRSA and the date which may not be earlier than fifth anniversary of the Issue Date a) can purchase b) can redeem all bonds if any taxes imposed or levied (2) can redeem all bonds in case of the deduction from equity.	The Bank; (1) provided that subject to having obtained the prior approval of the related legislation, can purchase or otherwise acquire treasury stock (2) provided that subject to having obtained the prior approval of the BRSA, (a) in case of the tax situation arises (b) can redeem all bonds in case of the deduction from equity.	The Bank has the option to repay all of the related bonds on June 29, 2023 provided that subject to having obtained the prior approval of the BRSA. The Bank; (1) provided that subject to having obtained the prior approval of the related legislation, can purchase or otherwise acquire treasury stock (2) provided that subject to having obtained the prior approval of the BRSA, (a) in case of the tax situation arises (b) can redeem all bonds in case of the deduction from equity.
Subsequent call dates, if applicable	None.	None.	None.
Coupons/dividends			
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Coupon rate and any related index	6%	7.85%	7%
Existence of a dividend stopper	None.	None.	None.
Fully discretionary, partially discretionary or mandatory	None.	None.	None.
Existence of step up or other incentive to redeem	None.	None.	None.
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible			
If convertible, conversion trigger (s)	None.	None.	None.
If convertible, fully or partially			
If convertible, conversion rate			
If convertible, mandatory or optional conversion			
If convertible, specify instrument type convertible into			
If convertible, specify issuer of instrument it converts into			

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Issuer	Türkiye İş Bankası A.Ş.	Türkiye İş Bankası A.Ş.	Türkiye İş Bankası A.Ş.
Write-down feature	None	In accordance with Regulations on Equities of Banks, Article 8(2) (h), bonds have deleted option from records.	In accordance with Regulations on Equities of Banks, Article 8(2) (h), bonds have deleted option from records.
If write-down, write-down trigger(s)		Due to the losses incurred, where the Bank is at the point at which the BRSB may determine pursuant to Article 71 of the Banking Law that: (1) its operating license is to be revoked and the Bank is liquidated or (2) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable).	Due to the losses incurred, where the Bank is at the point at which the BRSB may determine pursuant to Article 71 of the Banking Law that: (1) its operating license is to be revoked and the Bank is liquidated or (2) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable).
If write-down, full or partial		Partially or completely	Partially or completely
If write-down, permanent or temporary		Permanent	Permanent
If temporary write-down, description of write-up mechanism			
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Paid before shares and the primary of subordinated debt and after all the other debts.	Paid before shares and the primary of subordinated debt and after all the other debts.	Paid before shares and the primary of subordinated debt and after all the other debts.
In compliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Don't vest with the conditions stated in clause of the Article 7 and the clause of 8.2. (h)	To vest conditions stated in clause of the Article 8 and Don't vest the conditions stated in clause of the Article 7.	To vest conditions stated in clause of the Article 8 and Don't vest the conditions stated in clause of the Article 7.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Issuer	Türkiye İş Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	TRTSIB72712
Governing law(s) of the instrument	Is subject to Turkish Law. Has been issued in accordance with the BRSA Communiqué regarding the Equity of Banks.
Taking into account in equity calculation	
Subject to 10% deduction as of 1/1/2015	No
Eligible at unconsolidated/consolidated	Unconsolidated -Consolidated
Instrument type (types to be specified by each jurisdiction)	Bond
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting data)	1,100
Nominal value of instrument (TL Million)	1,100
Accounting classification	Subordinated Liabilities
Original date of issuance	08.08.2017
Perpetual or dated	Dated
Original maturity date	10 Years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	The Bank: (1) provided that subject to having obtained the prior approval of the BRSA and the date which may not be earlier than fifth anniversary of the Issue Date a) can purchase b) can redeem all bonds if any taxes imposed or levied (2) can redeem all bonds in case of the deduction from equity
Subsequent call dates, if applicable	None.
Interest/Dividend Payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	Government Debt Security for 5 years+350 base points
Existence of a dividend stopper	None.
Fully discretionary, partially discretionary or mandatory	None.
Existence of step up or other incentive to redeem	None.
Noncumulative or cumulative	Non-cumulative
Convertible into equity shares	None.
If convertible, conversion trigger (s)	
If convertible, fully or partially	
If convertible, conversion rate	
If convertible, mandatory or optional conversion	
If convertible, specify instrument type convertible into	
If convertible, specify issuer of instrument it converts into	
Write-down feature	
If write-down, write-down trigger(s)	In accordance with Regulations on Equities of Banks, Article 8 (2) (h), bonds have deleted option from records. Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (1) its operating license is to be revoked and the Bank is liquidated or (2) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable)
If bond can be written-down, full or partially	Partially or Completely
If bond can be written-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	Paid before shares and the primary of subordinated debt and after all the other debts.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Yes.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	To vest conditions stated in clause of the Article 8 and Don't vest the conditions stated in clause of the Article 7.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Explanations on the reconciliation of amounts on the equity items statement and amounts on the balance sheet:

Current Period	Carrying Amount	Amounts in Equity Calculation (*)
Shareholders' equity	49,720,624	49,720,624
Leasehold improvements on operational leases	69,413	(69,413)
Goodwill and intangible assets	623,294	(598,577)
Provision	5,052,022	4,077,654
Subordinated debt	11,158,801	5,825,200
Deductions from shareholders' equity	4,958	(4,958)
Capital		58,950,530

(*) The related amounts are calculated in accordance with "Regulation on Equities of Banks". In this context, part of the expected credit loss of stage 1 and stage 2 up to 1.25% of amount subject to credit risk, part; subordinated loans according to the fourth article of the regulation, have been taken into consideration in equity calculation.

II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Bank.

The Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Bank's Risk Group, including the Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Utmost importance is given to ensure that loans are furnished with collaterals. Allocation decision, by the definition of credit risk, is not based on the assumption of collaterals can be liquidized. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees. Jurisdictional applicability of collaterals in default, time required to convert to money and ability to maintain expected values are taken into consideration from the beginning of the credit allocation process. Most of the loans are collateralized by the receipt of real estate and securities pledge, commercial enterprise pledge, exchange notes and other liquid securities receivables, bank letters of guarantees and surety of other persons and institutions. It is an important element of the credit policy that disinclude concentration on collateral.

Non-performing and impaired loans has been classified in accordance with the "TFRS 9-Financial Instruments" and BRSA's "Regulation on Procedures and Principles for Classification of Loans and Provisions to be set aside". The detailed descriptions of these methods correspond with accounting practices, are included in Section Three Note VIII.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with different risk classes according to the types and amounts of disaggregated risks are listed below the average for the period.

Amount subject to credit risk (*)	Current Period Risk Amount	Average Risk Amount (**)
Risk Classifications		
Conditional and unconditional exposures to central governments or central banks	118,243,514	113,909,648
Conditional and unconditional exposures to regional governments or local authorities	75,466	61,298
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	325,075	357,270
Conditional and unconditional exposures to multilateral development banks	300	267
Conditional and unconditional exposures to international organizations		
Conditional and unconditional exposures to banks and brokerage houses	26,021,246	19,070,067
Conditional and unconditional exposures to corporates	200,735,820	189,058,909
Conditional and unconditional retail exposures	60,215,454	60,542,891
Exposures secured by residential real estate property	18,897,250	19,668,793
Exposures secured by commercial real estate property	22,216,564	23,939,599
Past due items	4,626,091	3,246,613
Items in regulatory high-risk categories	159,317	86,926
Exposures in the form of bonds secured by mortgages		
Securitization positions		
Short term exposures to banks, brokerage houses and corporates		
Exposures in the form of collective investment undertakings	201,115	50,279
Other items	14,151,398	12,183,835
Share Certificate Investment	17,921,378	15,986,339

(*) Risk amounts after the credit conversions and the effects of credit risk mitigation

(**) Average risk amounts are the arithmetical average of the amounts in quarterly reports prepared.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic market in this particular area, the Bank uses derivative transactions either for hedging or for commercial purposes. Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the ratings that are determined by rating agencies and backed with CDS-IR (based on credit default swap) ratings and credit limits are assigned to the related banks and financial institutions accordingly.

6. (i) The share of the Bank's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 28%, 36%, respectively (December 31, 2017: 23%, 31%).

(ii) The share of the Bank's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 46%, 58% respectively (December 31, 2017: 48%, 59%).

(iii) The share of the Bank's cash and non-cash receivables from the top 100 and 200 loan customers in the overall cash and non-cash loans stands at 18%, 24%, respectively (December 31, 2017: 17%, 23%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the stage 1 and stage 2 expected credit loss allocated for credit risk stands at TL 4,747,362.

8. The Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period
Strong	40.93%
Standard	52.77%
Below Standard	6.30%

The table data comprises behavior rating/scoring results.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Strong	38.14%
Standard	57.29%
Below Standard	4.57%

The table data comprises behavior rating/scoring results.

9. The net values of the collaterals of the closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		
	Personal	Commercial and Corporate	Credit Cards
Real Estate Mortgage (*)	1,155,631	6,749,581	
Cash Collateral (Cash, securities pledge, etc.)	12,096	204,022	
Pledge on Wages and Vehicles	767,868	289,508	
Cheques & Notes		2,521	
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	198,675	19,057,673	
Non-collateralized	843,252	2,081,807	1,096,016
Total	2,977,522	28,385,112	1,096,016

(*)The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

Type of Collateral	Prior Period		
	Personal	Commercial and Corporate	Credit Cards
Real Estate Mortgage (*)	625,612	3,768,316	
Cash Collateral (Cash, securities pledge, etc.)	4,793	23,695	
Pledge on Wages and Vehicles	397,247	90,296	
Cheques & Notes		37,971	
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	101,141	4,948,379	
Non-collateralized	432,999	1,013,102	669,915
Total	1,561,792	9,881,759	669,915

(*)The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of non-performing loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		
	Net Value of the Collateral	Loan Balance	
Real Estate Mortgage (*)	3,680,124	3,680,124	
Cash Collateral	921	921	
Vehicle Pledge	461,856	461,856	
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	765,546	765,546	

(*)The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

Type of Collateral	Prior Period		
	Net Value of the Collateral	Loan Balance	
Real Estate Mortgage (*)	997,130	997,130	
Cash Collateral			
Vehicle Pledge	125,917	125,917	
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	79,033	79,033	

(*)The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

Current Period (*)	31-60 Days (**)	61-90 Days (**)	Total
Loans			
Corporate/Commercial Loans	300,587	700,730	1,001,317
Consumer Loans	93,586	47,161	140,747
Credit Cards	240,207	90,383	330,590
Total	634,380	838,274	1,472,654

(*)The loans classified as closely monitored that are not past due or past due for less than 31 days is TL 27,894,848.

(**)Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 2,152,368 and TL 938,780 respectively.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period (*)	31-60 Days (**)	61-90 Days (**)	Total
Loans			
Corporate/Commercial Loans	94,166	118,424	212,590
Consumer Loans	77,642	40,052	117,694
Credit Cards	162,758	71,020	233,778
Total	334,566	229,496	564,062

(*) The loans classified as closely monitored that are not past due or past due for less than 31 days is TL 7,954,796. As of December 31 2017, one company's credit balance that is followed Loans under the close monitoring and Other Receivables amounting to TL 2,082,881, is not included in the table.

(**) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 890,075 and TL 621,652 respectively.

12. Profile of significant exposures in major regions

Current Period	Domestic	European Union	OECD Countries (**)	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Undistributed Assets/ Liabilities (***)	Total
Risk Groups(*)									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks("****")	116,732,376	999				1,510,139			118,243,514
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	75,464					2			75,466
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	325,004					71			325,075
Contingent and Non-Contingent Receivables from Multilateral Development Banks		300							300
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	5,130,184	13,989,531	1,702,276	131,544	3,755,795	1,311,916			26,021,246
Contingent and Non-Contingent Corporate Receivables	195,230,429	1,294,315	2,939	585,155	72,334	3,550,648			200,735,820
Contingent and Non-Contingent Retail Receivables	59,147,523	279,597	28,772	1,307	23,869	734,386			60,215,454
Contingent and Non-Contingent Receivables Secured by Residential Property	40,779,295	221,627	36,634	441	19,235	56,582			41,113,814
Non-Performing Receivables	4,608,220	7,974	91		452	9,354			4,626,091
Receivables are identified as high risk by the Board	158,550	3				764			159,317
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	201,115								201,115
Other Receivables	14,151,398								14,151,398
Share Certificate Investments									17,921,378
Total	436,539,558	15,794,346	1,770,712	718,447	3,871,685	7,173,862	17,921,378	483,789,988	

(*) Risk amounts after the credit conversions and the effects of credit risk mitigation

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

(***) Assets and liabilities that are not consistently allocated.

(****) Credits guaranteed by the Undersecretariat of Treasury are included in the class of receivables from central government.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period ^(****)	Domestic	European Union	OECD Countries ^(**)	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Undistributed Assets/Liabilities ^(***)	Total
Risk Groups ^(*)									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks ^(***)	104,739,896	994				1,000,540			105,741,430
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	36,769					6			36,775
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	350,027					105			350,132
Contingent and Non-Contingent Receivables from Multilateral Development Banks		225							225
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	2,293,157	8,113,889	445,448	24,267	1,005,258	794,067			12,676,086
Contingent and Non-Contingent Corporate Receivables	160,210,848	1,081,263	2,289	424,125	152,075	2,959,887			164,830,487
Contingent and Non-Contingent Retail Receivables	57,827,577	227,741	27,974	965	19,471	646,284			58,750,012
Contingent and Non-Contingent Receivables Secured by Residential Property	43,457,691	204,517	28,241	145	16,696	72,896			43,780,186
Non-Performing Receivables	754,404	942	155		203	1,266			756,970
Receivables are identified as high risk by the Board	127,879	114	6		42	2,216			130,257
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions									
Other Receivables	10,308,467								10,308,467
Equity Investments							14,087,437		14,087,437
Total	380,106,715	9,629,685	504,113	449,502	1,193,745	5,477,267	14,087,437		411,448,464

(^{*}) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

(^{**}) OECD countries other than EU countries, USA and Canada

(^{***}) Assets and liabilities that are not consistently allocated

(^{****}) Credit Guarantee Fund guaranteed by the Undersecretariat of Treasury are included in the receivables from central governments.

(^{*****}) The prior period corrections which stated in Section Three, footnote I are not reflected.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

13. Risk profile by sectors or counterparties:

	Current Period							
	Bank							
	(1) (*)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sectors/Counterparty (*)								
Agricultural	267,960		617				1,885,960	760,188
Farming and Raising Livestock	249,623		617				1,268,357	738,831
Forestry	5,373						46,913	10,531
Fishing	12,964						570,690	10,826
Industry	3,920,158		194,783				86,437,633	4,419,154
Mining	117,691						3,275,344	111,290
Production	3,732,730		10				48,941,669	4,241,780
Electricity, gas, and water	69,737		194,773				34,220,620	66,084
Construction	2,168,400		7,028				26,478,777	2,711,080
Services	44,577,249		115,945	300	26,003,474	83,766,622	16,750,620	
Wholesale and Retail Trade	5,386,250		586				28,717,729	9,545,904
Hotel, Food and Beverage Services	348,780		59				4,411,214	895,398
Transportation and Telecommunication	838,368		367				15,817,188	3,284,406
Financial Institutions	36,857,488		1,069	300	26,003,474	7,650,653	184,877	
Real Estate and Renting Services	663,709		53,499				22,385,226	1,878,850
Self-Employment Services	104,551		46,257				937,716	415,775
Education Services	176,488		9,340				837,637	203,946
Health and Social Services	201,615		4,768				3,009,259	341,464
Other	67,309,745	75,466	6,702		17,773	2,166,829	35,574,412	
Total	118,243,512	75,466	325,075	300	26,021,247	200,735,821	60,215,454	

(¹) Contingent and non-contingent exposures to central governments or central banks

(²) Contingent and non-contingent exposures to regional governments or local authorities

(³) Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings

(⁴) Contingent and non-contingent exposures to multilateral development banks

(⁵) Contingent and non-contingent exposures to international organizations

(⁶) Contingent and non-contingent exposures to banks and brokerage houses

(⁷) Contingent and non-contingent corporate receivables

(⁸) Contingent and non-contingent retail receivables

(⁹) Contingent and non-contingent exposures secured by real estate property

(¹⁰) Past due receivables

(¹¹) Receivables in regulatory high-risk categories

(¹²) Other receivables

(¹³) Share Certificate Investments

(*) Risk amounts after the credit conversions and the effects of credit risk mitigation

(**) Credit Guarantee Fund guaranteed by the undersecretariat of treasury are included in the receivables from central governments.

Current Period									
Bank									
(9)	(10)	(11)	(12)	(13)	(14)	TP	FC	Total	
399,142	39,591	293				2,575,731	778,020	3,353,751	
294,058	35,264	268				2,461,328	125,690	2,587,018	
3,645	3,181	18				69,659	2	69,661	
101,439	1,146	7				44,744	652,328	697,072	
6,400,381	995,647	29,543			8,444,811	34,028,591	76,813,519	110,842,110	
793,185	13,425	256				722,967	3,588,224	4,311,191	
4,654,143	468,148	29,089			8,444,811	28,325,707	42,186,673	70,512,380	
953,053	514,074	198				4,979,917	31,038,622	36,018,539	
4,625,500	2,078,644	91,924				17,563,879	20,597,474	38,161,353	
15,740,210	1,126,462	36,856	101,115		9,170,408	82,197,355	115,191,906	197,389,261	
7,090,422	671,798	25,408			34,467	35,314,827	16,157,737	51,472,564	
2,064,117	102,331	1,005				2,929,967	4,892,937	7,822,904	
1,592,204	86,930	5,435			59,549	8,200,838	13,483,609	21,684,447	
559,431	7,633	79	101,115		7,401,066	20,351,830	58,415,355	78,767,185	
3,562,895	176,733	3,222			1,675,326	11,489,865	18,909,595	30,399,460	
344,513	44,789	548				1,448,657	445,492	1,894,149	
172,151	13,967	383				1,091,041	322,871	1,413,912	
354,477	22,281	776				1,370,330	2,564,310	3,934,640	
13,948,581	385,747	701	100,000	14,151,398	306,159	115,447,460	18,596,053	134,043,513	
41,113,814	4,626,091	159,317	201,115	14,151,398	17,921,378	251,813,016	231,976,972	483,789,988	

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

14. Analysis of maturity-bearing exposures according to remaining maturities:

Risk Groups ^(*)	Time to Maturity						Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	356,700	2,954,170	743,863	5,899,613	70,651,809		80,606,155
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	48	430	1,786	11,303	61,899		75,466
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	4,331	8,067	34,217	2,403	239,850		288,868
The multilateral development banks and non-contingent receivables		300					300
Contingent and Non-Contingent Receivables from Banks and Intermediaries	11,108,119	1,655,455	1,342,894	5,176,380	4,631,291		23,914,139
Contingent and Non-Contingent Corporate Receivables	10,056,389	10,914,557	16,866,072	21,211,734	112,635,474		171,684,226
Contingent and Non-Contingent Retail Receivables	14,181,736	1,213,381	1,951,257	5,079,940	32,186,688		54,613,002
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	969,848	698,581	1,065,166	2,088,847	33,978,787		38,801,229
Receivables are identified as High Risk by the Board	1,921	5,913	6,123	11,847	123,389		149,193
Total	36,679,092	17,450,854	22,011,378	39,482,067	254,509,187		370,132,578

^(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

15. Information on Risk Classes

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", is based on the Fitch Ratings' international rating. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks, type of exchange and original maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Evaluation of Capital Adequacy of Banks, is given below:

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

Risk Amounts according to Risk Weights

Risk Weight	0%	20%	35%	50%	75%	100%	150%	250%	Mitigation in Shareholders' Equity
Amount Before Credit Risk Mitigation^(*)	93,324,972	13,528,410	18,917,390	29,122,799	65,574,188	267,933,522	73,240	181,741	671,728
Amount After Credit Risk Mitigation	107,456,188	13,528,410	18,897,250	29,116,813	60,215,454	254,320,892	73,240	181,741	671,728

^(*) The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

16. Miscellaneous Information According to Type of Counterparty or Major Sectors

Significant Sectors/Counterparty Current Period	Loans ^(*)			Provisions	
	Depreciated (TFRS 9)		Expected Credit Loss (TFRS 9)		
	Significant Increase in Credit Risk (Stage 2)	Non-Performing (Stage 3)			
1 Agricultural	250,465	122,484	100,559		
1.1 Farming and Raising Livestock	235,296	109,099	89,516		
1.2 Forestry	12,145	10,382	9,007		
1.3 Fishing	3,024	3,003	2,036		
2 Industry	15,155,972	2,252,450	2,561,436		
2.1 Mining	83,936	90,694	85,765		
2.2 Production	5,845,825	1,501,163	1,599,480		
2.3 Electricity, gas, and water	9,226,211	660,593	876,191		
3 Construction	3,934,215	3,673,829	1,939,600		
4 Services	9,096,648	3,163,163	3,059,168		
4.1 Wholesale and Retail Trade	2,960,917	1,999,342	1,672,146		
Hotel, Food and Beverage					
4.2 Services	2,259,831	267,188	417,812		
Transportation and					
4.3 Telecommunication	2,112,122	232,004	405,156		
4.4 Financial Institutions	12,388	28,811	22,368		
4.5 Real Estate and Renting Services	1,167,916	410,351	356,644		
4.6 Self-Employment Services	392,002	128,371	101,457		
4.7 Education Services	89,925	39,436	36,715		
4.8 Health and Social Services	101,547	57,660	46,870		
5 Other	4,021,350	1,979,763	1,789,624		
6 Total	32,458,650	11,191,689	9,450,387		

^(*)The fair value difference is not included in the profit balance as reflected in profit or loss.

17. Information on Value Adjustments and Change in Credit Provisions:

	Beginning Balance ^(*)	Additional Provisions	Reversal of Provisions	Other Value Adjustment	Ending Balance
Stage 3 provisions	3,874,561	3,977,668	(1,286,631)		6,565,598
Stage 1 and Stage 2 Provisions	3,284,207	3,803,470	(2,340,315)		4,747,362

^(*)Balances of January 1, 2018.

18. Exposures Subject to Counter-cyclical Capital Buffer

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	263,666,891	298,761	263,965,652
TRNC	1,955,478		1,955,478
Albania	1,050,703		1,050,703
England	877,931		877,931
Cayman Island	571,122		571,122
Malta	564,998		564,998
Kosova	539,203		539,203
Marshall Island	256,508		256,508
Germany	188,533		188,533
Iraq	151,429		151,429
Other	367,112		367,112

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

III. Explanations on Currency Risk

Foreign currency position risk for the Bank is a result of the difference between the Bank's assets denominated in foreign currencies and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk is managed by the internal currency risk limits which are established as a part of the Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks within the framework of the limits determined by the "Net Foreign Currency Overall Position/Shareholders' Equity" ratio which is a part of the legal requirement and limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the VAR are practiced on a daily basis using the historical and Monte Carlo simulation methods. Scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

Date	USD	EURO
December 31, 2018	5.24	5.9998
December 28, 2018	5.197	5.949
December 27, 2018	5.2104	5.9492
December 26, 2018	5.2146	5.9499
December 25, 2018	5.2663	5.9736
December 24, 2018	5.2162	5.9475

The Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: 5.2343 TL

EUR: 5.9594 TL

Sensitivity to currency risk:

The Bank's sensitivity to any potential change in foreign currency rates has been analyzed. In the analysis presented below 10% change, which is also the amount used for the internal reporting purposes, is anticipated in USD, EUR, GEL and RUB.

Current Period	% Change in Foreign Currency	Effects on Profit/Loss (*)
USD	10% increase	(160,019)
	10% decrease	160,019
EUR	10% increase	(99,608)
	10% decrease	99,608
GEL	10% increase	15,791
	10% decrease	(15,791)
RUB	10% increase	14,030
	10% decrease	(14,030)

(*) Indicates the values before tax.

Prior Period (**)	% Change in Foreign Currency	Effects on Profit/Loss (*)
USD	10% increase	Current Period
	10% decrease	294,394
EUR	10% increase	(294,394)
	10% decrease	(548,279)
GEL	10% increase	548,279
	10% decrease	3,678
RUB	10% increase	(3,678)
	10% decrease	9,039
		(9,039)

(*) Indicates the values before tax.

(**) The prior period corrections which stated in Section III footnote 1 are not reflected.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Information on currency risk:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽¹⁾	9,887,274	17,557,315	6,270,305	33,714,894
Banks	1,561,605	5,835,986	591,894	7,989,485
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	322,890	3,112,467		3,435,357
Money Market Placements				
Financial Assets at Fair Value Through Other Comprehensive Income	838,568	11,531,572		12,370,140
Loans ⁽³⁾	49,424,874	69,384,865	2,321,210	121,130,949
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,157,990		461,759	1,619,749
Financial Assets Measured at Amortised Cost	23,879	1,633,531	316,469	1,973,879
Derivative Financial Assets Held for Risk Management				
Tangible Assets ⁽²⁾	1,643	277	730	2,650
Intangible Assets ⁽²⁾				
Other Assets ⁽²⁾	2,304,103	1,891,600	49,238	4,244,941
Total Assets	65,522,826	110,947,613	10,011,605	186,482,044
Liabilities				
Banks Deposits	1,604,995	1,029,121	158,566	2,792,682
Foreign Currency Deposits ⁽⁴⁾	45,196,965	72,841,178	11,383,374	129,421,517
Money Market Funds		3,864,566		3,864,566
Funds Provided from Other Financial Institutions	13,880,244	28,710,190	3,231	42,593,665
Debt Securities Issued ⁽⁵⁾		34,303,007	76,772	34,379,779
Miscellaneous Payables	605,619	605,902	45,893	1,257,414
Derivative Financial Liabilities Held for Risk Management				
Other Liabilities ⁽²⁾	709,995	1,075,020	52,815	1,837,830
Total Liabilities	61,997,818	142,428,984	11,720,651	216,147,453
Net Balance Sheet Position	3,525,008	(31,481,371)	(1,709,046)	(29,665,409)
Net Off Balance Sheet Position	(4,844,836)	32,238,534	2,821,793	30,215,491
Derivative Financial Assets ⁽⁶⁾	11,736,010	49,905,124	4,036,882	65,678,016
Derivative Financial Liabilities ⁽⁶⁾	16,580,846	17,666,590	1,215,089	35,462,525
Non-Cash Loans	25,702,989	30,041,036	3,163,263	58,907,288
Prior Period				
Total Assets	49,763,093	87,297,040	10,599,297	147,759,430
Total Liabilities	46,018,340	120,528,531	10,019,912	176,566,783
Net Balance Sheet Position	3,744,753	(33,231,491)	679,385	(28,807,353)
Net Off Balance Sheet Position	(9,164,783)	37,093,631	(2,075,541)	25,853,307
Derivative Financial Assets	8,888,179	50,288,209	2,807,193	61,983,581
Derivative Financial Liabilities	18,052,962	13,194,578	4,882,734	36,130,274
Non-Cash Loans	18,071,503	29,998,705	3,041,901	51,112,109

⁽¹⁾ Precious metals accounts amounting TL 6,134,275 are included.

⁽²⁾ In accordance with the Communiqué regarding the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Income Accruals of Derivative Financial Instruments (TL 1,233,275), Operating Lease Development Costs (TL 6,154), Intangible assets (TL 632), Deferred Tax Asset (TL 291,402), Prepaid Expenses (TL 146,559), Stage 1 and Stage 2 expected credit loss (TL (2,437,533)) in assets and Foreign Currency Expense Accruals of Derivative Financial Instruments (TL 2,060,135) and Shareholders' Equity (TL (1,992,234)) in Stage 1 and Stage 2 expected credit loss for non cash loans (TL 3,758) in liabilities are not included in currency risk calculations.

⁽³⁾ Foreign currency indexed loans amounting TL 4,218,356 presented in TL loans in the balance sheet are included in the table above. TL 1,836,453 is USD indexed, TL 2,373,872 is EUR indexed, TL 1,298 is CHF indexed, TL 6,000 is GBP indexed, TL 733 is JPY indexed.

⁽⁴⁾ Precious metals deposit accounts amounting TL 6,172,052 are included.

⁽⁵⁾ Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

⁽⁶⁾ The derivative transactions within the context of forward foreign currency options and foreign currency forwards definitions included in the Communiqué above are taken into consideration.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. Explanations on Interest Rate Risk

Interest rate risk is defined as the impairment of the Bank's interest sensitive Asset, liabilities and off-balance sheet items due to the fluctuations of the market interest rate. The method of average maturity gap according to the repricing dates is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly followed in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the year end balance figures were the same throughout the year. Mentioned analysis shows how the FC and TL changes in interest rates by one point during the one-year period affect the Bank's income accounts and shareholders' equity under the assumption maturity structure and balances are remain the same all year round at the end of the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 100 basis point increase/decrease in TL and FC interest rates on the reporting day are given below:

% Change in the Interest Rate (*)		Effect On Profit/Loss	Effect on Equity (**)
TL	FC (***)	Current Period	Current Period
100 bp increase	100 bp increase	48,410	(676,245)
100 bp decrease	100 bp decrease	(53,433)	752,570

(*)Changes in interest rates is calculated assuming that the expectations reflected in inflation. The effects on the profit/loss and shareholders' equity are stated with their before tax values.

(**)The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets at Fair Value through other comprehensive income.

(***)Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

% Change in the Interest Rate (*)		Effect On Profit/Loss (**)	Effect on Equity (***)
TL	FC (****)	Prior Period	Prior Period
100 bp increase	100 bp increase	(34,044)	(838,692)
100 bp decrease	100 bp decrease	40,482	922,365

(*)Changes in interest rates is calculated assuming that the expectations reflected in inflation. The effects on the profit/loss and shareholders' equity are stated with their before tax values.

(**)The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

(***)The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

(****)Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on time remaining to repricing date):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	20,000,796					20,135,085	40,135,881
Banks	5,726,636	20,962	609,618			2,025,924	8,383,140
Financial Assets at Fair Value through Profit/Loss (*)	1,566,947	932,605	2,488,695	539,716	8,540	148,565	5,685,068
Money Market Placements							
Financial Assets at Fair Value Through Other Comprehensive Income	10,003,207	6,307,266	6,858,435	6,652,152	10,652,815	340,248	40,814,123
Loans (**)	58,264,882	25,778,453	71,269,065	88,685,440	20,914,373	(4,717,193)	260,195,020
Financial Assets Measured at Amortised Cost	3,329,936	3,869,735	9,648,054	6,623,106	3,257,132		26,727,963
Other Assets	2,668,012					31,778,397	34,446,409
Total Assets	101,560,416	36,909,021	90,873,867	102,500,414	34,832,860	49,711,026	416,387,604
Liabilities							
Banks Deposits	2,861,700	941,738	518,884			597,042	4,919,364
Other Deposits	131,321,799	35,729,366	12,801,267	1,132,515		59,364,535	240,349,482
Money Market Funds	6,877,502	671,599	1,522,792				9,071,893
Miscellaneous Payables	747,027					10,295,714	11,042,741
Marketable Securities Issued (***)	1,256,366	3,719,454	3,915,295	22,472,074	9,240,693		40,603,882
Funds Provided from Other Financial Institutions	7,375,500	21,325,384	13,017,543	1,989,388	1,084,753		44,792,568
Other Liabilities (****)	1,236,049	888,618	1,122,914	475,340		61,884,753	65,607,674
Total Liabilities	151,675,943	63,276,159	32,898,695	26,069,317	10,325,446	132,142,044	416,387,604
Balance Sheet Long Position			57,975,172	76,431,097	24,507,414		158,913,683
Balance Sheet Short Position	(50,115,527)	(26,367,138)				(82,431,018)	(158,913,683)
Off Balance Sheet Long Position	4,008,452	5,728,715					9,737,167
Off Balance Sheet Short Position			(333,400)	(3,424,415)	(4,189,210)		(7,947,025)
Total Position	(46,107,075)	(20,638,423)	57,641,772	73,006,682	20,318,204	(82,431,018)	1,790,142

(*) Includes Derivative financial assets.

(**) Stage 1 and Stage 2 Performing Loans' expected credit loss is included in "non-interest bearing" column.

(***) Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

(****) Shareholders' equity is included in "non-interest bearing" column.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	19,883,275					16,067,192	35,950,467
Banks	1,209,935	82,621	39,499			1,141,150	2,473,205
Financial Assets at Fair Value through Profit/Loss	649,027	537,465	898,397	100,331	6,294	240,168	2,431,682
Money Market Placements							
Financial Assets Available for Sale	6,208,100	6,643,872	9,862,406	13,427,633	12,992,337	248,096	49,382,444
Loans	53,154,745	18,962,920	55,390,505	90,789,760	21,866,927	908	240,165,765
Held to Maturity Investments	3,507,152	1,516,897	1,870,920	311,295	408,551		7,614,815
Other Assets	520,772					23,704,383	24,225,155
Total Assets	85,133,006	27,743,775	68,061,727	104,629,019	35,274,109	41,401,897	362,243,533
Liabilities							
Banks Deposits	3,169,403	724,876	373,059			964,270	5,231,608
Other Deposits	114,599,743	17,701,629	11,619,875	2,062,070		52,537,107	198,520,424
Money Market Funds	18,889,715	220,482	723,364				19,833,561
Miscellaneous Payables	330,585					9,746,141	10,076,726
Marketable Securities Issued (*)	605,220	3,158,793	5,533,572	16,792,918	8,108,757		34,199,260
Funds Provided from Other Financial Institutions	4,526,968	22,820,062	8,133,373	2,202,640	741,393		38,424,436
Other Liabilities (**)	524,970	301,281	411,432	73,406		54,646,429	55,957,518
Total Liabilities	142,646,604	44,927,123	26,794,675	21,131,034	8,850,150	117,893,947	362,243,533
Balance Sheet Long Position	3,169,403	724,876	373,059			964,270	5,231,608
Balance Sheet Short Position	(57,513,598)	(17,183,348)	41,267,052	83,497,985	26,423,959		151,188,996
Off Balance Sheet Long Position	2,789,941	4,369,275	20,900			(76,492,050)	(151,188,996)
Off Balance Sheet Short Position				(3,179,315)	(3,105,335)		7,180,116
Total Position	(54,723,657)	(12,814,073)	41,287,952	80,318,670	23,318,624	(76,492,050)	895,466

(*) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

(**) Shareholders' equity is included in "non-interest bearing" column.

b. Average interest rates applied to monetary financial instruments:

Current Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault. Foreign Currency Cash. Money in Transit. Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	2.00			13.00
Financial Assets at Fair Value through Profit/Loss	1.73	1.65		18.03
Money Market Placements	3.93	6.46		13.57
Financial Assets at Fair Value Through Other Comprehensive Income	3.11	4.79		18.03
Loans	5.13	7.60	4.50	19.94
Financial Assets Measured at Amortised Cost	0.44	3.47		15.59
Liabilities				
Banks Deposits	0.53	2.44		23.71
Other Deposits	0.88	2.44	0.01	17.17
Money Market Funds		4.06		23.80
Miscellaneous Payables				
Debt Securities Issued (*)		5.86		21.03
Funds Provided from Other Financial Institutions	1.44	4.51		13.53

(*) Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey		1.50		4.00
Banks	0.25	0.62		7.66
Financial Assets at Fair Value through Profit/Loss	1.35	4.89		13.05
Money Market Placements				
Financial Assets Available for Sale	3.04	4.59		10.43
Loans	4.4	6.20		14.70
Held to Maturity Investments	0.84	0.72		11.46
Liabilities				
Banks Deposits	0.60	1.93		14.34
Other Deposits	0.72	1.90	0.01	8.98
Money Market Funds		2.54		12.68
Miscellaneous Payables				
Debt Securities Issued (*)		5.54		13.03
Funds Provided from Other Financial Institutions	1.11	3.22		11.27

(*) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

V. Explanations on Equity Shares Risk Arising from Banking Book

- a. Related to the equity investments account practices about the associates and subsidiaries can be seen in the Third Section and the footnote numbered III.
- b. Balance Sheet Value of Equity Investment, fair value, and for publicly traded, if the market value is different from the fair value comparison to the market price:

		Comparison			
		Book Value	Fair Value	Market Value	
Share Certificate Investments					
Quoted					
Stock Investment Group A					
Subsidiaries					
Financial Subsidiaries		5,082,435		9,735,551	
Non-Financial Subsidiaries		8,444,811		12,768,750	
Non-Quoted					
Subsidiaries					
Financial Subsidiaries		181,741			
Non-Financial Subsidiaries		25,034			
Associates					
Financial Associates		3,173,307			
Non-Financial Associates		731,392			

- c. Unrealized gains and losses on investment in stocks, Revaluation increases with the amounts of additives included in the main and capital

Portfolio	Realized Gains/ losses During the period	Revaluation Increases		Unrealized Gains and Losses		
		Total	Including into Tier I Capital (*)	Total	Including into Common Equity	Including into Tier II Capital
1 Private Equity Investments						
2 Shares Traded on a Stock Exchange	9,711,375	9,711,375				
3 Other Stocks	2,008,191	2,008,191				
4 Total	11,719,566	11,719,566				

(*) Includes the capital amount according to the equity method.

- d. Capital requirement as per equity shares:

Portfolio	Carrying Value	Total RWA	Minimum Capital Requirement
Private Equity Investments			
Share Traded on a Stock Exchange	13,527,246	13,527,246	1,082,180
Other Stocks	4,111,474	4,202,345	336,188
Total	17,638,720	17,729,591	1,418,368

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

Liquidity risk may occur as a result of funding long-term assets with short-term liabilities; The Bank's liquidity is managed by the Asset-Liability Management Committee in accordance with the business strategies, legal requirements, current market conditions and expectations regarding the economic and financial conjuncture.

The Bank's principal source of funding is deposits. Although the average maturity of deposits is shorter than that assets as a result of the market conditions, the Bank's wide network of branches and stable core deposit base are its most important safeguards of funding. Additionally, the Bank borrows medium and long-term funds from institutions abroad. Concentration limits are generally used in deposit and non-deposit borrowings in order to prevent adverse effects of concentrations in the liquidity risk profile of the Bank.

In order to meet the liquidity requirements that may arise from market fluctuations, considerable attention is paid to the need to preserve liquid liquidity and efforts in this respect are supported by projections of Turkish Lira and Foreign Currency (FC) cash flows. The term structure of TL and FC deposits, their costs and amounts are monitored on a daily basis. During these studies historical events and future expectations are taken into account as well. Based upon cash flow projections, prices are differentiated for different maturities and measures are taken accordingly to meet liquidity requirements. Moreover, potential alternative sources of liquidity are determined to be used in case of extraordinary circumstances.

The liquidity risk exposure of the Bank has to be within the risk capacity limits which are prescribed by the legislation and the Bank's risk appetite defined in its business strategy. It is essential for the Bank to have an adequate level of unencumbered liquid asset stock which can be sold or pledged, in case a large amount of reduction in liquidity sources occurs. The level of liquid asset buffer is determined in accordance with the liquidity risk tolerance which is set by the Board of Directors. Asset-Liability Management Committee is responsible for monitoring the liquidity position, determining appropriate sources of funds and deciding the maturity structure in accordance with the limits which are set by the Board of Directors.

The Treasury Division is responsible for monitoring the liquidity risk, in accordance with the Asset and Liability Risk Policy limits, objectives set out in the business plan and the decisions taken at the meetings of Asset-Liability Management Committee. The Treasury Division is also responsible for making liquidity projections and taking necessary precautions to reduce liquidity risk, by using the results of stress testing and scenario analysis. Within this scope, Treasury Division is monitoring the Turkish Lira (TL) and foreign currency (FC) liquidity position instantly and prospectively based on the information provided from the branches, business units and IT infrastructure of the Bank. The assessment of long-term borrowing opportunities is carried out regularly in order to balance the cash inflows and outflows and to mitigate the liquidity risk. The Bank creates liquidity through repurchase agreements and secured borrowings based on the high quality liquid asset portfolio, through securitization and other structured finance products which are created from the asset pools like credit card receivables and retail loans.

The Bank applies liquidity stress tests to measure liquidity risk. In this approach, in liquidity stress scenarios in which parameters are determined by the Board of Directors, the ability of the Bank's liquid assets' in covering cash outflows within a one-month horizon has been described. Liquidity adequacy limits for TL and FC are determined by Board of Directors, based on the liquidity requirements and risk tolerance of the Bank. The liquidity risk is measured by the Risk Management Division and results are reported to the related executive functions, senior management and Board of Directors.

It is essential for the Bank to monitor the liquidity position and funding strategy continuously. In case of a liquidity crisis that may arise from unfavorable market conditions, extraordinary macroeconomic situations and other reasons which are beyond the control of the Bank, "Emergency Action and Funding Plan" is expected to be commissioned. In that case, aforementioned committees have to report the precautions taken and their results to the Board of Directors through Audit Committee.

The Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio averages for the last three months, the highest value and the lowest value occurred in this period are given below.

Current Period	TL+FC	FC
The lowest value	101.63	166.36
Applicable week	5.10.2018	23.11.2018
The highest value	156.81	274.11
Applicable week	4.01.2019	4.01.2019
Prior Period	TL+FC	FC
The lowest value	114.84	182.06
Applicable week	13.10.2017	1.12.2017
The highest value	133.24	256.58
Applicable week	29.12.2017	6.10.2017

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Liquidity Coverage Ratio:

Current Period	Total Unweighted Value (*)		Total Weighted Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			69,202,831	33,761,698
Cash Outflows				
Retail and Small Business Customers, of which;	168,322,999	92,331,294	15,244,068	9,233,129
Stable deposits	31,764,640		1,588,232	
Less stable deposits	136,558,359	92,331,294	13,655,836	9,233,129
Unsecured wholesale funding, of which;	62,226,648	32,204,931	34,188,498	17,395,740
Operational deposits	562,884	6,670	140,721	1,668
Non-operational deposits	48,685,832	30,036,351	26,045,557	15,244,331
Other unsecured funding	12,977,932	2,161,910	8,002,220	2,149,741
Secured funding				
Other cash outflows, of which;	40,348,928	20,316,660	40,348,928	20,316,660
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	40,348,928	20,316,660	40,348,928	20,316,660
Obligations related to structured financial products				
Commitments related to debts to financial markets and other off-balance sheet obligations				
Other revocable off-balance sheet commitments and contractual obligations	8,092,354	7,348,894	404,618	367,445
Other irrevocable or conditionally revocable off-balance sheet obligations	135,876,383	73,362,528	15,302,485	8,458,119
TOTAL CASH OUTFLOWS			105,488,597	55,771,093
CASH INFLOWS				
Secured lending	386			
Unsecured lending	22,228,538	11,280,653	14,445,268	8,749,323
Other cash inflows	35,567,976	30,897,529	35,567,976	30,897,529
TOTAL CASH INFLOWS	57,796,900	42,178,182	50,013,244	39,646,852
TOTAL HQLA STOCK			69,202,831	33,761,698
TOTAL NET CASH OUTFLOWS			55,475,353	16,669,154
LIQUIDITY COVERAGE RATIO (%)			127.95	210.33

(*) The simple arithmetic average calculated for the last three months of the weekly simple arithmetic average.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Total Unweighted Value ^(*)		Total Weighted Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			59,761,248	33,508,191
CASH OUTFLOWS				
Retail and Small Business Customers, of which;	142,763,111	69,444,625	12,631,512	6,944,462
Stable deposits	32,895,968		1,644,798	
Less stable deposits	109,867,143	69,444,625	10,986,714	6,944,462
Unsecured funding, of which;	55,100,137	27,150,233	31,276,282	15,592,735
Operational deposits	525,415	8,186	131,354	2,046
Non-operational deposits	42,707,441	24,105,847	23,519,547	12,578,240
Other unsecured funding	11,867,281	3,036,200	7,625,381	3,012,449
Secured funding				
Other cash outflows, of which;	41,521,510	25,965,593	41,521,510	25,965,593
Derivatives cash outflow and liquidity needs related to market valuation changes on derivative or other transactions	41,521,510	25,965,593	41,521,510	25,965,593
Obligations related to structured financial products				
Commitments related to debts to financial markets and other off-balance sheet obligations				
Other revocable off-balance sheet commitments and contractual obligations	5,538,137	4,980,036	276,907	249,002
Other irrevocable or conditionally revocable off-balance sheet obligations	105,326,591	55,188,743	11,441,058	6,011,385
TOTAL CASH OUTFLOWS			97,147,269	54,763,177
CASH INFLOWS				
Secured lending	942			
Unsecured lending	13,411,456	4,688,067	7,871,974	3,321,681
Other cash inflows	40,100,375	35,500,719	40,100,375	35,500,719
TOTAL CASH INFLOWS	53,512,773	40,188,786	47,972,349	38,822,400
Upper Limit Applied Value				
TOTAL HQLA STOCK			59,761,248	33,508,191
TOTAL NET CASH OUTFLOWS			49,174,920	16,191,072
LIQUIDITY COVERAGE RATIO (%)			121.66	210.1

(*) The simple arithmetic average calculated for the last three months of the weekly simple arithmetic average.

With respect to prior period's averages, a decrease in the average liquidity coverage ratio has been observed in foreign currency ratios while the total ratio increased for the fourth quarter of 2018. The foreign currency liquidity coverage ratio has decreased due to the decrease in the stock of high quality liquid assets. Total liquidity coverage ratio increase due to the increase in high quality liquid assets and the decrease in net cash outflows. On the other hand, total and foreign currency liquidity coverage ratios are currently far above the minimum level (respectively for 90% and 70% in 2018) pursuant to legal legislations.

The LCR which has been introduced to ensure banks to preserve sufficient stock of high quality assets to meet their net cash outflows that may occur in the short term is calculated as per the Communiqué on "Measurement and Assessment of the Liquidity Coverage Ratio of Banks" published by BRSA. The ratio is directly affected by the level of unencumbered high quality assets which can be liquidated at any time and net cash inflows and outflows arising from the Bank's assets, liabilities and off-balance sheet transactions.

The Bank's high quality liquid asset stock primarily consists of cash, the accounts held at CBRT and unencumbered government bonds which are issued by Turkish Treasury.

The Bank's principal source of funding is deposits. In terms of non-deposit borrowing, funds received from repurchase agreements, marketable securities issued and funds borrowed from financial institutions are among the most significant funding sources of the Bank.

In order to manage liquidity effectively, concentration of liquidity sources and usages should be avoided. Due to the strong and stable core deposit base of the Bank, deposits are received from a diversified customer portfolio. In addition, in order to provide diversification in liquidity sources and usages, liquidity concentration limits are used effectively. Total amount of funds borrowed from a single counterparty or a risk group is closely and instantaneously monitored, taking liquidity concentration limits into account.

Cash flows of derivatives that will take place within 30 days are taken into account in calculation of liquidity coverage ratio. Cash outflows of derivatives that arise from margin obligations, are reflected to the results in accordance with the methodology articulated in the related legislation.

Liquidity risk of the Bank, its foreign branches and subsidiaries that are to be consolidated are managed within the regulatory limits and in accordance with the group strategies. For the purposes of effectiveness and sustainability of liquidity management, funding sources of group companies and funding diversification opportunities in terms of markets, instruments and tenor are evaluated and liquidity position of the group companies are monitored continuously by the Bank.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	23,011,833	17,124,048						40,135,881
Banks	2,911,989	4,840,571	20,962	609,618				8,383,140
Financial Assets at Fair Value through Profit/Loss (**)	144,203	1,566,102	930,772	2,485,865	549,368	8,758		5,685,068
Money Market Placements								
Financial Assets at Fair Value Through Other Comprehensive Income	340,248		1,133,960	2,170,923	16,617,725	20,551,267		40,814,123
Loans (***)	18,236,526	27,534,380	17,964,087	64,971,131	102,000,082	29,610,085	(121,271)	260,195,020
Financial Assets Measured at Amortised Cost		211,161	1,999,754	3,492,474	14,475,963	6,548,611		26,727,963
Other Assets		5,559,598	37,809	33,559	377,667		28,437,776	34,446,409
Total Assets	44,644,799	56,835,860	22,087,344	73,763,570	134,020,805	56,718,721	28,316,505	416,387,604
Liabilities								
Bank Deposits	597,042	2,861,700	941,738	518,884				4,919,364
Other Deposits	59,364,535	131,321,339	35,726,304	12,797,147	1,140,157			240,349,482
Funds Provided from Other Financial Institutions		1,585,950	3,758,515	21,312,390	13,951,111	4,184,602		44,792,568
Money Market Funds		6,877,502	671,599	1,522,792				9,071,893
Marketable Securities Issued (****)		1,256,365	2,583,241	3,915,294	22,472,075	10,376,907		40,603,882
Miscellaneous Payables		10,844,813	99,821	17,406	80,701			11,042,741
Other Liabilities		5,073,255	1,876,076	1,122,914	475,340		57,060,089	65,607,674
Total Liabilities	59,961,577	159,820,924	45,657,294	41,206,827	38,119,384	14,561,509	57,060,089	416,387,604
Liquidity Gap	(15,316,778)	(102,985,064)	(23,569,950)	32,556,743	95,901,421	42,157,212	(28,743,584)	
Net Off Balance Sheet Position		(1,369,703)	(2,276,275)	475,366	1,010,001	133,790		(2,026,821)
Derivative Financial Assets		37,506,162	18,535,732	16,933,148	22,184,356	25,423,516		120,582,914
Derivative Financial Liabilities		38,875,865	20,812,007	16,457,782	21,174,355	25,289,726		122,609,735
Non-cash Loans	51,283,445	2,817,912	5,903,894	18,333,363	8,834,698	4,149,600		91,322,912
Prior Period								
Total Assets	33,238,667	49,281,973	16,821,006	61,050,176	130,323,913	49,698,162	21,829,636	362,243,533
Total Liabilities	53,501,377	150,329,032	23,348,571	38,218,338	30,675,623	13,574,145	52,596,447	362,243,533
Liquidity Gap	(20,262,710)	(101,047,059)	(6,527,565)	22,831,838	99,648,290	36,124,017	(30,766,811)	
Net Off Balance Sheet Position		(445,131)	(355,561)	(97,483)	731,018	(15,710)		(182,867)
Derivative Financial Assets		30,807,974	14,509,097	14,456,713	18,327,551	12,360,595		90,461,930
Derivative Financial Liabilities		31,253,105	14,864,658	14,554,196	17,596,533	12,376,305		90,644,797
Non-cash Loans	43,443,473	1,808,270	5,619,670	19,572,107	7,334,373	3,639,090		81,416,983

(*) Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted into cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in the "Unallocated" column.

(**) Includes Derivative financial assets.

(***) Net value of Stage 1 and Stage 2 Performing Loans' expected credit loss and Stage 3 non performing loans' expected credit loss is included in "Unallocated" column.

(****) Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

In compliance with the "TFRS 7", the following table indicates the maturities of the Bank's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the liabilities. The interest to be collected from and paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments (-)	Balance Sheet Value
Liabilities									
Deposits	59,961,577	134,739,842	37,552,513	13,758,840	1,195,312		247,208,084	1,939,238	245,268,846
Funds Provided from Other Financial Institutions		1,603,993	3,908,438	22,237,257	16,124,552	4,521,474	48,395,714	3,603,146	44,792,568
Money Market Funds		6,894,179	675,767	1,568,139			9,138,085	66,192	9,071,893
Marketable Securities Issued (*)		1,268,494	2,725,755	6,133,916	28,490,837	12,204,318	50,823,320	10,219,438	40,603,882

(*) Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments (-)	Balance Sheet Value
Liabilities									
Deposits	53,501,377	118,099,606	18,633,864	12,170,872	2,130,559		204,536,278	784,246	203,752,032
Funds Provided from Other Financial Institutions		975,874	2,395,109	20,547,682	12,473,289	4,626,243	41,018,197	2,593,761	38,424,436
Money Market Funds		18,899,567	115,039	77,334	800,070		19,892,010	58,449	19,833,561
Marketable Securities Issued(*)		612,023	1,831,649	7,556,477	21,937,969	11,223,491	43,161,609	8,962,349	34,199,260

(*) Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

The following table shows the remaining maturities of non-cash loans of the Bank.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	5,125,787	1,241,213	2,355,725	5,650,082	119,756		14,492,563
Letters of Guarantee	45,491,815	1,260,981	2,697,922	9,963,090	7,973,140	2,768,139	70,155,087
Acceptances	424,259	315,718	684,106	2,719,473	236,051		4,379,607
Other	241,584		166,141		718	505,751	1,381,461
Total	51,283,445	2,817,912	5,903,894	18,333,363	8,834,698	4,149,600	91,322,912

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	4,714,025	774,089	2,679,852	8,419,662	82,348		16,669,976
Letters of Guarantee	38,357,219	918,250	2,532,201	8,882,145	6,578,807	2,493,453	59,762,075
Acceptances	193,096	115,919	406,865	2,264,523	357,410		3,337,813
Other	179,133	12	752	5,777	315,808	1,145,637	1,647,119
Total	43,443,473	1,808,270	5,619,670	19,572,107	7,334,373	3,639,090	81,416,983

The following table shows the remaining maturities of derivative financial assets and liabilities of the Bank.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts-Buy	1,087,668	1,105,743	3,879,925	2,720,401		8,793,737
Forwards Contracts-Sell	1,086,605	1,104,272	3,889,309	2,711,759		8,791,945
Swaps Contracts-Buy	33,408,248	16,439,710	8,885,071	18,146,669	25,423,516	102,303,214
Swaps Contracts-Sell	33,819,076	17,407,452	8,400,318	17,145,310	25,289,726	102,061,882
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	2,759,345	803,997	2,983,708	1,229,705		7,776,755
Options-Put	2,684,921	804,001	2,983,711	1,229,705		7,702,338
Other	1,536,164	1,682,564	2,368,888	175,162		5,762,778
Total	76,382,027	39,347,739	33,390,930	43,358,711	50,713,242	243,192,649

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	1,095,732	1,423,079	3,230,915	2,644,837		8,394,563
Forwards Contracts- Sell	1,101,801	1,421,656	3,236,686	2,636,560		8,396,703
Swaps Contracts-Buy	27,709,429	11,998,922	7,445,640	14,912,913	12,360,595	74,427,499
Swaps Contracts-Sell	24,717,014	12,363,034	7,537,356	14,190,170	12,376,305	71,183,879
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	1,966,630	1,039,015	3,592,584	769,801		7,368,030
Options-Put	1,973,366	1,031,887	3,592,580	769,803		7,367,636
Other	3,497,107	96,162	375,148			3,968,417
Total	62,061,079	29,373,755	29,010,909	35,924,084	24,736,900	181,106,727

VII. Explanations on Leverage Ratio

a. Explanations on differences between current and prior periods' leverage ratios

The Bank's unconsolidated leverage ratio is 8.27% and calculated in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level. (December 31, 2017: 8.08%). According to the Regulation, the minimum leverage ratio is 3%. The changes in the leverage ratio are mostly due to the increase in Tier I Capital.

b. Explanations on leverage ratio:

	Current Period (*)
On-Balance sheet items	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	412,634,753
Assets amounts deducted from Tier 1 capital	(636,552)
Total on balance sheet exposures	411,998,201
Derivative exposures and credit derivatives	
Replacement cost associated with derivative financial instruments and credit derivatives	5,644,566
The potential amount of credit risk with derivative financial instruments and credit derivatives	1,774,601
The total amount of risk on derivative financial instruments and credit derivatives	7,419,167
Investment securities or commodity collateral financing transactions	
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	4,810,328
Risk amount of exchange brokerage operations	0
Total risks related with securities or commodity financing transactions	4,810,328
Off-Balance Sheet Items	
Gross notional amount of off-balance sheet items	163,642,658
Adjustments for conversion to credit equivalent amounts	(6,781,814)
The total risk of off-balance sheet items	156,860,844
Capital and Total Exposures	
Tier 1 Capital	48,024,232
Total Exposures	581,088,540
Leverage Ratio	
Leverage Ratio	8.27

(*) Three-month average of the amounts in Leverage Ratio table.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period (*)
On-Balance sheet items	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	359,133,811
Assets amounts deducted from Tier 1 capital	(616,105)
Total on balance sheet exposures	358,517,706
Derivative exposures and credit derivatives	
Replacement cost associated with derivative financial instruments and credit derivatives	2,558,840
The potential amount of credit risk with derivative financial instruments and credit derivatives	1,217,639
The total amount of risk on derivative financial instruments and credit derivatives	3,776,479
Investment securities or commodity collateral financing transactions	
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2,762,455
Risk amount of exchange brokerage operations	2,762,455
Total risks related with securities or commodity financing transactions	2,762,455
Off-Balance Sheet Items	
Gross notional amount of off-balance sheet items	149,890,687
Adjustments for conversion to credit equivalent amounts	(4,738,708)
The total risk of off-balance sheet items	145,151,979
Capital and Total Exposures	
Tier 1 Capital	41,206,723
Total Exposures	510,208,619
Leverage Ratio	
Leverage Ratio	8.08

(*) Three-month average of the amounts in Leverage Ratio table. The adjustments for the prior period which are explained in footnote I, Section Three are not included.

VIII. Explanations on Other Price Risks

The Bank is exposed to shares price risk due to its investments in companies being traded on the Borsa İstanbul A.Ş. (BIST).

The Bank's sensitivity to stock price risk at the reporting date was measured with an analysis. In the analysis, with the assumption of all other variables were held constant and the data (stock prices) used in the valuation method are 10 % higher or lower. According to this assumption in shares traded in Borsa İstanbul and followed under Financial Assets at Fair Value through Profit or Loss account, expected to have an effect amounting to TL 14,420 increase/decrease.

IX. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

Current Period	Book Value	Fair Value
Financial Assets		
Money Market Placements		
Banks	8,383,140	8,394,558
Financial Assets at Fair Value through Other Comprehensive Income	40,814,123	40,814,123
Investments Financial Assets Measured Amortized Cost	26,727,963	24,755,322
Loans	260,316,291	244,015,821
Financial Liabilities		
Banks Deposits	4,919,364	4,902,686
Other Deposits	240,349,482	240,425,832
Funds Provided from Other Financial Institutions	44,792,568	44,112,554
Marketable Securities Issued (*)	40,603,882	37,607,581
Miscellaneous Payables	11,042,741	11,042,741

(*) Includes subordinated bonds which are classified on the balance sheet as subordinated loans.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Book Value	Fair Value
Financial Assets		
Money Market Placements	2,473,205	2,473,301
Banks	49,382,444	49,382,444
Financial Assets Available for Sale	7,614,815	7,528,741
Investments Held to Maturity	240,165,765	237,669,670
Loans		
Financial Liabilities		
Banks Deposits	5,231,608	5,227,601
Other Deposits	198,520,424	198,646,733
Funds Provided from Other Financial Institutions	38,424,436	38,271,146
Marketable Securities Issued (*)	34,199,260	34,721,697
Miscellaneous Payables	10,076,726	10,076,726

(*) Includes subordinated bonds which are classified on the balance sheet as subordinated loans.

Strike prices, quotations, market prices determined by the CBRT and published in the Official Gazette and the values calculated by using alternative models, are taken as the basis in the fair value determination of Financial Assets at fair value through other comprehensive income.

When the prices of the financial assets measured at amortized cost cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions and marketable securities are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

"IFRS 13 - Fair Value Measurement" standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	428,905	17,100	1,365
Equity Securities	144,203		
Derivative Financial Assets Held for Trading		5,093,495	
Other			
Financial Assets at Fair Value Through Profit or Loss (*)			
Debt Securities	28,289,459	12,083,302	101,115
Equity Securities		274,631	
Other		57,590	
Loans measured at fair value through profit or loss			2,126,927
Derivative Financial Liabilities		3,705,490	

(*) Since they are not traded in an active market, the equity securities TL 8,026 under the financial assets at fair value through other comprehensive income are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	122,046	10,649	
Equity Securities	221,589		
Derivative Financial Assets Held for Trading		2,077,398	
Other			
Financial Assets Available-for-Sale (*)			
Debt Securities	35,920,580	13,154,259	
Equity Securities		140,366	
Other		131,403	
Derivative Financial Liabilities		1,293,028	

(*) Since they are not traded in an active market, the equity securities TL 182,668 under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The movement table of financial assets at level 3 is given below:

	Current Period
Balance at the Beginning of the Period	
Purchases	102,480
Redemption or Sales	
Valuation Difference	
Transfers	2,126,927
Balance at the end of the Period	2,229,407
<hr/>	
Balance at the Beginning of the Period	Prior Period
Purchases	959,408
Redemption or Sales	
Valuation Difference	
Transfers	(959,408)
Balance at the end of the Period	

Real estates which are presented in the financial statements at fair value are classified at level 3.

The loans measured at fair value through profit and loss under Level 3 consists of loan granted to the special purpose entity which is disclosed in the Section V footnote I-f.2 and footnote I.r. The mentioned loan's fair value is determined by the various valuation methods. The potential changes in the fundamental estimations and assumptions in the valuation work can affect the carrying fair value of the loan.

X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

The Bank gives trading and custody services in the name and on the account of its customers. The Bank has no fiduciary transactions.

XI. Explanations on Risk Management Objectives and Policies

Explanations according to "Communiqué on Public Disclosures about Risk Management" published on the Official Gazette No.29511 dated October 23, 2015 are included below. The Bank uses the standardised approach for calculation of capital charge for credit risk, therefore explanations about internal ratings-based approach are not included.

a. General Information on Risk Management and Risk Weighted Amounts

a.1. The Bank's risk management approach

Bank is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the Bank and with the perspective of risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "corporate governance" to forefront, the independence of the internal audit and monitoring units from the business units that undertake risks is established risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Committee operates to prepare the Bank's risk management strategies and policies, submit them to the Board of Directors for approval and monitor the implementations. Evaluating the capital adequacy and observing the active use of results in Bank's planning and decision making processes, establishing and monitoring limits related to main risks, monitoring the activities of risk management (determining, defining, measuring, evaluating and managing risk) and monitoring results and methods in measuring risk are also under their authority and responsibility of the Committee. Committee reports activity results to the Board of Directors through Audit Committee.

The Risk Management Department, which operates under the Bank's Board of Directors, has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Subsidiary Risk Unit and Validation Unit.

The Bank's risk management process is carried out within the framework of risk policies which are issued by the Board of the Directors by taking the recommendations of the Risk Management Department into account and which include the written standards that are implemented by the business units. These policies which are entered into force in line with the international practices are general standards which contain organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations, compulsory approvals and confirmations to be given in a variety of events and situations.

In the aforementioned risk policies, the Bank's risk appetite framework is defined as a set of approaches that determine the risk capacity, the risk appetite, the risk tolerance and that include the policies, procedures, controls and systems for reporting and monitoring of the limits set for the Bank's risk profile and the indicators in the framework. The Bank's risk appetite framework, which is formed in accordance with the above-mentioned factors and entered into force with the Board of Directors approval, includes indicators that are aligned with the business plan, the strategic programme, capital and remuneration planning and comparable on a business unit level to the extent possible. The compliance to the limits within the framework is periodically monitored and the realization of the risk appetite indicators are reported to the Risk Committee and the Boards on a monthly basis.

In order to build a strong corporate culture that has a risk management perspective, the Bank has policies, processes, systems and a control system that is integrated with the Bank's risk management system to effectively control the bank's risk management system is available. All employees of the Bank essentially perform their duties in a responsible manner that aims to develop controls to reduce or eliminate the probability of the Bank to incur losses related to the operational risks. In the process risk analysis studies, risks and the related controls are evaluated together with employees performing the relevant process in a holistic approach. Procedures to be followed in case of a risk threshold breach and risk definitions are given in the risk policies. Code of conducts, operation manuals, the sharing of duties between business units and risk units are announced to the Bank's staff.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The risk reports that analyse the results reached by the Bank and the comprehensive risk assessment and comparison of these results with a risk management perspective are periodically submitted to the Risk Committee and to the Board through the Audit Committee. The content of the above mentioned reports could be summarised as follows:

- Capital adequacy ratio, the progression of the components of this ratio and the issues that affect the aforementioned ratio,
- Monitoring the compliance status of the limits set by the Board of Directors as a part of the risk appetite framework and based on the components of the main risk types,
- In addition to the assessment of the loan portfolio on the basis of counterparties and loan types, monitoring of the portfolio as a whole according to parameters such as maturity, sector, geography, risk ratings, arrears, defaults,
- Measuring the assets and liabilities management risk, and reporting of measurement results,
- Monitoring of all risks assessed in the context of operational risk, loss events that occurred in the Bank and risk indicators,
- Testing the measurement results in terms of completeness and reliability,
- Analysing the level of risk indicators under various stress scenarios,
- Examining various concentration indicators and the course followed by these indicators,

As per the communiqué on "Bank's Internal Systems and Internal Capital Adequacy and Assessment Process" and "Guidelines for Stress Testing of Banks to Use in Capital and Liquidity Planning", stress tests are conducted for the entire risks that the Bank is exposed to and on the basis of significant risk categories. As a part of the holistic stress tests, risk appetite, capital planning, strategic plan and budget, action plans for emergencies and unexpected situations related to miscellaneous risks and other issues considered as significant are taken into consideration. In the above-mentioned stress tests, the methods that form the basis of regulatory reporting (standard method for credit and market risk, basic indicator method for operational risk) are used. On the other hand, in the stress tests for individual risk types the most advanced approaches used for risk measurement in the Bank are leveraged.

In the stress tests, both the first pillar risks (credit risk, market risk, operational risk) in scope of the regulatory framework and all the other risks that the Bank is exposed to independent of the regulatory framework are taken into account in a holistic perspective. In determining the course of capital adequacy under various scenarios during the planning horizon, the actions that the Bank will take in case of stress conditions and the impact of the diversified growth strategies of business units on the capital adequacy and the balance sheet are considered.

The scope and content of the Bank's risk management system in terms of the main risk types are listed below. Bank's risk mitigation strategies and processes for the assessment of their effectiveness are given in Fourth Section II No. "Explanations on Credit Risk" under the Section IV, XI-f.1 notes. No. "The Public Disclosure of Qualitative Information Related to the Market Risk" mentioned in the section.

Credit risk

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines measures and manages credit risk of all products and activities. Board of Directors review the Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Bank's credit risk management, along the limits as required by legal regulations, the Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors. Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

Asset and Liability Management Risk

Asset-liability management risk defined as the risk of Bank's incurring loss due to managing all financial risks that are inflicted from the Bank's assets, liabilities and off-balance sheet transactions, ineffectively. Trading book portfolio's market risk, structural interest rate risk and liquidity risk of the banking portfolio; are considered within the scope of the asset liability management.

Complying the established risk limits and being at the limits that stipulated by the legislation are the primary priority of Asset-liability management risk. Risk limits are determined by the Board of Directors by taking into consideration of the Group's liquidity, target income level and general expectations about changes in risk factors.

Board of Directors and the Audit Committee are responsible for following the Bank's capital is used optimally; for this purpose, checking the status against risk limits and providing the necessary actions are taken.

Asset and Liability Management Committee is responsible for managing the Asset and Liability risk within the framework of operating principles that are involved in the risk appetite and risk limits are set by the Board of Directors in accordance with the policy statement.

Asset and liability management processes and compliance with the provisions of the policy are controlled and audited by the internal audit system. The execution of the audit, reporting the audit results, action plans for the elimination of errors and gaps identified as a result of inspections regarding the fulfillment of the principles, are determined by the Board of Directors.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Operational Risk

Operational risk is defined as "the probability of loss due to the inadequate or failed internal processes, people, systems, external factors or legal risks". All risks except financial risks are considered within the scope of operational risk. Studies consist and are formed of occur by execution of identification, definition, measurement, analysis, monitoring of operational risk, providing and reporting the necessary control related to monitoring the progress of our country and the world, the development of techniques and methods, necessary legal reporting, notification and conduct of follow-up transactions. Studies on the subject are conducted by the Department of Risk Management.

Operational risks that arise due to the activities are defined in "Bank Risk Catalogue" and classified in respect of species. Bank Risk Catalogue is kind of the fundamental document that used for identification and classification of all at the risk that may be encountered. It is updated in line with the changes in the nature of the processes and activities.

Qualitative and quantitative methods are used in a combination for measurement and evaluation of the operational risks. In this process, information uses that obtained from "Impact-Probability Analysis", "Missing Event Data Analysis", "Risk Indicators" methods. Methods prescribed by legal regulations are applied as minimum in determining the capital requirement level for the operating risk.

All risks are assessed in the context of operational risk, loss events and the risk indicators same as operational risks that occurred in the Bank, are monitored on a regular basis by the Department of Risk Management and reported periodically to the Risk Committee and the Board of Directors.

Validation Operations

Risk measurement models are validated at least once a year under international standards. The performance and soundness of the models are evaluated by the validation unit by statistical methods, the compliance of the processes applied within the scope of the model with the related laws, communiqués and regulations are analyzed, and the appropriateness of the data quality and IT applications used in the models is monitored. The results of the validation activities are reported to the Risk Committee and the Board of Directors.

a.2 Overview of risk weighted amounts:

	Risk Weighted Amounts	Minimum Capital Requirements
Current Period		
Credit risk (excluding counterparty credit risk) (CCR) (*)	316,592,051	25,327,364
Of which standardised approach (SA)	316,592,051	25,327,364
Of which internal rating-based (IRB) approach		
Counterparty credit risk	9,014,270	721,142
Of which standardised approach for counterparty credit risk (CCR)	9,014,270	721,142
Of which internal model method (IMM)		
Equity positions in banking book under basic risk weighting or internal rating-based approach		
Equity investments in funds - look-through approach	150,558	12,045
Equity investments in funds - mandate-based approach		
Equity investments in funds - 1250% weighted risk approach		
Settlement risk	1,125	90
Securitization positions in banking accounts		
Of which IRB ratings-based approach (RBA)		
Of which IRB Supervisory formula approach (SFA)		
SA/simplified supervisory formula approach (SSFA)		
Market risk	6,365,563	509,245
Of which standardised approach (SA)	6,365,563	509,245
Of which internal model approaches (IMM)		
Operational Risk	24,924,269	1,993,942
Of which Basic Indicator Approach	24,924,269	1,993,942
Of which Standardised approach (SA)		
Of which Advanced measurement approach		
The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	454,353	36,348
Floor adjustment		
Total	357,502,189	28,600,176

(*) Settlement risk and the amounts below the thresholds for deduction from capital are not included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Risk Weighted Amounts	Minimum Capital Requirements
Prior Period (**)		
Credit risk (excluding counterparty credit risk) (CCR) (*)	267,463,013	21,397,041
Of which standardised approach (SA)	267,463,013	21,397,041
Of which internal rating-based (IRB) approach		
Counterparty credit risk	4,285,497	342,840
Of which standardised approach for counterparty credit risk (CCR)	4,285,497	342,840
Of which internal model method (IMM)		
Equity positions in banking book under basic risk weighting or internal rating-based approach		
Equity investments in funds - look-through approach		
Equity investments in funds - mandate-based approach		
Equity investments in funds - 1250% weighted risk approach		
Settlement risk	22,388	1,791
Securitization positions in banking accounts		
Of which IRB ratings-based approach (RBA)		
Of which IRB Supervisory formula approach (SFA)		
SA/simplified supervisory formula approach (SSFA)		
Market risk	10,052,538	804,203
Of which standardised approach (SA)	10,052,538	804,203
Of which internal model approaches (IMM)		
Operational Risk	20,201,290	1,616,103
Of which Basic Indicator Approach	20,201,290	1,616,103
Of which Standardised approach (SA)		
Of which Advanced measurement approach		
The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	1,583,860	126,708
Floor adjustment		
Total	303,608,586	24,288,686

(*) Settlement risk and the amounts below the thresholds for deduction from capital are not included.

(**) The adjustments for the prior period which are explained in footnote I, Section Three are not included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b. Linkages between Financial Statements and Risk Amounts

b.1. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	
Assets						
Cash and CBRT	40,135,881	40,135,881				
Banks and Money Market Placements	8,383,140	8,383,140				
Financial Assets at Fair Value Through Profit/Loss	591,573				591,573	
Financial Assets at Fair Value Through Other Comprehensive Income	40,814,123	40,814,123				874,188
Financial Assets at Amortised Cost	26,727,963	26,727,963				
Derivative Financial Assets at Fair Value Through Profit/Loss	5,093,495	5,093,495	5,093,495			2,418,232
Derivative Financial Assets at Fair Value Through Other Comprehensive Income						
Loans (Net)	260,195,020	260,195,020				
Assets Held for Sale and Discontinued Operations	243,350	243,350				
Investment in Associates, Subsidiaries and Joint-Ventures	17,638,720	17,638,720				
Tangible Assets	5,130,314	5,060,901				69,413
Intangible Assets	623,294	623,294				602,315
Investment Properties						
Current Tax Asset						
Deferred Tax Asset	1,492,906	1,492,906				
Other Assets	9,317,825	9,317,825				
Total Assets	416,387,604	415,726,618	5,093,495		3,883,993	671,728
Liabilities						
Deposits	245,268,846					
Funds Borrowed	44,792,568		5,965,580			
Money Market Funds	9,071,893		9,071,893			
Marketable Securities Issued	29,445,081					
Derivative Financial Liabilities at Fair Value Through Profit/Loss	3,705,490				3,705,490	
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income						
Provisions	6,256,462					
Current Tax Liability	1,488,957					
Deferred Tax Liability						
Subordinated Debts	11,158,801					
Other Liabilities	15,479,882					
Shareholders' Equity	49,720,624					
Total Liabilities	416,387,604		15,037,473		3,705,490	

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period (*)	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	
Assets						
Cash and CBRT	35,950,467	35,950,467				
Financial Assets Held for Trading	2,431,682		2,077,398			1,235,627
Financial Assets Held for Trading	354,284					354,284
Derivative Financial Assets Held for Trading	2,077,398		2,077,398			881,343
Bank and Money Market Placements	2,473,205	2,473,205				
Financial Assets Available-for-Sale	49,382,444	49,081,446				300,998
Loans, Factoring Receivables and Lease Receivables	240,165,765	240,165,765				
Investment Held-to-Maturity	7,614,815	7,614,815				
Investment in Associates, Subsidiaries and Joint-Ventures	13,911,235	13,911,235				
Derivative Financial Assets Held for Risk Management						
Tangible Assets	4,449,225	4,375,506				73,719
Intangible Assets	557,416	12,509				544,907
Investment Properties						
Tax Asset	508,969	508,969				
Assets Held for Sale and Discontinued Operations	155,920	155,920				
Other Assets	4,751,382	4,751,382				
Total Assets	362,352,525	359,001,219	2,077,398		1,536,625	618,626
Liabilities						
Deposits	203,752,032					
Derivative Financial Liabilities Held for Trading	1,293,028					1,293,028
Funds Borrowed	38,424,436		5,143,587			
Money Market Funds	19,833,561		16,842,879			
Marketable Securities Issued	25,911,279					
Other Liabilities	12,161,090					
Derivative Financial Liabilities Held for Risk Management						
Provisions	8,808,734					
Tax Liability	787,125					
Subordinated Debts	8,287,981					
Shareholders' Equity	43,093,259					
Total Liabilities	362,352,525		21,986,466			1,293,028

(*) The adjustments for the prior period which are explained in footnote I, Section Three are not included.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b.2 The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

Current Period	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1 Asset carrying value amount under scope of TAS	410,702,536	415,726,618		5,093,495	3,883,993
2 Liabilities carrying value amount under scope of TAS				(15,037,473)	3,705,490
3 Total net amount scope of financial statement	410,702,536	415,726,618		20,130,968	178,503
4 Off-balance sheet amounts	283,048,998	63,669,618		6,828,094	
5 Repo style transactions ^(*)				4,374,612	
6 Differences in valuations					
7 Differences due to different netting rules					
8 Differences due to consideration of provisions					
9 Differences due to prudential filters					
10 Differences due to risk mitigation ^(**)		(6,602,646)			
11 Risk Amounts	472,793,591			11,202,706	178,503

(^{*}) According to the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", it is the counterparty credit risk amount calculated for repo style transactions.

(^{**}) The source of the difference is collaterals of exposures to which credit risk mitigation is applied in the calculation of capital adequacy.

Prior Period^(***)	Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk
1 Asset carrying value amount under scope of TAS	362,352,525	359,001,219		2,077,398	1,536,625
2 Liabilities carrying value amount under scope of TAS				(21,986,466)	1,293,028
3 Total net amount scope of financial statement	362,352,525	359,001,219		24,063,864	243,597
4 Off-balance sheet amounts	244,509,634	56,714,471		3,311,085	
5 Repo style transactions ^(*)				2,653,718	
6 Differences in valuations					
7 Differences due to different netting rules					
8 Differences due to consideration of provisions					
9 Differences due to prudential filters					
10 Differences due to risk mitigation ^(**)		(10,232,029)			
11 Risk Amounts	405,483,661			5,964,803	243,597

(^{*}) According to the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", it is the counterparty credit risk amount calculated for repo style transactions.

(^{**}) The source of the difference is collaterals of exposures to which credit risk mitigation is applied in the calculation of capital adequacy.

(^{***}) The adjustments for the prior period which are explained in footnote I, Section Three are not included.

The Bank intends to use fair value measurement methods in accordance with TFRS 13 using valuation methodologies based primarily on observable data. In this context, market prices, quoted prices, prices set by CBRT and published in official gazette and internal pricing models are also utilized in the fair value measurement of the financial assets in the form of securities. Valuation models that use market data such as interest rates, efficiency curves, currency, and volatility curves are used as the basis for derivative transactions while third party valuation services are also available.

The accuracy of the market prices, data and/or model inputs used in valuation under the independent price validation process is regularly checked and the suitability of the results provided by the third party pricing service is tested at regular intervals.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Explanation on Credit Risk

c.1. General Information on Credit Risk

c.1.1. General qualitative information on credit risk

This information is included in footnotes under Section Four, Part II, "Explanations on Credit Risk," and Section Four, Note XI-a.1.

c.1.2. Credit quality of assets:

Current Period	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)			Allowances/amortization and impairments	Net Values		
			Non-defaulted				
	Defaulted						
Loans	11,191,689		260,316,291	6,565,598	264,942,382		
Debt Securities			66,385,242		66,385,242		
Off-balance sheet exposures	545,107		150,903,665	365,941	151,082,831		
Total	11,736,796		477,605,198	6,931,539	482,410,455		

Prior Period	Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)			Allowances/amortization and impairments	Net Values		
			Non-defaulted				
	Defaulted						
Loans	5,403,534		239,408,795	4,646,564	240,165,765		
Debt Securities			56,520,060		56,520,060		
Off-balance sheet exposures	347,586		145,108,419	177,964	145,278,041		
Total	5,751,120		441,037,274	4,824,528	441,963,866		

c.1.3. Changes in stock of default loans and debt securities^(*):

	Current Period
Defaulted loans and debt securities at end of the previous reporting period	5,403,534
Loans and debt securities that have defaulted since the last reporting period	12,881,463
Receivables back to non-defaulted status	(92,081)
Amounts written off	(953,606)
Other changes	(6,047,621)
Defaulted loans and debt securities at end of the reporting period	11,191,689

^(*) Indemnified non-cash loans or non-cash loans not converted into cash, of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

	Prior Period
Defaulted loans and debt securities at end of the previous reporting period	4,944,355
Loans and debt securities that have defaulted since the last reporting period	2,693,340
Receivables back to non-defaulted status	(220,497)
Amounts written off	(340,188)
Other changes	(1,673,476)
Defaulted loans and debt securities at end of the reporting period	5,403,534

^(*) Indemnified non-cash loans or non-cash loans not converted into cash, of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

c.1.4. Additional Explanation About the Credit Quality of Assets

Bank's methods for determining provision amounts and classification of its loans are mentioned in the Section Three Note VIII.

The bank is restructuring its loans classified as first and second group as well as non-performing loans. Restructuring in performing loans are made by granting a new loan or extending the term date of credit given to customer by Bank. Restructuring of a contract is made on customer's demand or with the purpose of enhancing the solvency of customer. Restructuring in non-performing loans are generally made by establishing a new redemption plan within the context of a protocol aiming the collection of those receivables whose redemption plan are not valid because of delinquency previously.

The breakdown of receivables in terms of geographic regions, sectors and remaining maturities are represented in "Explanations on Credit Risk" in the Section Four Notes II.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

On the basis of sector-based provisions for receivables are presented in the footnote numbered Section Four II-16. The amounts of the receivables that are set aside for the geographical regions are as follows. The amount of non-performing loans which are written off in 2018 is TL 953,606 and it includes the loan mentioned in Section Five, footnote I-f 10.2.

	Current Period	
	Non-Performing Loans	Specific Provision
Domestic	11,017,950	6,409,730
EU Countries	30,524	22,550
OECD Countries (*)	734	643
Off-shore Banking Regions	5	5
USA, Canada	1,905	1,453
Other Countries	140,571	131,217
Total	11,191,689	6,565,598

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

	Prior Period	
	Non-Performing Loans	Specific Provision
Domestic	5,259,711	4,505,307
EU Countries	28,859	27,918
OECD Countries (*)	552	396
Off-shore Banking Regions	5	5
USA, Canada	1,007	804
Other Countries	113,400	112,134
Total	5,403,534	4,646,564

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

The aging analysis of deferred receivables is included in Section Four Note II-11

c.2. Credit risk mitigation

c.2.1. Qualitative Requirements to be Disclosed to The Public Regarding Credit Risk Mitigation Techniques

In the calculation of the Bank's Credit Risk Mitigation in accordance with the "Communiqué on Credit Risk Mitigation Techniques" published in the Official Gazette numbered 29111 on 6 September 2014, the financial collaterals are taken into consideration. The Bank takes local currency and foreign currency deposit pledges into consideration as financial collaterals in calculating regulatory capital adequacy.

Information on key characteristics of the policies and processes related to the assessment and management of collateral are included in footnotes under Section IV No. II, "Credit Risk Explanations".

c.2.2. Credit risk mitigation techniques:

Current Period	Exposures unsecured	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures Secured by Financial Guarantees, of which: Secured Amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	243,841,302	5,138,751	2,473,689	15,962,329	13,909,953		
Debt securities	66,385,242						
Total	310,226,544	5,138,751	2,473,689	15,962,329	13,909,953		
Of which defaulted	4,626,091						

(*) Consists loans of Credit Guarantee Fund guaranteed by the Undersecretariat of Treasury.

Prior Period	Exposures unsecured	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures Secured by Financial Guarantees, of which: Secured Amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	216,819,883	7,117,501	4,442,862	16,228,381	14,310,452		
Debt securities	56,520,060						
Total	273,339,943	7,117,501	4,442,862	16,228,381	14,310,452		
Of which defaulted	756,970						

(*) Consists loans of Credit Guarantee Fund guaranteed by the Undersecretariat of Treasury.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c.3. Credit risk if standard approach is used

c.3.1. Qualitative disclosures about the ratings notes used by banks to calculate credit risk by standard approach

The mentioned disclosure is presented in Section Four Note XI-a.1.

c.3.2. Standard approach - Exposure credit risk and credit risk mitigation effects

Current Period	Exposures before CCF and CRM (*)		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk-weighted amount	Risk-weighted amount density
Exposures to sovereigns and their central banks	103,948,268	1,835	117,858,220	385,294	15,676,249	13.26%
Exposures to regional and local governments	75,317	415	75,317	149	37,734	50.00%
Exposures to administrative bodies and non-commercial entities	281,127	165,667	281,048	44,027	325,075	100.00%
Exposures to multilateral development banks		600		300		0.00%
Exposures to international organizations						
Exposures to banks and securities firms	13,116,664	15,783,147	13,116,664	12,904,582	10,088,539	38.77%
Exposures to corporates	156,692,841	102,186,659	146,798,730	53,937,090	198,729,206	99.00%
Retail exposures	62,436,889	36,144,308	57,235,060	2,980,394	45,161,591	75.00%
Exposures secured by residential property	18,742,629	406,751	18,723,901	173,349	6,614,038	35.00%
Exposures secured by commercial property	21,828,076	2,376,906	20,601,500	1,615,064	15,673,953	70.55%
Past-due loans	4,626,091		4,626,091		3,834,323	82.88%
Exposures in higher-risk categories by the Board	72,663	545,107	72,664	86,653	176,797	110.97%
Exposures in the form of bonds secured by mortgages						
Short term exposures to banks, brokerage houses and corporates						
Equity investments in the form of collective investment undertakings	101,115	100,000	101,115	100,000	150,558	74.86%
Equity investments	17,921,378		17,921,378		18,193,990	101.52%
Other exposures	14,151,398		14,151,398		9,262,771	65.45%
Total	413,994,456	157,711,395	411,563,086	72,226,902	323,924,824	66.96%

(*) Includes on-balance sheet and off-balance sheet transactions subject to the calculation of the credit risk according to the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period ^(**)	Exposures before CCF and CRM ^(*)		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Exposures to sovereigns and their central banks	90,749,223	12,818	105,059,674	681,756	13,672,298	12.93%
Exposures to regional and local governments	33,347	16,793	33,347	3,428	18,390	50.01%
Exposures to administrative bodies and non-commercial entities	277,516	186,359	277,272	72,860	350,132	100.00%
Exposures to multilateral development banks		450		225		
Exposures to international organizations						
Exposures to banks and securities firms	4,119,014	21,013,309	4,119,014	8,557,072	5,366,572	42.34%
Exposures to corporates	134,127,057	92,493,417	121,754,322	43,076,165	163,191,114	99.01%
Retail exposures	60,734,692	32,752,086	56,209,676	2,540,336	44,062,509	75.00%
Exposures secured by residential property	18,745,537	452,498	18,730,276	187,750	6,621,309	35.00%
Exposures secured by commercial property	25,061,371	2,315,532	23,325,710	1,536,450	17,022,939	68.47%
Past-due loans	756,970		756,970		550,338	72.70%
Exposures in higher-risk categories by the Board	588	594,774	588	129,669	140,536	107.89%
Exposures in the form of bonds secured by mortgages						
Short term exposures to banks, brokerage houses and corporates						
Equity investments in the form of collective investment undertakings						
Equity investments	14,087,437		14,087,437		14,274,300	101.33%
Other exposures	10,308,467		10,308,467		6,945,217	67.37%
Total	359,001,219	149,838,036	354,662,753	56,785,711	272,215,654	66.16%

(^(*) Includes on-balance sheet and off-balance sheet transactions subject to the calculation of the credit risk according to the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

(^(**)) The adjustments for the prior period which are explained in footnote I, Section Three are not included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c.3.3. Standardised Approach-Exposures by Risk Classes and Risk Weights:

Current Period	Risk Weights												Total
	Bank												
Risk Groups	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%			
Exposures to sovereigns and their central banks	102,567,261				9		15,676,244						118,243,514
Exposures to regional and local governments				75,464			2						75,466
Exposures to administrative bodies and non-commercial entities						325,075							325,075
Exposures to multilateral development banks	300												300
Exposures to international organizations													
Exposures to banks and securities firms		12,905,644		11,216,960			1,898,065	577					26,021,246
Exposures to corporates		622,766		3,016,803			197,096,251						200,735,820
Retail exposures					60,215,454								60,215,454
Exposures secured by residential property			18,897,250										18,897,250
Exposures secured by commercial property				13,085,222			9,131,342						22,216,564
Past-due loans (*)				1,583,537			3,042,554						4,626,091
Exposures in higher-risk categories by the Board				37,703			48,951	72,663					159,317
Exposures in the form of bonds secured by mortgages													
Short term exposures to banks, brokerage houses and corporates													
Equity investments in the form of collective investment undertakings					101,115		100,000						201,115
Equity investments							17,739,637						181,741
Other exposures	4,888,627						9,262,771						14,151,398
Total	107,456,188	13,528,410	18,897,250	29,116,813	60,215,454	254,320,892	73,240						181,741
													483,789,988

(*) In accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables representing the net of value excluding specific provisions."

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period(**)	Risk Weights												Total
	Bank												
Risk Groups	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%			
Exposures to sovereigns and their central banks	92,832,586						12,399,875				508,969	105,741,430	
Exposures to regional and local governments				36,770			5					36,775	
Exposures to administrative bodies and non-commercial entities							350,132					350,132	
Exposures to multilateral development banks	225											225	
Exposures to international organizations													
Exposures to banks and securities firms		4,961,402		6,680,784		1,033,900						12,676,086	
Exposures to corporates		461,093		2,541,048		161,828,296	50					164,830,487	
Retail exposures				58,750,012								58,750,012	
Exposures secured by residential property			18,918,026									18,918,026	
Exposures secured by commercial property				15,678,442		9,183,718						24,862,160	
Past-due loans (*)				413,264		343,706						756,970	
Exposures in higher-risk categories by the Board				36,508		36,683	57,066					130,257	
Exposures in the form of bonds secured by mortgages													
Short term exposures to banks, brokerage houses and corporates													
Equity investments in the form of collective investment undertakings													
Other exposures							13,962,862				124,575	14,087,437	
Equity investments	3,363,250						6,945,217					10,308,467	
Total	96,196,061	5,422,495	18,918,026	25,386,816	58,750,012	206,084,394	57,116				633,544	411,448,464	

(*) In accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables representing the net of value excluding specific provisions."

(**) The adjustments for the prior period which are explained in footnote I, Section Three are not included.

d. Explanations on Counterparty credit risk

d.1. Qualitative Explanations on Counterparty credit risk

The counterparty credit risk that the Bank is exposed to be managed within the framework of general limit allocation and credit risk mitigation that are outlined in the credit risk policy. In setting general credit limits, the counterparty credit risks of customers as well as their cash and noncash risks are taken into account with a holistic view. Moreover, the total position of the transactions which create counterparty credit risk is also monitored under a separate risk limit.

The counterparty credit risk, which stems from derivatives and repo style transactions including transactions with qualified central counterparties that result in liabilities for both sides, is measured according to the Appendix-2 and Appendix-4 of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" which is published on the Official Gazette no:29511 dated November 23, 2015. Counterparty credit risk valuation method based on the calculation of fair values of the derivative transactions is implemented. In calculating the potential credit risk, the amount of the contract is multiplied by the rates given in the regulation. The replacement costs of derivative instruments are calculated based on the valuation of the related contracts according to the fair value method.

Most of the credit risk related to the derivative transactions with other banks is subject to daily collateral clearing agreements mutually signed with related parties and the counterparty credit risk is hence reduced. On the other hand, the risk-reducing effect of such agreements is not considered in the calculation of the counterparty credit risk under the capital adequacy legislation. There are no guarantees received or sold by credit derivatives by the Bank in the context of trading or banking accounts.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

d.2. Counterparty credit risk (CCR) approach analysis:

Current Period	Replacement Cost	Potential Future Exposure	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
Standardised Approach -CCR (for derivatives)	5,093,495	1,525,632	6,619,127	4,734,978
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			4,373,060	1,988,672
Total	5,093,495	1,525,632	10,992,187	6,723,650

Prior Period	Replacement Cost	Potential Future Exposure	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
Standardised Approach -CCR (for derivatives)	2,077,398	1,233,687	3,311,085	2,172,264
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			2,653,718	996,517
Total	2,077,398	1,233,687	5,964,803	3,168,781

d.3. Capital obligation for credit valuation adjustment (CVA):

Current Period	Risk Amounts	Risk Weighted Amounts
Total portfolio value with standardized approach CVA capital charge	6,619,127	2,286,247
Total subject to the CVA capital charge	6,619,127	2,286,247
Prior Period	Risk Amounts	Risk Weighted Amounts
Total portfolio value with standardized approach CVA capital charge	3,311,085	1,116,715
Total subject to the CVA capital charge	3,311,085	1,116,715

d.4. CCR exposures by risk class and risk weights:

Current Period	Risk Weights							Total Credit Exposure
	0%	10%	20%	50%	75%	100%	150%	
Risk Groups								
Conditional and unconditional exposures to sovereigns and their central banks	160,290					3,655		163,945
Conditional and unconditional exposures to regional and local governments								
Conditional and unconditional exposures to administrative bodies and non-commercial entities					599			599
Conditional and unconditional exposures to multilateral development banks								
Conditional and unconditional exposures to international organizations								
Conditional and unconditional exposures to banks and securities firms	1,291,179	6,140,272		18,119				7,449,570
Exposures to corporates			2,541		3,359,940			3,362,481
Retail exposures				15,592				15,592
Exposures secured by residential property								
Exposures secured by commercial property								
Exposures in high-risk categories								
Exposures in the form of bonds secured by mortgages								
Short term exposures to banks, brokerage houses and corporates								
Equity investments in the form of collective investment undertakings								
Equity investments								
Other Exposures								
Other Assets								
Total	160,290	1,291,179	6,142,813	15,592	3,382,313			10,992,187

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period Risk Groups	Risk Weights							Total Credit Exposure
	0%	10%	20%	50%	75%	100%	150%	
Conditional and unconditional exposures to sovereigns and their central banks	373,090							373,090
Conditional and unconditional exposures to regional and local governments								
Conditional and unconditional exposures to administrative bodies and non-commercial entities						192		192
Conditional and unconditional exposures to multilateral development banks								
Conditional and unconditional exposures to international organizations								
Conditional and unconditional exposures to banks and securities firms	1,190,862	2,922,203				194		4,113,259
Exposures to corporates		14,334				1,456,034		1,470,368
Retail exposures			7,894					7,894
Exposures secured by residential property								
Exposures secured by commercial property								
Exposures in high-risk categories								
Exposures in the form of bonds secured by mortgages								
Short term exposures to banks, brokerage houses and corporates								
Equity investments in the form of collective investment undertakings								
Equity investments								
Other Exposures								
Other Assets								
Total	373,090	1,190,862	2,936,537	7,894	1,456,420			5,964,803

d.5. Collateral for CCR:

Current Period	Collateral used in derivative transactions				Collateral used in other transactions	
	Received Collateral	Given Collateral	Received Collateral	Given Collateral	Segregated	Given Collateral
Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Given Collateral	Given Collateral
Cash- Domestic Currency					6,911,170	
Cash- Other Currencies					7,897,390	
Total					14,808,560	

Prior Period	Collateral used in derivative transactions				Collateral used in other transactions	
	Received Collateral	Given Collateral	Received Collateral	Given Collateral	Segregated	Given Collateral
Segregated	Unsegregated	Segregated	Unsegregated	Received Collateral	Given Collateral	Given Collateral
Cash- Domestic Currency					15,939,559	
Cash- Other Currencies					5,909,853	
Total					21,849,412	

d.6. Credit derivatives exposures:

None.

d.7. Exposures to central counterparties (CCP):

Current Period	Post CRM risk exposure	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)	236,485	4,373
Exposures for trades at WCCPs (excluding initial margin and default fund contributions); of which	210,519	4,210
(i) OTC Derivatives	208,966	4,179
(ii) Exchange-traded Derivatives		
(iii) Repo-reverse repo transactions, credit securities transactions and securities or commodities lending or borrowing	1,553	31
(iv) Netting sets where cross-product has been approved		
Segregated initial margin	20,552	
Non-segregated initial margin		
Paid guarantee fund amount	5,414	163
Unpaid guarantee fund commitment		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC Derivatives		
(v) Exchange-traded Derivatives		
(vi) Securities financing transactions		
(vii) Nettinf sets where cross-product has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

e. Explanations on securitizations:

None.

f. Market Risk Explanations

f.1. Qualitative information to be disclosed to the public regarding market risk

Market risk is defined as the risk that may reduce the market value of the trading portfolio due to the changes in the risk factors named interest rate, exchange rates, equities and the price of commodities and options.

The procedures for the management of market risk are discussed in the Bank's "Asset and Liability Management Risk Policy" and those procedures are in line with the risk/return expectations of the Bank and with the limits that are defined in the risk appetite framework. Limits related to market risk are established by the Board and are revised periodically in order to reflect market conditions and best practices in the industry. Compliance to those limits is closely monitored by the Risk Management Department, Asset and Liability Management Committee and by the executive departments. Additionally, compliance with the provisions relating to the procedures and policies of market risk management is audited by the internal audit system.

Trading activities of the securities that are included in the calculation of market risk is carried out by taking the Asset-Liability Committee decisions, risk policies and established limits into consideration and risks arising due to these activities are hedged using derivatives transactions where necessary.

Measurement of market risk, reporting of results, and monitoring compliance with the risk limits are among the key responsibilities of the Risk Management Department. Analyses related to market risk are reported to the Risk Committee and to the Board via the Audit Committee by the Risk Management Department.

The trading book of the Bank included in market risk calculations consists of on balance-sheet financial assets that are held for trading intent, derivatives that provide hedge to those instruments and foreign currency positions. The market risk carried by the Bank is measured and monitored using two methods known respectively as the Standard Method and the Value at Risk Model (VAR) in accordance with the local regulations which are established in compliance with the international legislations. In this context, the exchange rate risk emerges as the most important component of the market risk.

The market risk calculations using the Standard Method are performed at the end of each month and the measurement results are included in the statutory reports as well as being reported to the Bank's top management.

The Value at Risk Model is another alternative for the Standard Method used for measuring and monitoring market risk. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR model used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Bank's portfolio are determined and the results are reported to the Bank's top management.

f.2. Standardised Approach:

Current Period	RWA
Outright Products	6,268,539
Interest rate risk (general and specific)	1,935,613
Equity risk (general and specific)	581,925
Foreign exchange risk	3,040,813
Commodity risk	710,188
Options	97,024
Simplified approach	
Delta-plus method	97,024
Scenario approach	
Securitisations	
Total	6,365,563

Prior Period	RWA
Outright Products	10,000,688
Interest rate risk (general and specific)	1,656,763
Equity risk (general and specific)	554,750
Foreign exchange risk	7,689,425
Commodity risk	99,750
Options	51,850
Simplified approach	
Delta-plus method	51,850
Scenario approach	
Securitisations	
Total	10,052,538

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

g. Explanations on Operational Risk

The operational risk capital requirement is calculated according to Regulation on Measurement and Evaluation of Capital Adequacy of Banks' article number 24, is measured using the Basic Indicator Approach once a year in parallel with domestic regulations. As of December 31, 2018 the operational risk amount is TL 24,924,269 (December 31, 2017: TL 20,201,290) and information about the calculation is given below.

Current Period	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	10,848,679	13,527,113	15,503,039	3	15	1,993,942
Value at operational risk (Total*12.5)						24,924,269
Prior Period	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	9,333,365	10,137,870	12,850,829	3	15	1,616,103
Value at operational risk (Total*12.5)						20,201,290

h. The interest rate risk of the banking book items:

Interest rate risk arising from the banking accounts is defined as negative effect risk on capital of the changes in market interest rates due to differences in interest settlement and re-pricing on, differences in interest-earning assets taking part in the banking book; interest-bearing liabilities; interest-bearing derivative transactions inclusive of the policies established by the Board of Directors, is managed within the framework of the strategies set by the Bank Asset-Liability Committee. Compliance with internal risk limits for banking portfolio is closely and continuously monitored by the Risk Management Department and Asset-Liability Committee and the measurement results are reported to the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis by the Bank in the scope of monitoring of interest rate risk arising from the banking books about Interest Rate Risk in the Banking Accounts from the Regulation on Measurement and Assessment of Standard Shock Method which is published in the Official Gazette No. 28034 dated 23 August 2011. In the duration analysis, the maturity gap between assets and liabilities of the balance sheet are determined by the calculation of the weighted average maturities based on the asset that sensitive to interest rate and liabilities and off-balance sheet transactions re-pricing period. In the interest rate risk sensitivity analysis, the influence of the various interest rate change scenarios to the economic value of the Bank's capital is examined.

The interest rate risk of the banking book item in accordance with the legal regulations is measured and monitored on a monthly basis within the scope of the Regulation about Measurement and Assessment of Interest Rate Risk in the Banking Accounts by Standard Shock Method. In the calculations committed due to the mentioned regulations, behavioral maturity modeling method is used for the deposits with low sensitivity to interest rate changes and demand deposits which is original maturities is longer than contractual maturities.

Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/ Shareholders' Equity
TL	(+) 500	(5,219,498)	(8.85)%
TL	(-) 400	4,906,866	8.32%
EUR	(+) 200	(367,186)	(0.62)%
EUR	(-) 200	412,453	0.70%
USD	(+) 200	313,852	0.53%
USD	(-) 200	(172,169)	(0.29)%
Total (for Negative Shocks)		5,147,150	8.73%
Total (for Positive Shocks)		(5,272,833)	(8.94)%

j. Remuneration policy

The Remuneration Committee, which is established to carry out the duties and activities related to the monitoring and supervision of the Bank's remuneration applications on behalf of the Board of Directors, consists of two members. The Remuneration Committee meets at least twice a year, not exceeding six months, and reports to the Board of Directors on the results of the activities carried out and important matters considered to have an impact on the Bank's position. As of the end of 2018, the Remuneration Committee met 3 times and made a total of 5 decisions.

Regarding compliance with the Corporate Governance Principles, the Remuneration Committee monitors and supervises the practices related to wage management on behalf of the Board of Directors; the fees are in line with the Bank's ethical values, internal balances and strategic objectives; the evaluation of the remuneration policy and its practices in the context of risk management; it is responsible for the presentation of the proposals determined in line with the requirements of the salary policy and the other responsibilities determined by the provisions of the applicable legislation and the fulfillment of the duties given by the Board of Directors in this framework.

As of the end of 2018, the number of qualified employees working at the Bank is 27.

The monetary and social rights of employees are determined in accordance with the Chartering Policy in the framework of the legislation related to the Collective Labor Agreement. The Bank carries out its practices with regard to remuneration policies within the framework of relevant banking and capital market legislation. This policy includes all managers and employees.

Premium payments are made once a year to managers and managers who work in branches and headquarters units. It is considered that managerial premium payments are in line with the Bank's long-term strategy and the risks assumed, as well as the performance of its employees. There are no variable fees for qualified employees in the Bank.

The compliance of the wage levels in the bank with the sector wage levels is monitored by participating in independent and anonymous wage surveys, which are held twice a year.

Within the scope of the remuneration policy, the Bank's pricing practices are planned and executed on the basis of effective risk management, prevention of excessive risk taking, compliance with relevant legislation and scope and structure of the bank's activities, strategies, long-term objectives and risk management structures.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The fees to be paid to the managers and employees of the Bank at every stage; It is essential that the Bank is in line with its ethical values, internal balances and strategic objectives, and that it is not only associated with its short-term performance.

Payments made to employees are determined in a manner that will positively impact the Bank's corporate values and on the basis of objective conditions.

Payments to be made to the managers of the units within the internal systems and to their staff are determined by taking into account the performance of the relevant personnel in relation to their functions, as they are in the audit or oversight, or are independent of the performance of the activity unit they control.

XII. Explanations on Segment Reporting

The Bank's operations are classified as corporate, commercial, retail and private banking, and treasury/investment banking.

The Bank provides services to the large corporations, SMEs and other trading companies through various financial media within the course of its corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantees, letter of credits, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

Retail banking services are comprised of individuals needs such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, and investment accounts and by other banking services. Private banking category, are comprised of any kind of financial and cash management related services provided for individuals within the high-income segment.

Treasury transactions are comprised of medium and long term funding tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations. The details about the aforementioned investments are stated in Note I.h-I.i of Section Five.

Statement of information related to business segmentation is given below. Below mentioned information has been prepared with the data obtained from the Bank's management reporting system.

Current Period	Corporate/ Commercial Banking	Individual/Private Banking	Treasury Transaction/ Investment Activities	Unallocated	Total
Interest Income	23,485,509	6,929,032	8,134,129	291,711	38,840,381
Interest Expense	4,820,219	7,711,033	8,251,676	1,005,202	21,788,130
Commission Income	3,858,997	1,470,016		56,338	5,385,351
Commission Expense				980,150	980,150
Dividend Income			6,425		6,425
Trading Income/Loss (Net)			(4,071,660)		(4,071,660)
Other Income	552,664	208,930	28,741	1,121,972	1,912,307
Expected Credit Loss	3,414,162	442,152	4,805	2,482,555	6,343,674
Other Operating Expense	1,465,299	3,078,751		3,495,671	8,039,721
Income/Loss from Investments in Subsidiaries Accounted by Equity Method			2,808,736		2,808,736
Income Before Tax					7,729,865
Tax Provision					960,780
Net Period Profit					6,769,085
Total Assets	205,739,511	50,766,300	99,249,014	60,632,779	416,387,604
Total Liabilities	95,602,149	134,923,149	98,173,833	87,688,473	416,387,604

Prior Period	Corporate/Commercial Banking	Individual/Private Banking	Treasury Transaction/ Investment Activities	Unallocated	Total
Interest Income	16,419,643	5,880,308	5,288,056	67,458	27,655,465
Interest Expense	3,423,336	5,144,389	5,203,799	676,285	14,447,809
Commission Income	2,791,650	1,210,513		51,763	4,053,926
Commission Expense				680,211	680,211
Dividend Income			11,072		11,072
Trading Income/Loss (Net)			(1,878,444)		(1,878,444)
Other Income	520,516	274,597	50,600	300,934	1,146,647
Provision Expense	1,563,316	448,358	1,304	620,268	2,633,246
Other Operating Expense	1,225,275	2,711,063		3,459,449	7,395,787
Income/Loss from Investments in Subsidiaries Accounted by Equity Method			1,610,386		1,610,386
Income Before Tax					7,441,999
Tax Provision					1,240,720
Net Period Profit					6,201,279
Total Assets	187,798,607	50,201,726	75,704,389	48,538,811	362,243,533
Total Liabilities	78,108,281	116,367,242	93,750,285	74,017,725	362,243,533

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE: DISCLOSURES AND FOOTNOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. DISCLOSURES AND FOOTNOTES ON ASSETS

a. Cash and Central Bank of Turkey:

a.1. Cash and balances with the Central Bank of Turkey:

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	2,256,376	2,557,892
Central Bank of Turkey	4,164,611	31,082,643
Other		74,359
Total	6,420,987	33,714,894

	Prior Period	
	TL	FC
Cash in TL/Foreign Currency	2,009,397	1,300,717
Central Bank of Turkey	2,982,300	29,604,917
Other		53,136
Total	4,991,697	30,958,770

a.2. Information on balances with the Central Bank of Turkey:

	Current Period	
	TL	FC
Unrestricted Demand Deposit		
Unrestricted Time Deposit	4,164,611	14,044,132
Restricted Time Deposit		
Other (*)		17,038,511
Total	4,164,611	31,082,643

(*) The amount of reserve deposits held at the Central Bank of Turkey.

	Prior Period	
	TL	FC
Unrestricted Demand Deposit		
Unrestricted Time Deposit	2,982,300	6,427,862
Restricted Time Deposit		
Other (*)		23,177,055
Total	2,982,300	29,604,917

(*) The amount of reserve deposits held at the Central Bank of Turkey.

a.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. The reserve deposit rates vary according to their maturity compositions: the reserve deposit rates are realized between 1.5% - 8% for TL deposits and other liabilities, between 8% - 12% for FC deposits and between 4% - 20% for other FC liabilities. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, CBRT pays interests TL and USD reserves.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial Assets at fair value through profit and loss, which are given as collateral or blocked:

As of December 31, 2018 and December 31, 2017, there are no financial assets at fair value through profit and loss, which are given as collateral or blocked.

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as at December 31, 2018 are amounting to TL 138,057 (December 31, 2017: TL 101,928).

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Positive differences on derivative financial assets held for trading:

	Current Period	
	TL	FC
Derivative Financial Assets at Fair Value Through Profit or Loss		
Forward Transactions	187,680	371,202
Swap Transactions	249,817	4,116,188
Futures		
Options	4,526	164,082
Other		
Total	442,023	4,651,472
Derivative Financial Assets Held for Trading		
Forward Transactions	22,405	97,636
Swap Transactions	95,127	1,797,194
Futures		
Options	683	64,353
Other		
Total	118,215	1,959,183

d. Information on Banks:

d.1. Information on Banks:

	Current Period	
	TL	FC
Banks		
Domestic Banks	109,167	602,926
Foreign Banks	284,488	7,386,559
Foreign Head Office and Branches		
Total	393,655	7,989,485

	Prior Period	
	TL	FC
Banks		
Domestic Banks	79,814	
Foreign Banks	112,263	2,281,128
Foreign Head Office and Branches		
Total	192,077	2,281,128

d.2. Information on foreign banks:

	Current Period	
	Unrestricted Amount	Restricted Amount
EU Countries		
USA, Canada	4,119,978	
OECD Countries (*)	2,079,104	
Off-shore Banking Regions	38,916	
Other		
Total	1,210,156	222,893
Total		
	7,448,154	222,893

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

	Prior Period	
	Unrestricted Amount	Restricted Amount
EU Countries		
USA, Canada	864,657	
OECD Countries (*)	720,058	
Off-shore Banking Regions	21,733	
Other	268	
Total	507,382	279,293
	2,114,098	279,293

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

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

e. Information on Financial Assets at Fair Value through Other Comprehensive Income:

e.1. Information on financial assets at Fair Value through Other Comprehensive Income, which are given as collateral or blocked:

Derivative financial assets at fair value through other comprehensive income, which are given as collateral or blocked, amount to TL 6,276,354 as at December 31, 2018.

Financial assets available for sale, which are given as collateral or blocked, amount to TL 11,859,430 as at December 31, 2017.

e.2. Information on financial assets at Fair Value Through Other Comprehensive Income, which are subject to repurchase agreements:

Derivative financial assets at fair value through other comprehensive income, which are subject to repurchase agreements amount to TL 6,415,389 as at December 31, 2018.

Financial assets available for sale, which are subject to repurchase agreements amount to TL 14,510,238 as at December 31, 2017.

e.3. Information on financial assets at Fair Value through Other Comprehensive Income:

	Current Period
Debt Securities	42,829,002
Quoted on a Stock Exchange	29,304,592
Not-Quoted (*)	13,524,410
Share Certificates	282,657
Quoted on a Stock Exchange	282,657
Not-Quoted	282,657
Impairment Losses (-)	2,388,485
Other	90,949
Total	40,814,123

(*) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

Information on financial assets available for sale:

	Prior Period
Debt Securities	50,171,701
Quoted on a Stock Exchange	36,795,896
Not-Quoted (*)	13,375,805
Share Certificates	176,202
Quoted on a Stock Exchange	176,202
Not-Quoted	176,202
Impairment Losses (-)	1,104,876
Other	139,417
Total	49,382,444

(*) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period

f. Information related to loans:

f.1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period	
	Cash	Non-Cash
Direct Lending to Shareholders		
Corporate Shareholders		
Individual Shareholders		
Indirect Lending to Shareholders		
Loans and Other Receivables to Employees	235,091	38
Total	235,091	38

	Prior Period	
	Cash	Non-Cash
Direct Lending to Shareholders		
Corporate Shareholders		
Individual Shareholders		
Indirect Lending to Shareholders		
Loans and Other Receivables to Employees	223,526	62
Total	223,526	62

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.2. Information about the Standard loans and loans under close monitoring and loans under close monitoring that have been restructured or rescheduled:

	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Restructured Loans
Cash Loans				
Non-specialized loans	225,730,714	23,396,723	5,874,923	3,187,004
Corporation Loans	111,637,453	16,826,708	4,586,706	1,601,791
Export Loans	15,875,723	951,774	195,280	87,633
Import Loans				
Loans Extended to Financial Sector	4,511,979			
Consumer Loans	41,992,791	2,800,233		177,289
Credit Cards	16,040,810	701,203	394,813	
Other	35,671,958	2,116,805	698,124	1,320,291
Specialized Loans				
Other Receivables				
Total	225,730,714	23,396,723	5,874,923	3,187,004

The loan amount, that has been granted to a special purpose entity, with a share pledge collateral and classified under loans measured at fair value through profit or loss within the scope of TFRS 9, and the details of which are mentioned in footnote I.r of Section V, is not included in the table above.

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses (Stage I)	1,862,573	
Significant Increase in Credit Risk (Stage II)		2,884,789

In the period between January 1, 2018 and December 31, 2018 the increase in the expected credit loss for the stage II loans according to TFRS 9, is due to the increase in the probability of credit default which is effected by the increase in the loan balances and provisions in TL related to fluctuations in foreign currencies, alongside macroeconomic outlook and change in expectations. The increase in the expected loss for the Stage III loans is effected by the growth in the loan balance classified in this group.

	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured Loans
Number of Amendments Related to the Extension of the Payment Plan			
Extended for 1 or 2 Times	4,667,997		7,127,775
Extended for 3,4 or 5 Times		389,814	1,431,612
Extended for More than 5 Times	10,470		676,581
 The Time Extended via the Amendment on Payment Plan			
0 - 6 Months	724,264		1,288,428
6 Months - 12 Months		823,627	817,058
1 - 2 Years	1,074,315		926,384
2 - 5 Years		1,429,082	4,674,577
5 Years and More	1,016,993		1,529,521

f.3. Information on Maturity analysis of cash loans^(*)

	Standard Loans	Loans under close monitoring	
		Loans Not Subject to Restructuring	Restructured Loans
Cash Loans			
Short-term Loans and Other Receivables	52,253,541	3,401,521	929,319
Medium and Long-term Loans and Other Receivables	173,477,173	19,995,202	8,132,608

^(*)Balance of the loan measured at fair value through profit or loss is not included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Consumer Loans - TL	1,017,663	42,367,395	376,049	43,761,107
Real Estate Loans	19,466	20,249,542	137,018	20,406,026
Vehicle Loans	74,359	700,576	7,193	782,128
General Purpose Consumer Loans	923,838	21,417,277	231,838	22,572,953
Other Consumer Loans				
Consumer Loans - FC Indexed		999	14,920	15,919
Real Estate Loans		999	14,920	15,919
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans - FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Retail Credit Cards - TL	12,411,238	654,594	73,739	13,139,571
With Installments	4,336,554	654,594		4,991,148
Without Installments	8,074,684		73,739	8,148,423
Retail Credit Cards - FC	16,408			16,408
With Installments				
Without Installments	16,408			16,408
Personnel Loans-TL	15,445	108,140	1,275	124,860
Real Estate Loans		3,644	19	3,663
Vehicle Loans	201	498	3	702
General Purpose Consumer Loans	15,244	103,998	1,253	120,495
Other Consumer Loans				
Personnel Loans- FC Indexed				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans - FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Credit Cards - TL	93,983	3,036	307	97,326
With Installments	31,824	3,036		34,860
Without Installments	62,159		307	62,466
Personnel Credit Cards-FC	287			287
With Installments				
Without Installments	287			287
Overdraft Accounts - TL (real persons)	1,049,091		19,336	1,068,427
Overdraft Accounts - FC (real persons)				
Total	14,604,115	43,134,164	485,626	58,223,905

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.5. Information on commercial installments loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	1,496,498	36,720,257	667,484	38,884,239
Real Estate Loans	4,797	1,281,634	10,865	1,297,296
Vehicle Loans	123,824	2,903,595	32,836	3,060,255
General Purpose Commercial Loans	1,367,877	32,535,028	623,783	34,526,688
Other Commercial Loans				
Commercial Loans With Installments-FC Indexed	6,148	1,689,327	951,755	2,647,230
Real Estate Loans		48,344	33,691	82,035
Vehicle Loans	84	180,953	92,836	273,873
General Purpose Commercial Loans	6,064	1,460,030	825,228	2,291,322
Other Commercial Loans				
Commercial Loans With Installments-FC	30,972	3,272,852	22,770	3,326,594
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans	30,972	3,272,852	22,770	3,326,594
Other Commercial Loans				
Corporate Credit Cards-TL	3,848,892	11,750	22,168	3,882,810
With Installments	1,366,006	11,750		1,377,756
Without Installments	2,482,886		22,168	2,505,054
Corporate Credit Cards-FC	424			424
With Installments				
Without Installments	424			424
Overdraft Accounts - TL (corporate)	1,935,595		43,127	1,978,722
Overdraft Accounts - FC (corporate)				
Total	7,318,529	41,694,186	1,707,304	50,720,019

f.6. Allocation of loan by borrowers:

	Current Period
Public	766,673
Private (*)	259,549,618
Total	260,316,291

(*) Includes the balance of the loan measured at fair value through profit or loss.

	Prior Period
Public	877,017
Private	238,531,778
Total	239,408,795

f.7. Domestic and foreign loans:

	Current Period
Domestic Loans(*)	251,118,812
Foreign Loans	9,197,479
Total	260,316,291

(*) Includes the balance of the loan measured at fair value through profit or loss.

	Prior Period
Domestic Loans	234,066,480
Foreign Loans	5,342,315
Total	239,408,795

f.8. Loans granted to subsidiaries and associates:

	Current Period
Direct Loans Granted to Subsidiaries and Associates	958,569
Indirect Loans Granted to Subsidiaries and Associates	
Total	958,569

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Direct Loans Granted to Subsidiaries and Associates	871,676
Indirect Loans Granted to Subsidiaries and Associates	
Total	871,676

f.9. Information on impairment provisions of Loans (Stage 3):

	Current Period
Loans with Limited Collectability	1,011,581
Loans with Doubtful Collectability	1,321,646
Uncollectible Loans	4,232,371
Total	6,565,598

Specific Provisions

	Prior Period
Loans and Receivables with Limited Collectability	94,018
Loans and Receivables with Doubtful Collectability	422,579
Uncollectible Loans and Receivables	4,129,967
Total	4,646,564

f.10. Information on non-performing loans (Net):

f.10.1. Information on non-performing loans, which are restructured or rescheduled:

	Group III	Group IV	Group V
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period			
(Gross amounts before the provisions)	47,359	54,189	64,897
Restructured Loans	47,359	54,189	64,897
Prior Period			
(Gross amounts before the specific provisions)	32,119	52,666	93,560
Restructured Loans and Other Receivables	32,119	52,666	93,560
Rescheduled Loans and Other Receivables			

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.10.2. Information on the movement of total non-performing loans

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Prior Period Ending Balance	437,724	835,843	4,129,967
Corporate and Commercial Loans	274,638	566,904	2,893,946
Retail Loans	102,518	159,605	619,549
Credit Cards	60,568	109,334	526,786
Other			89,686
Additions (+)	12,087,137	55,669	153,614
Corporate and Commercial Loans	11,096,194	49,582	137,270
Retail Loans	596,027	894	2,797
Credit Cards	394,916	5,193	1,732
Other			11,815
Transfers from Other NPL Categories (+)		4,021,280	1,659,898
Corporate and Commercial Loans		3,344,407	1,176,184
Retail Loans		413,463	287,797
Credit Cards		263,410	195,917
Other			
Transfers to Other NPL Categories (-)	4,021,280	1,659,898	
Corporate and Commercial Loans	3,344,407	1,176,184	
Retail Loans	413,463	287,797	
Credit Cards	263,410	195,917	
Other			
Collections (-)	4,808,059	605,037	726,606
Corporate and Commercial Loans	4,577,211	448,683	444,004
Retail Loans	135,633	98,972	195,852
Credit Cards	95,215	57,382	84,358
Other			2,392
Write-Offs (-)	945,338	30	8,238
Corporate and Commercial Loans	945,297		6,025
Retail Loans	34	25	1,239
Credit Cards	7	5	855
Other			119
Debt Sale (-)			
Corporate and Commercial Loans			
Retail Loans			
Credit Cards			
Other			
NPL Accruals (+)	275,283	252,593	57,167
Corporate and Commercial Loans	261,783	231,723	46,483
Retail Loans	6,829	9,576	4,664
Credit Cards	6,671	11,294	5,937
Other			83
Current Period Ending Balance	3,025,467	2,900,420	5,265,802
Corporate and Commercial Loans	2,765,700	2,567,749	3,803,854
Retail Loans	156,244	196,744	717,716
Credit Cards	103,523	135,927	645,159
Other			99,073
Provisions (-)	1,011,581	1,321,646	4,232,371
Corporate and Commercial Loans	869,917	1,123,313	2,934,859
Retail Loans	76,911	105,827	617,180
Credit Cards	64,753	92,506	596,066
Other			84,266
Net Balance on Balance Sheet	2,013,886	1,578,774	1,033,431

The Bank have reclassified the loan amounting to TL 3,102,293 from Stage 2 to Stage 3 and wrote-off TL 945,297 subsequently, which was granted to a company performing in the telecommunication sector, within the framework of syndicationn together with the participation of other financial institutions. The details about afromentioned issue are stated in Section Five, footnote I-r.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.10.3. Information on foreign currency non-performing loans:

	Group III Loans with Limited Collectibility	Group IV Loans with Doubtful Collectibility	Group V Uncollectible Loans
Current Period			
Balance at the End of the Period	1,799,332	1,344,847	1,126,958
Provisions (-)	418,845	525,594	894,704
Net Balance on Balance Sheet (*)	1,380,487	819,253	232,254

(*) In addition to the loans extended in foreign currency, loans which are monitored in Turkish Lira are included.

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
Prior Period			
Period Ending Balance	23,267	113,772	869,229
Specific Provisions (-)	10,706	60,334	869,229
Net Balance on Balance Sheet (*)	12,561	53,438	

(*) In addition to the loans extended in foreign currency, loans which are monitored in Turkish Lira are included.

f.10.4. Information on gross and net non-performing loans as per customer categories:

	Group III Loans with Limited Collectibility	Group IV Loans with Doubtful Collectibility	Group V Uncollectible Loans
Current Period (Net)			
Loans to Individuals and Corporate (Gross)	3,025,467	2,900,420	5,166,729
Provisions (-)	1,011,581	1,321,646	4,148,105
Loans to Individuals and Corporate (Net)	2,013,886	1,578,774	1,018,624
Banks (Gross)			
Provisions (-)			
Banks (Net)			
Other Loans (Gross)			99,073
Provisions (-)			84,266
Other Loans (Net)			14,807

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	437,724	835,843	4,040,281
Specific Provisions (-)	94,018	422,579	4,040,281
Loans to Individuals and Corporate (Net)	343,706	413,264	
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)			89,686
Specific Provisions (-)			89,686
Other Loans and Receivables (Net)			

f.10.5. Information on interest accruals, valuation differences and related provisions calculated for non-performing loans:

	Group III Loans with Limited Collectibility	Group IV Loans with Doubtful Collectibility	Group V Uncollectible Loans
Current Period (Net)			
Interest accruals and valuation differences	275,283	252,593	57,167
Provisions (-)	88,409	126,448	33,028

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.10.6. Outline of the liquidation policy for uncollectible loans and other receivables

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

f.10.7. Information on write-off policy

The Bank's general policy for write-offs and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process within the instructions of Tax Procedure Law.

g. Financial Assets Measured at Amortised Cost:

g.1. Financial Assets Measured at Amortised Cost given as collateral or blocked:

Financial assets measured at amortised cost given as collateral or blocked amount to TL 2,608,391 as at December 31, 2018.

Held to maturity investments given as collateral or blocked amount to TL 1,380,069 as at December 31, 2017.

g.2. Financial Assets Measured at Amortised Cost subject to repurchase agreements:

Financial assets measured at amortised cost, which are subject to repurchase agreements amount to TL 4,132,381 as at December 31, 2018.

Held to maturity investments, which are subject to repurchase agreements amount to TL 3,052,585 as at December 31, 2017.

g.3. Information on government securities measured at amortised cost:

	Current Period
Government Bonds	26,038,932
Treasury Bills	
Other Public Debt Securities	
Total	26,038,932

Information on government securities held to maturity:

	Prior Period
Government Bonds	7,111,197
Treasury Bills	
Other Public Debt Securities	
Total	7,111,197

g.4. Information on financial assets measured at amortised cost:

	Current Period
Debt Securities	26,727,963
Quoted on a Stock Exchange	26,047,980
Not Quoted (*)	679,983
Impairment Losses (-)	
Total	26,727,963

(*) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

Information on held-to-maturity investments:

	Prior Period
Debt Securities	7,614,815
Quoted on a Stock Exchange	7,121,061
Not Quoted (*)	493,754
Impairment Losses (-)	
Total	7,614,815

(*) Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

g.5. Movement of financial assets measured at amortised cost within the year:

	Current Period
Beginning Balance	7,614,815
Foreign Exchange Differences Arising on Monetary Assets	601,821
Purchases During the Year (*)	21,206,740
Disposals through Sales and Redemption	(3,737,743)
Impairment Losses (-)	
Valuation effect	1,042,330
Balance at the End of the Period	26,727,963

(*) According to TFRS 9 transition, the Bank classified its securities amounting to TL 15,307,457 nominal from Financial Assets Available for Sale to Financial Assets Measured at Amortized Cost.

Movement of held to maturity investments within the year:

	Prior Period
Beginning Balance	5,357,340
Foreign Exchange Differences Arising on Monetary Assets	41,050
Purchases During the Year (*)	4,653,304
Disposals through Sales and Redemption	(2,660,426)
Impairment Losses (-)	
Valuation effect	223,547
Balance at the End of the Period	7,614,815

(*) The bank reclassified its government debt securities amounting to TL 1,003,492 nominal and value amounting to TL 1,037,862 as of classification date from Financial Assets Available for Sale to Held to Maturity Investments due to change of intentions at December 2016.

h. Information on associates (Net):

h.1. General information on associates:

No.	Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	20.58
2-	Bankalarası Kart Merkezi A.Ş.	İstanbul/TURKEY	9.98	9.98
3-	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	9.09	9.09

h.2. Information on financial statements of associates in the above order (*):

No.	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (*)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	6,329,604	883,271	121,909	347,848	158	103,243	81,415	
2-	102,191	64,697	48,892	2,117		15,603	6,983	
3-	310,511	204,375	181,219	11,549		34,818	36,919	

(*) Shows December 31, 2018 amounts for Arap Türk Bankası A.Ş and September 30, 2018 amounts for other associates.

(**) Includes interest income on securities.

h.3. Movement of investments in associates:

	Current Period
Beginning Balance	185,399
Movements During the Period	
Purchases	
Bonus Shares Acquired	
Dividends Received from Current Year Profit	
Sales	
Revaluation Increase (*)	21,376
Impairment	
Balance at the end of the period	206,775
Capital commitments	
Contribution in equity at the end of the period (%)	

(*) The differences arising from accounting by equity method is included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Beginning Balance	152,023
Movements During the Period	
Purchases	
Bonus Shares Acquired	
Dividends Received from Current Year Profit	
Sales	
Revaluation Increase ^(*)	33,376
Impairment	
Balance at the end of the period	185,399
Capital commitments	
Contribution in equity at the end of the period (%)	

(*) The differences arising from accounting by equity method is included.

h.4. Sectoral information on financial associates and the related carrying amounts:

Associates	Current Period
Banks	181,741
Insurance Companies	
Factoring Companies	
Leasing Companies	
Finance Companies	
Other Financial Participations	
Total	181,741

Associates	Prior Period
Banks	163,821
Insurance Companies	
Factoring Companies	
Leasing Companies	
Finance Companies	
Other Financial Participations	
Total	163,821

h.5. Associates quoted on a stock exchange: None.

h.6. Associates disposed of in the current period: None.

h.7. Associates acquired in the current period: None.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i. Information on subsidiaries (Net):

i.1. Information on equity adequacy of major subsidiaries:

	Türkiye Sinaï Kalkınma Bankası A.Ş.	İş Gayrimenkul Yatırım Ortaklıği A.Ş.	Insurance/ Reinsurance Companies	İş Finansal Kiralama A.Ş.	İş Yatırım Menkul Değerler A.Ş.
COMMON EQUITY TIER I CAPITAL					
Common Equity Tier I Capital Before Deductions	4,971,025	3,557,323	3,222,441	1,085,085	810,400
Deductions from Common Equity Tier I Capital (-)	815,685	1,400	178,844	5,100	75,531
Total Common Equity Tier I Capital	4,155,340	3,555,923	3,043,597	1,079,985	734,869
ADDITIONAL TIER I CAPITAL					
Additional Tier I Capital before Deductions					
Deductions from Additional Tier I Capital (-)					
Total Tier I Capital	4,155,340	3,555,923	3,043,597	1,079,985	734,869
TIER II CAPITAL					
Tier II Capital Before Deductions	1,900,252				
Deduction from Tier II Capital (-)					
Total Tier II Capital	1,900,252				
Total Tier I Capital and Tier II Capital	6,055,592	3,555,923	3,043,597	1,079,985	734,869
Deductions from Total Tier I Capital and Tier II Capital (-)					
EQUITY	6,055,592	3,555,923	3,043,597	1,079,985	734,869

i.2. General information on subsidiaries (>):

No	Title	Address (City/Country)	Bank's Share Percentage-if Different, Voting Rights (%)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	62	83
2-	JSC İşbank	Moscow/RUSSIA	100	100
3-	JSC İşbank Georgia	Tbilisi/GEOGRAPHY	100	100
4-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	27.79	58.29
5-	İş Gayrimenkul Yatırım Ortaklıği A.Ş.	İstanbul/TURKEY	47.44	63.24
6-	İş Merkezleri Yönetim ve İşletim A.Ş.	İstanbul/TURKEY	86.33	100
7-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	94.65	100
8-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	65.65	70.69
9-	İşbank AG	Frankfurt-Main/GERMANY	100	100
10-	Kültür Yayınları İş Türk A.Ş.	İstanbul/TURKEY	99.17	100
11-	Millî Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	77.06
12-	Trakya Yatırım Holding A.Ş.	İstanbul/TURKEY	100	100
13-	Türkiye Sinaï Kalkınma Bankası A.Ş.	İstanbul/TURKEY	41.44	50.92
14-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	İstanbul/TURKEY	66.30	74.58

(*) The purchased free float shares of listed subsidiaries in Borsa İstanbul (BIST) namely; Anadolu Hayat Emeklilik A.Ş., İş Finansal Kiralama A.Ş. and İş Yatırım Menkul Değerler A.Ş., which are booked under "Financial Assets at Fair Value Through Profit or Loss" account are not included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.3. Financial statement information related to subsidiaries in the above order (*):

No	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (**)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value	Additional Shareholders' Equity Required
1-	20,229,978	949,081	211,505	272,853	7,279	254,663	226,592	2,540,010	
2-	1,115,371	303,851	58,304	72,755	4,607	10,286	6,044		
3-	524,557	157,912	2,813	27,221		12,994	4,481		
4-	8,681,660	1,150,580	18,863	982,258	5,391	197,537	123,730	3,208,823	
5-	5,222,333	3,556,939	4,188,318	9,521	610	341,611	179,957	1,032,574	
6-	94,144	41,867	6,995	2,449	30	9,597	7,673		
7-	86,140	63,740	25,823	4,978	7	1,610	5,674		
8-	6,370,683	1,085,092	102,303	304,925	240,191	234,285	154,852	730,945	
9-	10,796,298	1,168,358	93,240	324,757	3,478	132,734	10,686		
10-	38,320	27,123	1,578	200	12	8,508	4,378		
11-	4,173,951	2,172,009	606,233	215,328	87,764	125,529	203,022		
12-	960,229	605,583	293,582	15,876	30,840	34,511	22,663		
13-	38,269,440	4,184,076	545,316	3,110,109	10,566	663,263	605,475	2,223,200	
14-	27,767,556	16,726,774	13,445,057	171,804		3,373,676	1,736,956	12,768,750	

(*) Indicates financial data of, Anadolu Hayat Emeklilik A.Ş., JSC İşbank, JSC Isbank Georgia, İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Yatırım Menkul Değerler A.Ş. and İşbank AG, Milli Reasürans T.A.Ş., Türkiye Sinai Kalkınma Bankası A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. December 31, 2018; and the financial data of other companies are as of December 31, 2017.

(**) Includes interest income on securities.

i.4. Movement of investments in subsidiaries:

	Current Period
Balance at the Beginning of the Period	13,616,844
Movements in the Period	
Purchases (*)	157,796
Bonus Shares Acquired	
Dividends Received from Current Year Profit	
Sales	
Revaluation Surplus (**)	3,657,305
Impairment	
Balance at the End of the Period	17,431,945
Capital Commitments	
Contribution in equity at the end of the period (%)	

(*) Is due to the in the cash capital increase realized by Isbank AG and JSC Isbank Georgia.

(**) The differences arising from accounting by equity method is included.

	Prior Period
Balance at the Beginning of the Period	11,738,695
Movements in the Period	
Purchases	591,554
Bonus Shares Acquired	
Dividends Received from Current Year Profit	
Sales	
Revaluation Surplus (*)	1,286,595
Impairment	
Balance at the End of the Period	13,616,844
Capital Commitments	
Contribution in equity at the end of the period (%)	

(*) The differences arising from accounting by equity method is included.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.5. Sectoral information on financial subsidiaries and the related carrying amounts:

	Current Period
Banks	3,432,976
Insurance Companies	2,294,172
Factoring Companies	
Leasing Companies	300,038
Finance Companies	
Other Financial Subsidiaries	2,228,556
Total	8,255,742

	Prior Period
Banks	2,482,431
Insurance Companies	1,872,784
Factoring Companies	
Leasing Companies	259,442
Finance Companies	
Other Financial Subsidiaries	1,833,040
Total	6,447,697

i.6. Subsidiaries quoted on stock exchange:

	Current Period
Traded on domestic stock exchanges	13,527,246
Traded on foreign stock exchanges	
Total	13,527,246

	Prior Period
Traded on domestic stock exchanges	10,588,590
Traded on foreign stock exchanges	
Total	10,588,590

i.7. Subsidiaries disposed of in the current period: None.

i.8. Subsidiaries acquired in the current period: None.

j. Information on jointly controlled entities:

There are no jointly controlled entities of the Bank.

k. Information regarding finance lease receivables of the Bank (Net):

The Bank has no finance lease receivables.

l. Explanations on derivative financial assets held for risk management:

The Bank has no derivative financial assets held for risk management.

m. Information on tangible assets (net):

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period					
Cost	3,736,183	14,326	18,636	2,492,604	6,261,749
Accumulated Depreciation	(33,434)		(12,977)	(1,766,113)	(1,812,524)
Net Book Value	3,702,749	14,326	5,659	726,491	4,449,225
Current Period End:					
Net Book Value at the Beginning of the Period	3,702,749	14,326	5,659	726,491	4,449,225
Change During the Period (Net) (*)	771,670	(5,425)	1,451	155,516	923,212
Depreciation	(12,502)		(786)	(201,022)	(214,310)
Impairment	(35,748)				(35,748)
Net Currency Translation Differences(*)			(233)	8,168	7,935
Cost at the Period End	4,471,297	8,901	20,087	2,662,365	7,162,650
Accumulated Depreciation at the Period End	(45,128)		(13,996)	(1,973,212)	(2,032,336)
Closing Net Book Value	4,426,169	8,901	6,091	689,153	5,130,314

(*)The balance includes the movements in cost and accumulated depreciation items.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

n. Information on Intangible Assets:

	Current Period
Net Book Value at the Beginning of the Period	557,416
Change During the Period (Net) (*)	377,319
Depreciation	(311,870)
Impairment	
Net Currency Translation Differences (*)	429
Cost at the Period End	2,198,614
Accumulated Depreciation at Period End	(1,575,320)
Closing Net Book Value	623,294

(*) The balance includes the movements in cost and accumulated depreciation items.

	Prior Period
Net Book Value at the Beginning of the Period	374,192
Change During the Period (Net) (*)	565,060
Depreciation	(382,070)
Impairment	
Net Currency Translation Differences (*)	234
Cost at the Period End	1,820,590
Accumulated Depreciation at Period End	(1,263,174)
Closing Net Book Value	557,416

(*) The balance includes the movements in cost and accumulated depreciation items.

o. Explanations on investment property:

The Bank has no investment property.

p. Information on deferred tax asset:

As at December 31, 2018, the Bank has deferred tax asset amounting to TL 1,492,906. Such deferred tax asset is calculated based on the temporary differences between the book value of the Bank's assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items.

	Current Period
Deferred Tax (Asset)/Liability:	
Tangible and Intangible Assets	370,516
Provisions (*)	(2,076,270)
Valuation of Financial Assets	223,171
Other	(10,323)
Net Deferred Tax (Asset)/Liability:	(1,492,906)

(*) Comprised of employee termination benefits, actual and technical deficits of the pension fund, the provisions for credit card bonus points, expected credit loss for Stage 1 and Stage 2 loans and other provisions.

	Prior Period
Deferred Tax (Asset)/Liability:	
Tangible and Intangible Assets	285,943
Provisions (*)	(853,378)
Valuation of Financial Assets	39,984
Other	18,482
Net Deferred Tax (Asset)/Liability:	(508,969)

(*) Comprised of employee termination benefits, actual and technical deficits of the pension fund, the provisions for credit card bonus points, and other provisions.

q. The deferred tax assets is as follows:

	Current Period
Opening Balance	508,969
TFRS 9 Opening Effect Recognised Under Previous Years' Profits and Losses	515,297
Deferred Tax Income/(Expense) (Net)	233,613
Deferred Taxes Recognised Under Shareholders' Equity	321,829
Deferred Taxes Recognised Under Previous Years' Profits and Losses	(86,877)
Exchange Rate Differences	75
Deferred Tax Asset	1,492,906

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Opening Balance	515,899
Deferred Tax Income/(Expense) (Net)	166,071
Deferred Taxes Recognised Under Shareholders' Equity	(173,001)
Exchange Rate Differences	
Deferred Tax Asset	508,969

r. Information on assets held for sale and discontinued operations:

	Current Period
Balance at the Beginning of the Period	155,920
Transfers (Net)	87,510
Depreciation (Net)	(80)
Impairment Losses (-)	
Balance at the End of the Period	243,350

	Prior Period
Balance at the Beginning of the Period	79,931
Transfers (Net)	76,661
Depreciation (Net)	(672)
Impairment Losses (-)	
Balance at the End of the Period	155,920

All creditors including the Bank have reached an agreement on restructuring the loans granted to the company which was previously followed under Stage 2. As previously stated, loans of the company had been planning to be restructured based on required permits and necessary approvals within a new special purpose entity which was already incorporated or will be incorporated in the Republic of Turkey and owned by the creditors either directly or indirectly through takeover of the shares, that have been pledged by the company as a guarantee for the credit risk. Above mentioned process have been completed in the current period and, in this context the Bank owns 11.5972% of the newly formed special purpose entity. This related loan is accounted Loans measured at fair value through profit or loss whereas its investment portion is classified within the scope of "TFRS-5 Assets Held for Sale and Discontinued Operations".

The other assets classified as "Assets Held for Sale" consist of real estates. Those real estates subject to sale are announced on the Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

The Bank has no discontinued operations.

s. Information on Other Assets:

The "other assets" item of the balance sheet does not exceed 10% of total assets.

t. Information on Expected Credit Loss:

Expected losses for financial assets

	Stage 1	Stage 2	Stage 3
Beginning Term Provision (January 1, 2018)	13,342		
Additional Provisions During the Period	21,377		
Disposal During the Period	(12,746)		
Write-off			
Transfer to Stage 1			
Transfer to Stage 2			
Transfer to Stage 3			
Exchange Rate Differences	2,146		
Period-end Provisions (December 31, 2018)	24,119		

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Expected credit loss for loans

	Stage 1	Stage 2	Stage 3
Beginning Term Provision (January 1, 2018)	2,006,862	1,277,345	3,874,561
Additional Provisions During the Period	517,082	2,641,006	2,777,487
Deducted During the Period	(700,256)	(139,315)	(307,408)
Deleted From Assets ^(*)			(953,606)
Transfer to Stage 1	58,360	(50,218)	(8,142)
Transfer to Stage 2	(250,345)	255,154	(4,809)
Transfer to Stage 3	(71,299)	(1,128,882)	1,200,181
Exchange Rate Differences	302,169	29,699	(12,666)
Period-end Provisions (December 31, 2018)	1,862,573	2,884,789	6,565,598

^(*)The amount of TL 945,297 which has been written off from assets, in which details of the written off amount of the loan mentioned in Section VI-f-10.2., consists of Stage 3 expected credit loss.

II. DISCLOSURES AND FOOTNOTES ON LIABILITIES

a. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	12,472,331		1,873,572	47,480,107	7,676,938	596,930	672,433	9,964	70,782,275
Foreign Currency Deposits	32,392,356		11,377,209	63,238,470	5,201,564	2,139,040	8,899,502	1,324	123,249,465
Residents in Turkey	28,300,302		10,289,444	54,948,404	4,053,932	1,015,560	3,347,563	1,099	101,956,304
Residents Abroad	4,092,054		1,087,765	8,290,066	1,147,632	1,123,480	5,551,939	225	21,293,161
Public Sector Deposits	936,429		2,804	38,128	1,045	1	546		978,953
Commercial Deposits	8,303,396		4,565,999	11,989,877	2,348,226	203,302	1,120,811		28,531,611
Other Institutions Deposits	367,443		81,886	3,750,022	6,353,013	29,923	52,839		10,635,126
Precious Metals Deposits	4,892,580		98,617	142,590		981,989	56,276		6,172,052
Interbank Deposits	597,042		1,673,308	1,464,344	605,717	186,159	392,794		4,919,364
The Central Bank of the Republic of Turkey	126								126
Domestic Banks	8,450		1,411,951		603,030	2,044	4,165		2,029,640
Foreign Banks	588,366		261,357	1,464,344	2,687	184,115	388,629		2,889,498
Participations Banks	100								100
Other									
Total	59,961,577		19,673,395	128,103,538	22,186,503	4,137,344	11,195,201	11,288	245,268,846

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	13,608,939		2,442,700	47,036,800	2,872,422	325,103	387,345	8,724	66,682,033
Foreign Currency Deposits	25,330,695		9,535,787	47,345,116	3,840,765	2,613,701	11,192,093	1,111	99,859,268
Residents in Turkey	22,884,535		8,538,456	40,926,647	2,754,988	1,061,808	2,744,474	891	78,911,799
Residents Abroad	2,446,160		997,331	6,418,469	1,085,777	1,551,893	8,447,619	220	20,947,469
Public Sector Deposits	257,789		4,930	38,732	1,507	1	79		303,038
Commercial Deposits	9,887,255		3,115,955	10,284,471	1,311,488	388,416	57,025		25,044,610
Other Institutions Deposits	382,544		115,880	1,452,838	492,516	396,134	2,696		2,842,608
Precious Metals Deposits	3,069,885			80,910		605,549	32,523		3,788,867
Interbank Deposits	964,270		1,699,221	1,872,199	133,454	374,820	187,644		5,231,608
The Central Bank of the Republic of Turkey	9								9
Domestic Banks	4,823		1,269,822	141,733	4,089				1,420,467
Foreign Banks	959,407		429,399	1,730,466	129,365	374,820	187,644		3,811,101
Participations Banks	31								31
Other									
Total	53,501,377		16,914,473	108,111,066	8,652,152	4,703,724	11,859,405	9,835	203,752,032

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

	Under the Guarantee of Savings Deposits Insurance Fund	Exceeding the Limit of Deposit Insurance Fund
	Current Period	Current Period
Savings Deposits		
Savings Deposits	31,872,642	38,047,628
Foreign Currency Savings Deposits	21,865,360	56,323,397
Other Deposits in the Form of Savings Deposits	3,254,664	2,616,606
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,645,709	1,028,605
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance		

	Under the Guarantee of Savings Deposits Insurance Fund	Exceeding the Limit of Deposit Insurance Fund
	Prior Period	Prior Period
Savings Deposits		
Savings Deposits	33,520,069	32,378,884
Foreign Currency Savings Deposits	18,828,521	44,326,699
Other Deposits in the Form of Savings Deposits	2,091,793	1,543,922
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,022,812	427,988
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance		

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Current Period
		Prior Period
Foreign Branches' Saving Deposits and Other Accounts		1,028,605
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	28,304	
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code No,5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		
	Prior Period	Prior Period
		427,988
Foreign Branches' Saving Deposits and Other Accounts		
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	18,851	
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code No,5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

b. Information on Derivative Financial Liabilities at Fair Value Through Profit or Loss:

Derivative Financial Liabilities at Fair Value Through Profit or Loss	Current Period	
	TL	FC
Forward Transactions	331,509	228,102
Swap Transactions	914,767	2,031,301
Futures		
Options	2,015	194,242
Other		3,554
Total	1,248,291	2,457,199

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Prior Period	
	TL	FC
Forward Transactions	59,090	54,967
Swap Transactions	215,032	844,704
Futures		
Options	676	67,347
Other		51,212
Total	274,798	1,018,230

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Information on Banks and other financial institutions:

c.1. Information on banks and other financial institutions:

	Current Period	
	TL	FC
Funds borrowed from the Central Bank of Turkey		539,698
Domestic banks and Institutions	436,606	2,795,912
Foreign banks, institutions and funds	1,762,297	39,258,055
Total	2,198,903	42,593,665

	Prior Period	
	TL	FC
Funds borrowed from the Central Bank of Turkey		633,020
Domestic banks and Institutions	354,959	1,164,792
Foreign banks, institutions and funds	1,611,886	34,659,779
Total	1,966,845	36,457,591

c.2. Maturity analysis of funds borrowed:

	Current Period	
	TL	FC
Short-term	635,217	4,160,849
Medium and Long-term	1,563,686	38,432,816
Total	2,198,903	42,593,665

	Prior Period	
	TL	FC
Short-term	348,188	2,795,871
Medium and Long-term	1,618,657	33,661,720
Total	1,966,845	36,457,591

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndication loans:

Date of Use	Funds Borrowed	Maturity
May 2018	447,000,000 USD + 867,610,000 EUR	1 year
October 2018	276,000,000 USD + 605,000,000 EUR	1 year

Securitization deals:

The Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company.

Information on funds received through securitization is given below.

Date	Structured Entity	Amount	Final Maturity	Remaining Debt Amount as at December 31, 2018
June 2012	TIB Diversified Payment Rights Finance Company	125,000,000 EUR	12 years	71,875,000 EUR
December 2013	TIB Diversified Payment Rights Finance Company	50,000,000 EUR	12 years	35,000,000 EUR
December 2014	TIB Diversified Payment Rights Finance Company	250,000,000 USD	5-14 years	210,000,000 USD
March 2015	TIB Diversified Payment Rights Finance Company	555,000,000 USD	5-15 years	254,000,000 USD
October 2015	TIB Diversified Payment Rights Finance Company	221,200,000 USD	10 years	186,637,500 USD
October 2016	TIB Diversified Payment Rights Finance Company	240,000,000 USD	5-12 years	224,427,753 USD
December 2016	TIB Diversified Payment Rights Finance Company	158,800,000 USD	10-13 years	158,800,000 USD
December 2017	TIB Diversified Payment Rights Finance Company	265,000,000 USD	5-7 years	265,000,000 USD
December 2017	TIB Diversified Payment Rights Finance Company	125,000,000 EUR	5 years	125,000,000 EUR
December 2017	TIB Diversified Payment Rights Finance Company	125,000,000 USD	9 years	125,000,000 USD

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Other:

As of August 2014, in connection with the future cash flows securitization program amounting to USD 500 million on 10 years maturity, the bank has increased the total amount of the financial instrument USD 600 million by obtaining the same structured USD 100 million in September 2017.

d. Information on Debt Securities Issued (Net):

	Current Period	
	TL	FC
Bills	4,386,277	
Bonds	701,612	24,357,192
Total	5,087,889	24,357,192

	Prior Period	
	TL	FC
Bills	3,237,626	71,646
Bonds	1,159,125	21,442,882
Total	4,396,751	21,514,528

e. Concentration on the Bank's liabilities:

Of the Bank's liabilities, 59% consists of deposits, 11% of loans borrowed, 10% of securities issued and Tier II subordinated loans, and 2% of debt liabilities to money markets. Deposits have spread to a wide customer base with different characteristics. Loans are composed of funds obtained from various financial institutions through syndication, securitization, post-financing and money markets.

f. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

g. Information on Lease Payables (net):

The Bank does not have any lease payables.

h. Information on Derivative Financial Liabilities Held for Risk Management:

The Bank does not have any derivative financial liabilities held for risk management purposes.

i. Information on Provisions:

i.1. Information on general loan loss provisions:

	Prior Period	
	TL	FC
General Loan Loss Provisions	2,910,612	
Provision for Group I Loans and Receivables	2,152,371	
Provision for Group II Loans and Receivables	365,181	
Provision for Non-cash Loans	259,729	
Other	133,331	

i.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 5,434.42 (exact TL amount as at December 31, 2018), which is one month salary for each service year and cannot exceed the base wage ceiling for employee termination benefits. A provision for severance pay to allocate that employees need to be paid upon retirement is calculated by estimating the present value of probable amount. The liability of the Bank arising from severance payment is determined in accordance with the actuarial report prepared by an independent valuation company. As of 31.12.2018, provision amounting to TL 945,548 is reflected in the financial statements (December 31, 2017: TL 758,894).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- In the calculation, the discount rate is taken as 16%, inflation rate is 11.30% and real rate of increase is 2%.
- In the calculation, the ceiling at the level of TL 5,434.42 (full TL amount) which is valid as of December 31, 2018 is taken as the basis.
- The age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The movements related to provision for employee termination benefits are given below:

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	758,894	587,047
Service Cost	56,891	44,239
Interest Cost	84,756	64,905
Benefits paid	(40,418)	(30,488)
Loss/(Gain) due to Settlements/Reductions/Terminations	784	1,193
Past Service Cost	19	
Actuarial loss/(gain)	84,622	91,998
Defined benefit obligation at the end of the period	945,548	758,894

In addition to the employee termination benefits the Bank allocates provisions for the unused vacation pay liability. As 2018, provision for unused vacation pay is amounting to TL 57,816 (December 31, 2017: TL 48,294).

i.3. Provisions for exchange losses in the principal amount of foreign currency indexed loans: Since foreign currency indexed loans are followed based on the rates on the lending date, the Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As at December 31, 2018, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is not available and (December 31, 2017: TL 5,582) prior period amount is offset against foreign currency indexed loan balance in the financial statements.

i.4. As at December 31, 2018, the Bank's specific provisions for indemnified non-cash loans balance is TL 365,941 (December 31, 2017: TL 177,964) which is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts.

i.5. Information on other provisions:

i.5.1. Liabilities arising from retirement benefits:

Liabilities of pension funds founded as per the Social Security Act:

Within the scope of the explanations given in Section Three Note XVII, in the actuarial report which was prepared as of December 31, 2018 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund) By an actuary who is enregistered in the actuary registry, of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act No. 506, the amount of actuarial and technical deficit stands at TL 2,875,305 (21.12.2017: 2,638,215 TL) There is a provision on financial statements to compensate the deficit in mentioned period, the mentioned provision is preserved on current year financial statements aswell.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of December 31, 2018, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

- 9.8% technical deficit interest rate is used.
- 34.5% total premium rate is used.
- CSO 1980 woman/man mortality tables are used.

Below table shows the cash values of premium and salary payments of the Bank as of December 31, 2018, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(9,329,382)	(7,895,389)
Net Present Value of Long Term Insurance Line Premiums	3,952,714	3,252,022
Net Present Value of Total Liabilities Other Than Health	(5,376,668)	(4,643,367)
Net Present Value of Health Liabilities	(1,211,775)	(1,014,105)
Net Present Value of Health Premiums ^(*)	2,865,717	2,357,716
Net Present Value of Health Liabilities	1,653,942	1,343,611
Pension Fund Assets	847,421	661,541
Amount of Actuarial and Technical Deficit	(2,875,305)	(2,638,215)

(*) Short term insurance lines included.

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash and Cash Equivalents	538,880	318,908
Securities Portfolio	207,462	303,535
Other	101,079	39,098
Total	847,421	661,541

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.5.2. Provision of credit cards and promotion of banking services applications: As at December 31, 2018 The Bank has recognized provisions amounting to TL 85,673 for the amount which is recognized within the framework of credit card expenses of credit card customers or promotions for banking services. (December 31, 2017: TL 78,420).

i.5.3. As mentioned public disclosures of the Bank on December 31, 2012 and December 19, 2013; an inspection has been made by the inspectors of Tax Inspection Board to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" ("İşbank Supplementary Pension Fund"), which was founded as per the provisions of the Turkish Commercial and Civil Codes, regarding the payments that fulfill İşbank's liabilities within the framework of the Articles of Foundation of the Pension Fund and the relevant legislation. As a result of this investigation, tax audit reports were prepared for the years 2007, 2008, 2009, 2010, 2011 claiming that the aforementioned liabilities should be taxed in terms of wage base, thus, they should be subject to withholding tax and stamp duty. According to this report, the total amount of tax and penalties notified to Bank was TL 74,353 for 2007 and 2008; and TL 151,899 for 2009, 2010 and 2011 and it was stated that the Bank applied to tax courts to cancel these tax notifications and some of the court decisions were determined in favor of the Bank and some others were determined against the Bank.

In this context, for the finalized decisions of Regional Administrative Courts related to the years 2007 and 2008 against the Bank, the Bank applied to the Constitutional Court. According to this decision, there is no predictability in legal conformity for taxing the Bank's contributions to the Pension Fund in terms of wage base and for this reason it was accepted that property right of the Bank has been violated according to the 35th article of Constitution. Finally the Court decided that the amount of tax, penalties and default interest which was paid by the Bank should be paid back to the Bank as for compensation with its legal interest.

According to the decision of the Constitutional Court, it is expected that the cases related to the periods 2007, 2008, 2009, 2010 and 2011 will conclude in favor of the Bank. In this context, the provisions amounting to TL 207,402 which had been allocated for the mentioned periods, reversed at 2015.

Within the scope of the legal process, the lawsuits amounting to TL 61,060 with respect to 20 period of 2012-2013 have been concluded against the Bank, is an ongoing process. In addition, at a case file, which was one of the lawsuits regarding the repayment of income tax stoppage and stamp tax which has been paid by reservation statement beginning from December 2013, of which its court decision was rendered in favour of the Bank, has been reversed by the majority of the votes of the Assembly after it was submitted to the General Assembly of Tax Courts. Regarding the mentioned issue, the legal process is ongoing.

Within the scope of these developments, the Bank recognized provisions amounting to TL 63,008 (December 31, 2017: TL 50,415).

i.5.4. In 1993, Dışbank A.Ş. shares which were owned by the Bank were sold to Lapis Holding A.Ş. In 2008, it was claimed that USD 52.6 million of the amount, which was paid upfront within the context of the sale agreement, had been provided from the funds of the insolvent TYT Bank A.Ş. by the buyer and payment of USD 52.6 million as well as the interest to be calculated to the Savings Deposit Insurance Fund (SDIF) was demanded.

The administrative actions initiated by the SDIF in 2008 were revoked by Council of State Administrative Law Chambers 13th upon the application of the Bank. The decisions which were in favour of the Bank were reversed by Plenary Session of the Law Chamber upon the appeal of the SDIF. Council of State Administrative Law Chambers 13th decided to reject the applications of the Bank in January 2016 due to their obligation to obey the decisions of reversal.

After the aforementioned court decisions, although the legal process was still in progress, the collection procedures were carried out within the context of Law No. 6183 and TL 298,466, including the default interest, was collected from the Bank by the SDIF previous periods. As a part of the legal process, the Bank has not received positive results from the individual application to the Constitutional Court. On the other hand, the legal process is still ongoing within the framework of the ongoing lawsuits and other available legal options.

i.5.5. Except the other provisions indicated above, other provisions consist of a free provision of total amounting to TL 1,200,000 from which TL 350,000 solved in the current period which has been recognized as an expense in the prior periods, in accordance with the precautionary principle by taking into consideration the possible changes in the economy and market conditions, provisions allocated for expenses and provisions allocated for ongoing lawsuits and other provisions set aside for miscellaneous reasons.

j. Information on Tax Liability:

j.1. Information on current tax liability:

j.1.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in section three notes XVIII. The remaining corporate tax liability after the deduction of the temporary tax amount stands at TL 1,002,712 as at 31 December 2018.

j.1.2. Information on taxes payable:

	Current Period
Corporate Tax Payable	1,002,712
Tax on Securities Income	193,080
Tax on Real Estate Income	4,646
Banking Insurance Transaction Tax	225,372
Foreign Exchange Transaction Tax	122
Value Added Tax Payable	6,359
Other	51,611
Total	1,483,902

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Corporate Tax Payable	400,367
Tax on Securities Income	169,238
Tax on Real Estate Income	4,055
Banking Insurance Transaction Tax	150,958
Foreign Exchange Transaction Tax	117
Value Added Tax Payable	5,184
Other	48,342
Total	778,261

j.1.3. Information on premiums:

	Current Period
Social Security Premiums - Employees	144
Social Security Premiums - Employer	176
Bank Pension Fund Premiums - Employees	
Bank Pension Fund Premiums - Employer	
Pension Fund Membership Fees and Provisions-Employees	
Pension Fund Membership Fees and Provisions-Employer	
Unemployment Insurance - Employees	1,577
Unemployment Insurance - Employer	3,154
Others	4
Total	5,055

	Prior Period
Social Security Premiums - Employees	126
Social Security Premiums - Employer	151
Bank Pension Fund Premiums - Employees	
Bank Pension Fund Premiums - Employer	
Pension Fund Membership Fees and Provisions-Employees	
Pension Fund Membership Fees and Provisions-Employer	
Unemployment Insurance - Employees	2,861
Unemployment Insurance - Employer	5,723
Others	3
Total	8,864

j.2. Information on deferred tax liabilities: None.

k. Information on Payables for Assets Held for Sale and Discontinued Operations

The Bank does not have any payables for assets held for sale and discontinued operations.

l. Information on subordinated loans

As of 24 October 2012, the Bank issued 10 year-term bond with a nominal value of USD 1,000,000,000; as of 10 December 2013 issued 10 year-term bond with a nominal value USD 400,000,000 and as of 29 June 2017 issued 11 year-term bond with a nominal value USD 500,000,000 which all have the characteristic of subordinated loans for the purpose of making available to the individuals and legal persons who are resident abroad. Interest rates of aforementioned bonds are 6.00%, 7.85% and 7% respectively.

In addition, as of August 8.,2017, the Bank has issued TL 1,100,000,000 (full TL amount) with floating interest rates for qualified investors without being offered to the public in Turkey.

The bonds mentioned are amounting to TL 11,158,801 as of December 31, 2018 (December 31, 2017: TL 8,287,981)

	Current Period	
	TP	FC
Debt Instruments To Be Included In Additional Capital Calculation		
Subordinated Loans		
Subordinated Debt Instrument		
Debt Instruments To Be Included In Contribution Capital Calculation	1,136,214	10,022,587
Subordinated Loans		
Subordinated Debt Instrument	1,136,214	10,022,587
Total	1,136,214	10,022,587

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period	
	TP	Fc
Debt Instruments To Be Included In Additional Capital Calculation		
Subordinated Loans		
Subordinated Debt Instrument		
Debt Instruments To Be Included In Contribution Capital Calculation	1,124,891	7,163,090
Subordinated Loans		
Subordinated Debt Instrument	1,124,891	7,163,090
Total	1,124,891	7,163,090

m. Information on shareholders' equity:

m.1. Presentation of paid-in capital:

	Current Period	
Common shares	4,499,970	
Preferred shares	30	
Total	4,500,000	

	Prior Period	
Common shares	4,499,970	
Preferred shares	30	
Total	4,500,000	

m.2. Explanation as to whether the registered share capital system ceiling is applicable at the Bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

m.3. The capital increase made in current period: None.

m.4. Information on capital increase through transfer from capital reserves during the current period: None.

m.5. Significant commitments of the Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There is no capital commitment.

m.6. Information regarding the shares of the company acquired: The Bank has repurchased shares amounting to TL 530,307 in accordance with the Board of Directors Decision dated August 17, 2018.

m.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Bank's equity: The Bank's balance sheet is managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level.

m.8. Privileges Granted to Shares:

Turkish Commercial Law and related registration are kept conditionally;

Group (A) shares each with a nominal value of 1 Kurus have the privileges of:

- Receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- Exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kurus, have the same rights with the Group (C) shares having a nominal value of 4 Kurus each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kurus, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

m.9. Information on marketable securities value increase fund:

	Current Period	
	TL	FC
Financial Assets At Fair Value Through Other Comprehensive Income	(656,737)	(1,155,208)
Valuation Difference	(846,125)	(1,444,108)
Deferred Tax Effect	189,388	288,900
Foreign Exchange Differences		
Total	(656,737)	(1,155,208)

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period	
	TL	FC
Financial Assets Available for Sale	(1,184,520)	(127,051)
Valuation Difference	(1,518,623)	(154,991)
Deferred Tax Effect	334,103	27,940
Foreign Exchange Differences		
Total	(1,184,520)	(127,051)

III. DISCLOSURES AND FOOTNOTES ON OFF BALANCE SHEET ITEMS

a. Explanations to Liabilities Related to Off-Balance Sheet Items:

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 27,477,673 and commitment to pay for cheque leaves amounts to TL 2,600,948. The amount of commitment for the forward purchase of assets is TL 2,391,227 and for the forward sale of assets is TL 2,276,215.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

As at December 31, 2018, the Bank's provisions for indemnified non-cash loans balance is 365,941 (December 31, 2017: TL 177,964) which is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts. Commitments are shown in the table of "off-balance sheet items".

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period
Bank Acceptances	4,379,607
Letters of Credit	14,492,563
Other Guarantees	2,295,655
Total	21,167,825

	Prior Period
Bank Acceptances	3,337,813
Letters of Credit	16,669,976
Other Guarantees	1,647,119
Total	21,654,908

a.4. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period
Letters of Tentative Guarantees	730,285
Letters of Certain Guarantees	39,761,392
Letters of Advance Guarantees	11,246,122
Letters of guarantee given to customs	3,004,272
Other Letters of Guarantee	15,413,016
Total	70,155,087

	Prior Period
Letters of Tentative Guarantees	1,404,867
Letters of Certain Guarantees	34,889,773
Letters of Advance Guarantees	10,058,161
Letters of guarantee given to customs	3,026,997
Other Letters of Guarantee	10,382,277
Total	59,762,075

a.5. Total Non-cash Loans:

	Current Period
Non-cash Loans against Cash Risks	15,413,014
With Original Maturity of 1 Year or Less	5,148,169
With Original Maturity More Than 1 Year	10,264,845
Other Non-cash Loans	75,909,898
Total	91,322,912

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Non-cash Loans against Cash Risks	10,344,824
With Original Maturity of 1 Year or Less	3,295,530
With Original Maturity More Than 1 Year	7,049,294
Other Non-cash Loans	71,072,159
Total	81,416,983

a.6. Sectoral Risk Concentration of Non-cash Loans:

	Current Period	Prior Period		
	TL	(%)	FC	(%)
Agriculture	138,435	0.43	67,949	0.11
Farming and Stockbreeding	101,744	0.31	32,833	0.05
Forestry	30,549	0.10	17	0.00
Fishery	6,142	0.02	35,099	0.06
Industry	10,061,761	31.04	31,006,632	52.64
Mining and Quarrying	199,510	0.62	263,049	0.45
Manufacturing	5,521,418	17.03	27,633,447	46.91
Electricity, Gas, Water	4,340,833	13.39	3,110,136	5.28
Construction	4,190,703	12.93	10,062,920	17.08
Services	17,848,492	55.06	17,163,262	29.14
Wholesale and Retail Trade	9,760,792	30.11	9,157,245	15.55
Hotel and Restaurant Services	278,028	0.86	451,620	0.77
Transportation and Communication	1,413,400	4.36	3,141,338	5.33
Financial Institutions	4,337,020	13.38	2,457,026	4.17
Real Estate and Rental Services	1,482,644	4.57	1,220,857	2.07
Self-Employed Services	314,960	0.97	241,356	0.41
Educational Services	67,124	0.21	5,038	0.01
Health and Social Services	194,524	0.60	488,782	0.83
Others	176,233	0.54	606,525	1.03
Total	32,415,624	100	58,907,288	100

	Prior Period	TL	(%)	FC	(%)
Agriculture	90,650	0.30	29,735	0.06	
Farming and Stockbreeding	71,779	0.24	25,008	0.05	
Forestry	16,278	0.05			
Fishery	2,593	0.01	4,727	0.01	
Industry	9,318,958	30.75	25,559,712	50.01	
Mining and Quarrying	142,915	0.47	385,348	0.76	
Manufacturing	4,817,199	15.90	23,063,718	45.12	
Electricity, Gas, Water	4,358,844	14.38	2,110,646	4.13	
Construction	4,400,309	14.52	7,220,525	14.13	
Services	16,330,200	53.89	17,930,125	35.08	
Wholesale and Retail Trade	9,402,394	31.03	10,227,773	20.01	
Hotel and Restaurant Services	243,872	0.80	263,825	0.52	
Transportation and Communication	1,466,053	4.84	1,645,106	3.22	
Financial Institutions	3,308,276	10.91	2,925,782	5.72	
Real Estate and Rental Services	1,517,103	5.01	2,306,725	4.51	
Self-Employed Services	190,291	0.63	222,244	0.43	
Educational Services	51,471	0.17	2,626	0.01	
Health and Social Services	150,740	0.50	336,044	0.66	
Others	164,757	0.54	372,012	0.72	
Total	30,304,874	100	51,112,109	100	

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.7. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	30,948,724	57,125,223	1,466,900	1,782,065
Letters of Guarantee	30,866,275	36,208,386	1,464,856	1,615,570
Bank Acceptances		4,373,582		6,025
Letters of Credit	82,449	14,299,752	2,044	108,318
Endorsements				
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties		2,243,503		52,152

b. Explanation on Derivative Financial Instruments:

Majority of the Bank's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, and currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "fair value through profit or loss" within the framework of TFRS 9 "Financial Instruments".

c. Explanations Related to Contingencies and Commitments:

Balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Bank pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed amounts to TL 9,137,747.

Bank regarding the cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 2,600,948. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 940 (in exact TL amount) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", and up to TL 1,600 (in exact TL amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

d. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note X under Section Four.

IV. DISCLOSURES AND FOOTNOTES ON STATEMENT OF INCOME

a. Interest Income

a.1. Information on interest income on loans:

	Current Period	
	TL	FC
Interest Income on Loans (*)		
Short-term Loans	6,924,456	629,414
Medium and Long-term Loans	15,709,579	6,653,259
Interest on Non-performing Loans	754,018	10,400
Premiums Received from State Resource Utilization Support Fund		
Total	23,388,053	7,293,073

(*) Includes fee and commission income on cash loans.

	Prior Period	
	TL	FC
Interest Income on Loans (*)		
Short-term Loans	4,404,914	290,753
Medium and Long-term Loans	12,916,146	4,535,513
Interest on Non-performing Loans	191,778	177
Premiums Received from State Resource Utilization Support Fund		
Total	17,512,838	4,826,443

(*) Includes fee and commission income on cash loans.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.2. Information on interest income on banks:

	Current Period	
	TL	FC
The Central Bank of Turkey		1,481
Domestic Banks	41,612	3,239
Foreign Banks	43,170	48,102
Foreign Head Offices and Branches		
Total	84,782	52,822
	Prior Period	
	TL	FC
The Central Bank of Turkey		2,632
Domestic Banks	10,266	87
Foreign Banks	11,383	13,820
Foreign Head Offices and Branches		
Total	21,649	16,539

a.3. Information on interest income from securities:

	Current Period	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	38,071	280
Financial Assets at Fair Value Through Other Comprehensive Income	4,044,139	632,659
Financial Assets Measured at Amortised Cost	2,719,210	54,354
Total	6,801,420	687,293
	Prior Period	
	TL	FC
Financial Assets Held for Trading	32,095	246
Financial Assets at Fair Value through Profit and Loss		
Financial Assets Available for Sale	3,688,075	503,276
Held to Maturity Investments	707,083	2,378
Total	4,427,253	505,900

a.4. Information on interest income received from associates and subsidiaries:

	Current Period	
	TL	FC
Interest Income from Associates and Subsidiaries		97,531
	Prior Period	
	TL	FC
Interest Income from Associates and Subsidiaries		92,788

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

	Current Period	
	TL	FC
Banks	226,637	1,120,130
Central Bank of Turkey		2,481
Domestic Banks	27,289	36,714
Foreign Banks	199,348	1,080,935
Foreign Head Offices and Branches		
Other Institutions		368,845
Total (*)	226,637	1,488,975

(*) Includes fee and commission expenses from cash loans.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period	
	TL	FC
Banks	190,591	553,611
Central Bank of Turkey		8,353
Domestic Banks	22,971	10,897
Foreign Banks	167,620	534,361
Foreign Head Offices and Branches		
Other Institutions		190,564
Total (*)	190,591	744,175

(*) Includes fee and commission expenses from cash loans.

b.2. Information on interest paid to associates and subsidiaries:

	Current Period	
	TL	FC
Interest Paid to Associates and Subsidiaries		261,638
Interest Paid to Associates and Subsidiaries	176,348	

b.3. Information on interest paid on marketable securities issued:

	Current Period	
	30 mm	FC
Interest on Securities Issued	901,005	2,054,347
Interest on Securities Issued	534,619	1,396,358

b.4. Information on Interest Expense on Deposits According to Maturity Structure:

Current Period	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	1	261,810	78,816	8,523	194	165		349,509
Savings Deposits	1	244,865	7,076,423	513,587	44,014	48,605	816	7,928,311
Public Sector Deposits		160	6,707	113		24		7,004
Commercial Deposits	7	614,174	1,855,949	143,799	35,148	73,597		2,722,674
Other Institutions Deposits		38,286	329,788	191,843	2,590	229		562,736
Deposits with 7 Days Notice								
Total	9	1,159,295	9,347,683	857,865	81,946	122,620	816	11,570,234
FC								
Foreign Currency Deposits	63	175,624	1,210,321	97,189	60,552	343,226	20	1,886,995
Bank Deposits	52	5,644	19,268	2,154	2,096	2,113		31,327
Deposits with 7 Days Notice								
Precious Metals Deposits		1,278	1,267	40	6,510	489		9,584
Total	115	182,546	1,230,856	99,383	69,158	345,828	20	1,927,906
Grand Total	124	1,341,841	10,578,539	957,248	151,104	468,448	836	13,498,140

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	8	257,965	25,923		89	48		284,033
Savings Deposits		199,341	4,679,364	254,420	44,159	37,679	617	5,215,580
Public Sector Deposits		2,986	6,718	305		3		10,012
Commercial Deposits	3	442,412	1,339,977	108,701	40,509	4,799		1,936,401
Other Institutions Deposits		18,126	205,013	96,399	101,534	225		421,297
Deposits with 7 Days Notice								
Total	11	920,830	6,256,995	459,825	186,291	42,754	617	7,867,323
FC								
Foreign Currency Deposits	26	140,345	801,757	65,766	59,898	224,021	16	1,291,829
Bank Deposits	45	20,068	21,237	3,376	3,262	3,373		51,361
Deposits with 7 Days Notice								
Precious Metals Deposits			752		3,703	241		4,696
Total	71	160,413	823,746	69,142	66,863	227,635	16	1,347,886
Grand Total	82	1,081,243	7,080,741	528,967	253,154	270,389	633	9,215,209

c. Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit and Loss	4,953
Financial Assets at Fair Value Through Other Comprehensive Income	1,472
Other	
Total	6,425
	Prior Period
Financial Assets Held for Trading	6,802
Financial Assets at Fair Value Through Profit and Loss	
Financial Assets Available for Sale	4,270
Other	
Total	11,072

d. Information on trading income/losses (Net):

	Current Period
Income	
Securities Trading Gains	125,920
Gains on Derivative Financial Instruments (*)	12,703,076
Foreign Exchange Gains	701,017,586
Losses (-)	
Securities Trading Losses	32,290
Losses on Derivative Financial Instruments (*)	15,972,477
Foreign Exchange Losses	701,913,475
Trading Income/Losses (Net)	(4,071,660)

(*) Income arising from foreign currency changes related to derivative transactions amounts to TL 11,085,540 and the losses amount to TL 14,635,295 and the amount of net loss is TL 3,549,755.

	Prior Period
Income	
Securities Trading Gains	173,571
Gains on Derivative Financial Instruments (*)	4,635,240
Foreign Exchange Gains	231,646,108
Losses (-)	
Securities Trading Losses	40,800
Losses on Derivative Financial Instruments (*)	6,537,407
Foreign Exchange Losses	231,755,156
Trading Income/Losses (Net)	(1,878,444)

(*) Income arising from foreign currency changes related to derivative transactions amounts to TL 3,624,858 and the losses amount to TL 5,630,027 and the amount of net loss is TL 2,005,169.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

e. Information on other operating income:

Other operating income, consist of cancellations on expected credit losses and free provisions for possible risks, revenues from loans under Stage 3 and remuneration derived from customers in return for various banking services and sales of fixed assets.

g. Information on provision for loans and other receivables:

	Current Period
Expected Credit Loss	6,332,961
12 Month Expected Credit Loss (Stage I)	345,319
Significant Increase in Credit Risk (Stage II)	2,105,683
Non-performing Loans (Stage III)	3,881,959
Marketable Securities Impairment Provision	4,805
Financial Assets at Fair Value Through Profit or Loss	4,805
Financial Assets at Fair Value Through Other Comprehensive Income	4,805
Impairment Losses on Associates, Subsidiaries and Joint-Ventures	
Associates	
Subsidiaries	
Joint-ventures	
Other	5,908
Total	6,343,674
	Prior Period
Specific Provisions for Loans and Other Receivables	1,942,795
Group III Loans and Receivables	108,752
Group IV Loans and Receivables	415,221
Group V Loans and Receivables	1,418,822
General Loan Provision Expenses	482,248
Provision Expenses for Potential Risks	110,000
Impairment Losses on Marketable Securities	1,304
Financial Assets at Fair Value through Profit and Loss	1,304
Financial Assets Available for Sale	1,304
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	
Associates	
Subsidiaries	
Jointly Controlled Entities	
Held to Maturity Investments	
Others	96,899
Total	2,633,246

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

h. Other operating expenses:

	Current Period
Personnel Expenses (*)	3,675,519
Reserve for Employee Termination Benefits	102,032
Bank Pension Fund Deficit Provisions	237,090
Impairment Losses on Tangible Assets	45,791
Depreciation Expenses of Tangible Assets	234,162
Impairment Losses on Intangible Assets	
Impairment Losses on Goodwill	
Amortization Expenses of Intangible Assets	311,870
Impairment Losses on Equity Accounted Investments	
Impairment Losses on Assets to be Disposed	
Depreciation Expenses of Assets to be Disposed	
Impairment Losses on Assets Held for Sale	
Other Operating Expenses	2,557,492
Operational Lease Related Expenses	467,789
Repair and Maintenance Expenses	148,563
Advertisement Expenses (**)	179,762
Other Expenses (**)	1,761,378
Loss on Sale of Assets	1,277
Other (***)	874,488
Total	8,039,721

(*) In the current period, different from prior year, Personnel Expenses are shown as a separate item in income statement. Other Operating Expense does not include personnel expenses.

(**) The amount of money spent by the Bank in the current period within the scope of donation, charity and social responsibility projects is TL 51,887.

(***) In the current period, TL 5,310 of the related item is due to the expenses incurred as a result of fee rebates which were recognized as income in prior years and TL 264,593 consists of the fees, taxes, duties and funds.

	Prior Period
Personnel Expenses (*)	3,399,059
Reserve for Employee Termination Benefits	79,849
Bank Pension Fund Deficit Provisions	249,202
Impairment Losses on Tangible Assets	8,005
Depreciation Expenses of Tangible Assets	229,532
Impairment Losses on Intangible Assets	
Impairment Losses on Goodwill	
Amortization Expenses of Intangible Assets	382,070
Impairment Losses on Equity Accounted Investments	
Impairment Losses on Assets to be Disposed	
Depreciation Expenses of Assets to be Disposed	
Impairment Losses on Assets Held for Sale	
Other Operating Expenses	2,298,091
Operational Lease Related Expenses	431,160
Repair and Maintenance Expenses	127,155
Advertisement Expenses(**)	226,407
Other Expenses(**)	1,513,369
Loss on Sale of Assets	2,109
Other (***)	747,870
Total	7,395,787

(*) According to "TAS 19-Employee Benefits", it includes provision for the payments that will be made to employees such as dividend distribution etc.

(**) The amount of money spent by the Bank within the scope of donation, charity and social responsibility projects is TL 45,047.

(***) In the current period, TL 16,999 of the related item is due to the expenses incurred as a result of fee rebates which were recognized as income in prior years and TL 231,550 consists of the fees, taxes, duties and funds.

i. Information on profit/loss before tax from continued operation and discontinued operations:

The Bank's income before tax consists of continued operations. Income before tax consists of net interest income amounting to TL 17,052,251, net fees and commission income amounting to TL 4,405,201 and the amount of other operating expense is TL 8,039,721.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

j. Information on provision for taxes from continuing and discontinued operations

As of December 31, 2018, the amount of the Bank's tax provision is TL 960,780 and the amount consists of current tax expense that is amounting to TL 1,194,393 and consists of deferred tax expense amounting TL 233,613.

k. Information on Net Operating Profit/Loss after Net Profit/Loss from Continuing and Discontinued Operations:

The Bank's net profit generated from its continuing operations amounts to TL 6,769,085.

l. Information on net period profit/loss:

I.1. Income and expenses resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Bank's performance for the nine-month period between January 1, 2018 - December 31, 2018.

I.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

I.3. "The other" item which is located at the bottom of received fees and commissions in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions.

m. Explanation on other items on the income statement:

Other items do not exceed 10% of the total amount of the income statement.

V. DISCLOSURES AND FOOTNOTES ON STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 4,034,962 and the balance of extraordinary reserves is TL 23,203,743.

Revaluation surplus of tangible fixed assets amounting to TL 663,340 has been netted off with the deferred tax effect amounting to TL 66,334 and accounted under shareholders' equity.

Note Section Five-j.9 and TL 478,288 of this amount is the deffered tax effect on financial assets at fair value through other comprehensive income (31 December, 2017: TL 362,043).

VI. DISCLOSURES AND FOOTNOTES ON STATEMENT OF CASH FLOWS

The operating profit of TL 16,722,613 before the changes in operating assets and liabilities mostly comprised of TL 35,943,972 of interest received from loans and securities, and TL 20,667,838 of interest paid on deposits, money market operations and funds borrowed by the Bank. The account "Other" classified under operating profit other than fees and commissions paid, cash payments to personnel and service suppliers and taxes paid consists of other operating expenses and foreign exchange gains/losses accounts is TL 1,831,092 (December 31, 2017: TL (890,297)).

Net Increase (Decrease) in Other Liabilities account classified in changes of assets and liabilities resulting from the changes in Funds Provided Under Repurchase Agreements, miscellaneous payables, other liabilities and taxes, duties, charges, and premiums is TL 7,538,370 (December 31, 2017: TL 428,706 increase).

Net Cash Provided from Other Investing Activities account includes net cash flows from sale of intangible assets and declined by TL 377,210 (December 31, 2017: TL 565,060 decrease).

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 67,856 as of December 31, 2018 (December 31, 2017: TL (45,170)). Due to the high rate of turnover of related foreign currency assets, the difference between the last 30 days' arithmetic average of currency exchange rates and the year end currency exchange rate is used to calculate the effect of change in foreign exchange rate.

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, precious metals, money market operations as well as demand and timed up to 3 months are defined as cash and cash equivalents.

Cash and cash equivalents at beginning of the period:

	Current Period December 31, 2017	Prior Period December 31, 2016
Cash	12,748,378	12,109,575
Cash in TL and Foreign Currency	3,310,114	3,381,972
Central Bank of Turkey and Other	9,438,264	8,727,603
Cash Equivalents	2,071,409	1,839,281
Banks' Demand Deposits and Time Deposits Up to 3 Months	2,071,409	1,839,281
Money Market Receivables		
Total Cash and Cash Equivalents	14,819,787	13,948,856

The total amount resulting from the transactions made in the previous period shows the total cash and cash equivalents as of the beginning of the current period.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Cash and cash equivalents at end of the period:

	Current Period December 31, 2018	Prior Period December 31, 2017
Cash	23,011,833	12,748,378
Cash in TL and Foreign Currency	4,814,268	3,310,114
Central Bank of Turkey and Other	18,197,565	9,438,264
Cash Equivalents	7,548,020	2,071,409
Banks' Demand Deposits and Time Deposits Up to 3 Months	7,548,020	2,071,409
Money Market Receivables		
Total Cash and Cash Equivalents	30,559,853	14,819,787

VII. DISCLOSURES AND FOOTNOTES ON THE BANK'S RISK GROUP

a. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Bank's risk Group

Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	871,676	3,936,058			621,064	464,386
Balance at the end of the period	958,569	5,830,957			859,156	529,797
Interest and commission income received	91,600	1,076			46,219	4,497

Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	716,343	2,471,720			194,735	569,256
Balance at the end of the period	871,676	3,936,058			621,064	464,386
Interest and commission income received	81,601	773			27,167	3,678

a.2. Information on deposits held by the Bank's risk group:

Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank	Other Individuals and Corporates in Risk Group	
	Cash	Non-Cash		Cash	Non-Cash
Deposits					
Balance at the beginning of the period			2,556,663	148,163	3,009,110
Balance at the end of the period			5,140,191	178,624	3,435,929
Interest expense on deposits			243,249	38,950	210,496

Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank	Other Individuals and Corporates in Risk Group	
	Cash	Non-Cash		Cash	Non-Cash
Deposits					
Balance at the beginning of the period			2,406,119	242,924	3,633,758
Balance at the end of the period			2,556,663	148,163	3,009,110
Interest expense on deposits			166,614	36,199	207,744

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.3. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	Direct and Indirect Shareholders of the Bank	Other Individuals and Corporates in Risk Group
Transactions at Fair Value Through Profit and Loss			
Beginning of the period	468,088		
End of the period	2,206,327		2,323,674
Total Profit/Loss	(174,182)		(113,179)
Transactions for hedging purposes			
Beginning of the period			
End of the period			
Total Profit/Loss			

Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	Direct and Indirect Shareholders of the Bank	Other Individuals and Corporates in Risk Group
Transactions at Fair Value Through Profit and Loss			
Beginning of the period	591,075		26,465
End of the period	468,088		
Total Profit/Loss	(1,436)		1,606
Transactions for hedging purposes			
Beginning of the period			
End of the period			
Total Profit/Loss			

b. Disclosures for Bank's risk group:

In accordance with the relevant decision of the Banking Regulation and Supervision Agency, the special purpose entity and the mentioned company's subsidiary Türk Telekom A.Ş., are not included in the Bank's risk group, where details are disclosed in Section V, footnote I.f.2 and footnote I.r.

b.1. The relations of the Bank with the entities controlled by the Bank and its related parties regardless of whether there are any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall cash loans is 0.70%, while the ratio to the overall assets is 0.44%; the ratio of deposits of the risk group corporations to the overall deposits is 3.57%, while the ratio to overall liabilities is 2.10%. Comparable price method is used in pricing the transactions.

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

The Bank acquires its properties through its associate, İş Finansal Kiralama A.Ş., when required. The Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches it performs mediation for order transmission with İş Yatırım Menkul Değerler A.Ş. and carries out agency activities for İş Portföy Yönetimi A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

b.4. As of December 31, 2018, Total worth of the shares, which the Bank purchased from its subsidiaries that are traded on Istanbul Stock Exchange, and accounted under the Financial Assets at Fair Value Through Profit or Loss in accordance with the Board of Directors decisions dated December 25, 2015 and relevant following decisions is TL 144,173 (December 31, 2017: TL 221,530).

c. Total salaries and similar benefits paid to the (executive members and senior executives)

Total benefits to key management personnel in the current period is amount to TL 28,233. (December 31, 2017: TL 23,620)

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VIII. DISCLOSURES ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR ASSOCIATES AND FOREIGN REPRESENTATIVE OFFICES

	Number	Employees	Country of Incorporation	Total Assets	Legal Capital
Domestic Branches ^(*)	1,333	24,267	People's Republic of China		
Foreign Representative Offices	1	3	Egypt		
Foreign Branches	2	40	England	19,143,790	665
	15	188	T.R.N.C.	5,438,733	80,000
	2	36	Iraq	1,224,985	260,277
	2	28	Kosovo	833,247	59,998
Off-Shore Branches	1	6	Bahrain	5,032,892	

^(*) The Branches located in Free Trade Zones in Turkey are included among domestic branches.

IX. SUBSEQUENT EVENTS

Within the framework of the resolution of the Bank's Board of Directors dated September 20, 2018 regarding issuance of securities, the Bank has issued commercial paper and discounted bond with total nominal value of TL 1,614.8 million which contains a nominal value of TL 150 million issued to accredited investors, and a nominal value of TL 1,464.8 million issued by public offering, after December 31, 2018.

Within the framework of the resolution of the Bank's Board of Directors dated December 26, 2018 regarding issuance of securities abroad, 3 million GBP has been issued abroad after December 31, 2018.

SECTION SIX: OTHER EXPLANATIONS

I. EXPLANATIONS ON THE BANK'S CREDIT RATINGS:

	Rating	Outlook ^(*)
MOODY'S		
Long-term Foreign Currency Deposit	B2	Negative
Long-term Local Currency Deposit	B2	Negative
Long-term Foreign Currency Senior Debt	B2	Negative
Short-term Foreign Currency Deposit	NP	-
Short-term Local Currency Deposit	NP	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB-	Negative
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
National Long-term Rating	A+ (tur)	Stable
Viability Rating	b+	-
Support Rating	4	-
STANDARD & POOR'S		
Long-term Counterparty Credit Rating	B+	Negative
Short-term Counterparty Credit Rating	B	-
Long-term National Scale Rating	trA+	-
Short-term National Scale Rating	trA-1	-

The dates below given are on which the Bank's credit ratings/outlook was last updated:

Moody's: 28.08.2018, Fitch Ratings: 01.10.2018, Standard & Poor's: 17.08.2018

^(*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

Türkiye İş Bankası A.Ş.

Notes to the Unconsolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

II. Explanations on Special Purpose Audit and Public Audit

According to the Turkish Commercial Code 207, 438 and 439, there has not been the scope of the special audit to the Bank in the current period. At Bank BRSA, CBRT, the Capital Markets Board, the Competition Authority is subject to public scrutiny, including public institutions such as, in relation to these inspections of public institutions, if there is a point where disclosure to be necessary, the Bank shares the issues with the public through disclosures.

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. Explanations on the independent Auditors' report:

The unconsolidated financial statements and disclosures for the year ended December 31, 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst&Young Global Limited) and the independent auditors' report dated February 8, 2019, is presented preceding the unconsolidated financial statements.

II. Explanations and footnotes of the independent auditors report

There are no significant issues or necessary disclosures or notes in relation to the Bank's operations other than those mentioned above.

Consolidated Financial Statements as at and For the year Ended December 31, 2018 with Independent Audit Report Thereon

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Independent Auditor's Report



Güney Bağımsız Denetim ve
SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No: 27 Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Board of Directors of Türkiye İş Bankası Anonim Şirketi:

Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Türkiye İş Bankası A.Ş (the Bank) and its subsidiaries (collectively referred as "The Group"), which comprise the statement of balance sheet as at December 31, 2018, and the consolidated statement of income, consolidated statement of profit or loss and other comprehensive income, 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, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRS), circulars, interpretations published by BRS and "BRS 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.

Basis for Qualified Opinion

As explained in Section Five Part II-i.5.5, the accompanying consolidated financial statements as at December 31, 2018 include a free provision at an amount of TL 1,200,000 thousands of which TL 1,740,000 thousands was provided in prior years and TL 350,000 thousands reversed in the current period and TL 190,000 thousands reversed under retain earnings by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRS (BRS Independent Audit Regulation) and Independent Auditing Standards ("ISA") 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 qualified opinion.

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

Independent Auditor's Report

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>Transition impact of TFRS 9 "Financial Instruments" Standard and recognition of impairment on financial assets and related significant disclosures</i></p> <p>As presented in Section III disclosure XXVII.1, as of 1 January 2018, the Group adopted the TFRS 9 "Financial Instruments" standard began to recognize expected credit losses of 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:</p> <ul style="list-style-type: none"> - Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - TFRS 9 transition has an effect on Group's equity. - There are complex and comprehensive requirements of TFRS 9. - The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance 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, according to relevant business model category, the fair value of the financial assets at fair value shall be determined according to Level 3, when there are financial inputs that are not observable in the fair value measurement which includes significant estimation and assumption. - 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. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex. 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - 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 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. - Reviewing the Group's classification and measurement models of the financial instruments (financial instruments determined as Level 3 according to fair value hierarchy) and comparing with TFRS 9 requirements - 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 regulations and Group's past performance. Evaluating the alignment of those forward looking parameters to Bank's internal processes where applicable. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation. - 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 TFRS 9 disclosures.

Pension Fund Obligations	<p>Employees of the Group are members of "Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in the "Section Three Note XX.2" to the financial statements, Banks will transfer their pension fund to the Social Security Institution and the authority of the "Council of Ministers" on the determination of the mentioned transfer date is changed as "President" in the Decree Law No. 703 published in the Official Gazette numbered 30473 and dated July 9, 2018. According to the technical balance sheet report as at December 31, 2018 prepared considering the related articles of the Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has an actuarial and technical deficit which is fully provisioned for.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Group Management uses Fund actuaries to assist in assessing these assumptions.</p> <p>Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plans during the period, that could lead to adjust the valuation of employee benefits.</p> <p>Support from actuarial auditor of another entity who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the Bank's provision provided for the deficit and also disclosures on key assumptions related to pension fund deficit.</p>
Derivative Financial Instruments	<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures 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.c." and "Section Five Note II.b".</p> <p>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.</p>	<p>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 which is carried out by valuation experts of our firm 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.</p>

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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report

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 consolidated 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 ISAs 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 scepticism 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 and 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.

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; 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 Fatma Ebru Yücel.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Fatma Ebru Yücel SMMM
Partner

February 8, 2019
Istanbul, Turkey

Türkiye İş Bankası A.Ş.

The Consolidated Financial Report as at and For the Year Ended December 31, 2018

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
 Telephone: 0212 316 00 00
 Fax: 0212 316 09 00
 Web Site: www.isbank.com.tr
 E-mail: musteri.iliskileri@isbank.com.tr

The consolidated financial report as at and for the year ended prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

Associates, subsidiaries and structured entities whose financial statements have been consolidated in the consolidated financial report are as follows:

Subsidiaries	Associates
ANADOLU ANONİM TÜRK SIGORTA ŞİRKETİ	ARAP-TÜRK BANKASI A.Ş.
ANADOLU HAYAT EMEKLİLİK A.Ş.	
EFES VARLIK YÖNETİM A.Ş.	
İŞ FAKTORİNG A.Ş.	
İŞ FİNANSAL KİRALAMA A.Ş.	
İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	
İŞ PORTFÖY YÖNETİMİ A.Ş.	
İŞ YATIRIM MENKUL DEĞERLER A.Ş.	
İŞ YATIRIM ORTAKLIĞI A.Ş.	
İŞBANK AG	
JOINT STOCK COMPANY İSBANK (JSC İSBANK)	
JOINT STOCK COMPANY İSBANK GEORGIA (JSC İSBANK GEORGIA)	
MAXİS GİRİŞİM SERMAYESİ PORTFÖY YÖNETİMİ A.Ş.	
MAXIS INVESTMENTS LTD.	
MİLLİ REASÜRANS T.A.Ş.	
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	
TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.	
YATIRIM FINANSMAN MENKUL DEĞERLER A.Ş.	
Structured Entities	
TIB DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	

The consolidated year ended financial financial statements and related disclosures and footnotes in this report are prepared, in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks. Banking Regulation and Supervision Agency (BRSA) regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated the accompanying consolidated financial report is presented in thousands of Turkish Lira (TL), and has been subjected to independent audit and presented as the attached.

Prof. Dr. Turkay Berksoy
Member of the Board and
the Audit Committee

Füsun Tümsavaş
Deputy Chairman of the Board of Directors and
Chairman of the Audit Committee

H. Ersin Özince
Chairman of the Board of Directors and
Member of the Audit Committee

Ali Tolga Ünal
Head of Financial
Management Division

Senar Akkuş
Deputy Chief Executive
In Charge of Financial Reporting

Adnan Bali
Chief Executive Officer

The authorized contact person for questions on this financial report:

Name - Surname/Title : Süleyman H. Özcan/Head of Investor Relations Division
 Phone No : +90 212 3161602
 Fax No : +90 212 3160840
 E-mail : Suleyman.Ozcan@isbank.com.tr
investorrelations@isbank.com.tr
 Website : www.isbank.com.tr

	Page Number
SECTION I	
General Information about the Bank	
I. Explanations on the independent Auditors' report	233
II. Explanations and footnotes of the independent auditors report	233
I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status	242
II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Parent Bank's Risk Group	242
III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank	242
IV. Information on the Parent Bank's Qualified Shareholders	243
V. Summary Information on the Parent Bank's Functions and Business Lines	243
VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Explanation about the Institutions Subject to Full Consolidation Method or Proportional Consolidation and Institutions which are deducted from Equity or not included in these Three Methods	243
VII. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholders' Equity between the Parent Bank and its Subsidiaries or the Reimbursement of Liabilities	245
VIII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures	245
SECTION II	
Consolidated Audit Financial Statements	
I. Balance Sheet (Statement of Financial Position) - Assets	246
II. Balance Sheet (Statement of Financial Position) - Assets (Prior Period)	247
III. Balance Sheet (Statement of Financial Position) - Liabilities	248
IV. Balance Sheet (Statement of Financial Position) - Liabilities (Prior Period)	249
V. Statement of Off-Balance Sheet Items	250
VI. Statement of Off-Balance Sheet Items (Prior Period)	251
VII. Statement of Income	252
VIII. Statement of Income (Prior Period)	253
IX. Statement of Profit or Loss and Other Comprehensive Income	254
X. Statement of Income and Expense Items Accounted under Shareholders' Equity (Prior Period)	255
XI. Statement of Changes in the Shareholders' Equity	256
XII. Statement of Changes in the Shareholders' Equity (Prior Period)	258
XIII. Statement of Cash Flows	260
XIV. Statement of Cash Flows (Prior Period)	261
XV. Statement of Profit Distribution	262
XVI. Statement of Profit Distribution (Prior Period)	263
SECTION III	
Explanations on Accounting Policies	
I. Basis of Presentation	264
II. Strategy for Use of Financial Instruments and on Foreign Currency Transactions	265
III. Information on the Consolidated Companies,	266
IV. Forward, Option Contracts and Derivative Instruments	267
V. Interest Income and Expenses	268
VI. Fees and Commission Income and Expenses	268
VII. Financial Assets	268
VIII. Impairment of Financial Assets	269
IX. Offsetting Financial Instruments	270
X. Sale and Repurchase Agreements and Securities Lending Transactions	270
XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities	270
XII. Goodwill and Other Intangible Assets	270
XIII. Tangible Assets	270
XIV. Investment Property	271
XV. Leasing Transactions	271
XVI. Insurance Technical Income and Expense	271
XVII. Insurance Technical Provisions	271
XVIII. Provisions and Contingent Liabilities	272
XIX. Contingent Assets	272
XX. Liabilities Regarding Employee Benefits	272
XXI. Taxation	273

Page Number

XXII. Additional Information on Borrowings	274
XXIII. Information on Equity Shares and Issuance of Equity Shares	275
XXIV. Bank Acceptances and Bills of Guarantee	275
XXV. Government Incentives	275
XXVI. Segment Reporting	275
XXVII. Other Disclosures	275

SECTION IV**Information on the Financial Position and Risk Management of the Bank**

I. Explanations on Shareholders' Equity	279
II. Explanations on Credit Risk	289
III. Explanations on Currency Risk	298
IV. Explanations on Interest Rate Risk	300
V. Explanations on Equity Shares Risk Arising from Banking Book	303
VI. Explanations on Liquidity Risk and Consolidated Liquidity Coverage Ratio	304
VII. Explanations on Leverage Ratio	309
VIII. Explanations on Other Price Risk	310
IX. Explanations on Presentation of Assets and Liabilities at Fair Value	311
X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions	313
XI. Explanations on Risk Management Objectives and Policies	313
XII. Explanations on Segment Reporting	329

SECTION V**Disclosures and Footnotes on the Consolidated Financial Statements**

I. Disclosures and Footnotes on Consolidated Assets	331
II. Disclosures and Footnotes on Consolidated Liabilities	350
III. Disclosures and Footnotes on Consolidated Off-Balance Sheet Items	361
IV. Disclosures and Footnotes on The Consolidated Income Statement	363
V. Disclosures and Footnotes on Consolidated Statement of Changes in Shareholders' Equity	369
VI. Disclosures and Footnotes on The Consolidated Statement of Cash-Flows	369
VII. Disclosures and Footnotes on The Group's Risk Group	370
VIII. Disclosures on The Group's Domestic, Foreign, Off-Shore Branches or Participations and Representative Offices	372
IX. Subsequent Events	374

SECTION VI**Other Explanations**

I. Explanations On The Group's Credit Ratings	374
II. Explanations on Special Purpose Audit and Public Audit	375

SECTION VII**Explanations on the Limited Review Report**

I. Explanations on the Independent Auditors' Report	375
II. Explanations And Footnotes Of The Independent Auditors	375

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION ONE: GENERAL INFORMATION ABOUT THE PARENT BANK

I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank" or "the Parent Bank") was established on August 26, 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. The Bank status has not been changed since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Parent Bank's Risk Group

As at December 31, 2018, 40.47% of the Bank's shares are owned by T. İş Bankası A.Ş. Supplementary Pension Fund (Fund), 28.09% are owned by the Republican People's Party- CHP (Atatürk's shares) and 31.44% are on free float (31 December 2017: Fund 39.95%, CHP 28.09%, Free float 31.96%).

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Chairman and Members of the Board of Directors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee, Member of the Audit Committee, TRNC Internal Systems Committee and Substitute Member of the Credit Committee
Füsun Tümsavas	Deputy Chairman, Audit Committee, TRNC Internal Systems Committee, Chairman of the Risk Committee and the Corporate Governance Committee, Substitute Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee, Chairman of the Human Resources Committee
Prof. Dr. Turkyay Berksoy	Director, Audit Committee, TRNC Internal Systems Committee and Member of the Remuneration Committee
Feray Demir	Director, Credit Committee, Member of Corporate Social Responsibility Committee
Ertuğrul Bozgedik	Director, Credit Committee
Ersin Önder Çiftçioğlu	Director, Corporate Governance Committee
Murat Karayalçın	Director
Özcal Korkmaz	Director, Corporate Governance Committee
Müslüm Sarı	Director, Member of Corporate Social Responsibility Committee
Rahmi Aşkin Türelî	Director, Member of Corporate Social Responsibility Committee

Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Areas of Responsibility
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee, Chairman of the Human Resources Committee
Hakan Aran	Information Technologies, Digital Banking Operations, Data Management
Yalçın Sezen	Retail Banking Marketing-Sales and Products, Retail Loan and Card Operations, Retail Loans, Digital Banking, Card Payment Systems, Member of the Corporate Social Responsibility Committee
Senar Akkuş	Financial Management, Strategy and Corporate Performance Management, Managerial Reporting and Internal Accounting, Subsidiaries, Member of the Corporate Social Responsibility Committee and the Risk Committee
Yılmaz Ertürk	Private Banking Marketing and Sales, Capital Markets
Murat Bilgiç	Corporate, SME, Commercial, Retail Banking Allocation, Credit Portfolio Management, Financial Analysis and Credit Information, and Member of the Risk Committee
Nevzat Burak Seyrek	Enterprise Architecture, Human Resources and Talent Management, Consumer Relations Coordination Officer
Mehmet Şençan	Commercial Banking Marketing, Sales and Product, Banking Sales, Corporate Banking Sales, Free Zone Branches, Foreign Branches and Representations
Ömer Karakuş	Banking Basic Operations, Support Services and Purchasing, Foreign and Commercial Credit Operations, Internal Operations, Construction and Property Management, Branch Network Development
Sahîsmail Şimşek	SME and Enterprise Banking Sales, Commercial Banking Marketing and Product
Ebru Özsuca	Treasury, Economic Enquiries, Member of the Risk Committee
Gamze Yalçın	International Financial Institutions, Investor Relations
H. Cahit Çınar	Commercial Banking, Retail Banking and General Deliberation Legal Counsellorship, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery, Credits Portfolio Management

The Parent Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. Information on the Parent Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı ("İşbank Members' Supplementary Pension Fund")	1,821,049	40.47%	1,821,049	
Cumhuriyet Halk Partisi - Republican People's Party (Atatürk's Shares)	1,264,142	28.09%	1,264,142	

V. Summary Information on the Parent Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Explanation about the Institutions Subject to Full Consolidation Method or Proportional Consolidation and Institutions which are deducted from Equity or not included in these Three Methods

Banks are obligated to prepare consolidated financial statements for credit institutions and financial subsidiaries for creating legal restrictions on a consolidated basis based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is not any difference between the related Communiqué and the consolidation operations that is based on Turkish Accounting Standards and Turkish Financial Reporting Standards.

The consolidated financial statement includes the subsidiaries of the Bank which are credit institutions or financial institutions accordance with the BRSA regulations. As of current there is no credit institution or financial institution subsidiaries which are excluded in the scope of the consolidation.

The Parent Bank and its subsidiaries:

- ANADOLU ANONİM TÜRK SIGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- EFES VARLIK YÖNETİM A.Ş.
- İŞ FAKTORİNG A.Ş.
- İŞ FINANSAL KİRALAMA A.Ş.
- İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞ YATIRIM ORTAKLIĞI A.Ş.
- İŞBANK AG
- JSC İŞBANK
- JSC İŞBANK GEORGIA
- MAXİS GİRİŞİM SERMAYESİ PORTFÖY YÖNETİMİ A.Ş.
- MAXİS INVESTMENTS LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
- YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.

and Structured Entity;

- TIB Diversified Payment Rights Finance Company

is included in the consolidated financial statements with "full consolidation method".

The Parent Bank's associate acting as a credit institution;

- ARAP-TÜRK BANKASI A.Ş.

is accounted under equity accounting method in the consolidated financial statements.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Consolidated companies are active in the areas of banking, insurance and reinsurance, private pensions, finance leasing, factoring, real estate investment, venture capital investment, brokerage, investment consulting, portfolio and asset management. Those companies are explained below.

Anadolu Anonim Türk Sigorta Şirketi

The Company was established in 1925 and operates in almost all non-life insurance service. Headquarter of the Company is in Istanbul. The Company's shares are traded in the Borsa İstanbul A.Ş.

Anadolu Hayat Emeklilik A.Ş.

The Company was founded in 1990 and its' headquarter is in Istanbul. The company's main activities are private individual or group pension and life/death insurance and due to this branch are engaged in all kinds of insurance. There are 34 individual pension funds offered by the company to the subscribers. The company's shares are traded in the Borsa İstanbul A.Ş.

Efes Varlık Yönetimi A.Ş.

The field of activity of the company, which was founded in February 2011 is to purchase and sell the receivables with other assets of deposit banks, participation banks and other financial institutions. The Company's headquarter is located İstanbul.

İş Faktöring A.Ş.

The field of operation of the Company, which operates in the factoring sector since 1993, is domestic and foreign factoring operations. The Company's headquarter is in Istanbul.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing within the country and abroad started its business in 1988. The headquarters of the Company is in Istanbul. The Company's shares are traded in the Borsa İstanbul A.Ş.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

The Company whose main field of activity is investing in real estate, capital market instruments backed by real estate, real estate projects and capital market instruments is conducting its business in the sector as a real estate investment trust since 1999. The Company's shares are traded in the Borsa İstanbul A.Ş. since its establishment.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Having started its venture capital business in the year 2000, the aim of the company is performing long-term investments to venture companies which have potential development and need resources where was founded and established in Turkey. The company's shares are traded in the Borsa İstanbul A.Ş. since the year 2004.

İş Portföy Yönetimi A.Ş.

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its articles of association. Among the capital market operations, the company offers portfolio management and investment consulting services only to corporate investors.

İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of intermediary, corporate finance, investment consulting and private portfolio management services. The Company's shares are traded in the Borsa İstanbul A.Ş. since May 2007.

İş Yatırım Ortaklığı A.Ş.

The aim of the Company, which was founded in İstanbul in the year 1995, is operating capital market activities which is located in the principal agreement, is portfolio management. The Company's shares are traded in the Borsa İstanbul A.Ş. since April 1996.

İşbank AG

İşbank AG was founded to carry out the banking transactions in Europe. İşbank AG has 12 branches in total, 10 branches in Germany, 1 branch in Netherlands and France.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

JSC İşbank

The Bank, which was founded in 1998 and headquartered in Moscow, operating banking services by focusing on deposit, loan and brokerage operations with its 3 branches, including its head office in several regions of Russian Federation.

JSC İşbank Georgia

The Bank which was established in Georgia in the third quarter of 2015, is operating banking services mainly deposit, loan and exchange transactions. As part of the organizational structure of Parent Bank in abroad, Batumi and Tbilisi branches which were established in 2012 and 2014 respectively and proceed its operations as JSC İşbank Georgia.

Maxis Girişim Sermayesi Porföy Yönetimi A.Ş.

The purpose of the Company, which was founded in November 2017, is to establish and manage capital investment funds in accordance with the Capital Markets Law and related legislations.

Maxis Investments Ltd.

The purpose of the Company, which was founded in England in the year 2005, is to operate in activities in foreign capital markets.

Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance and retrocession services in foreign and domestic branches. It has 1 branch in Singapore.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company's shares are traded in the Borsa İstanbul A.Ş. since April 2010.

Türkiye Sinai Kalkınma Bankası A.Ş.

Türkiye Sinai Kalkınma Bankası A.Ş. (TSKB) which is an industrial development and an investment bank is founded especially to support private sector investments in industry and to provide domestic and foreign capital to Turkish companies. The Bank's shares are traded in the Borsa İstanbul A.Ş.

Yatırım Finansman Menkul Değerler A.Ş.

The Company was founded in 1976. The purpose of the Company is to engage in capital market operations stated in its articles of association.

VII. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholders' Equity between the Parent Bank and its Subsidiaries or the Reimbursement of Liabilities

None.

VIII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Parent Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policies which are agreed by Board can be obtained from the Parent Bank's website.

Türkiye İş Bankası A.Ş.

Consolidated Balance Sheet

As of December 31, 2018

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

ASSETS	Footnotes	THOUSAND TL		
		CURRENT PERIOD (31/12/2018)		
		TL	FC	Total
I. FINANCIAL ASSETS (NET)		69,544,010	70,826,981	140,370,991
1.1 Cash and Cash Equivalents	V-I-a	9,128,262	47,006,226	56,134,488
1.1.1 Cash and Balances with Central Bank		6,427,599	34,494,643	40,922,242
1.1.2 Banks	V-I-d	1,942,494	12,511,583	14,454,077
1.1.3 Money Market Placements		758,169	-	758,169
1.2 Financial Assets at Fair Value Through Profit or Loss	V-I-b	939,793	139,725	1,079,518
1.2.1 Government Debt Securities		429,346	15,465	444,811
1.2.2 Equity Securities		115,702	-	115,702
1.2.3 Other Financial Assets		394,745	124,260	519,005
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	V-I-e	32,313,623	15,536,079	47,849,702
1.3.1 Government Debt Securities		31,582,543	14,053,628	45,636,171
1.3.2 Equity Securities		136,223	271,026	407,249
1.3.3 Other Financial Assets		594,857	1,211,425	1,806,282
1.4 Financial Assets Measured at Amortised Cost	V-I-g	26,501,047	2,512,460	29,013,507
1.4.1 Government Debt Securities		26,180,153	2,047,977	28,228,130
1.4.2 Other Financial Assets		320,894	464,483	785,377
1.5 Derivative Financial Assets	V-I-c	674,888	5,663,087	6,337,975
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		674,888	5,663,087	6,337,975
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		13,603	30,596	44,199
1.7 Expected Credit Loss (-)		152,893,589	150,863,344	303,756,933
II. LOANS (NET)	V-I-f	147,155,041	148,231,086	295,386,127
2.1 Loans		147,155,041	145,813,499	292,968,540
2.1.1 Loans Measured at Amortised Cost		-	2,417,587	2,417,587
2.1.2 Loans Measured at Fair Value Through Profit or Loss		-	-	-
2.1.3 Loans Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	V-I-k	1,517,434	3,862,355	5,379,789
2.2.1 Financial Lease Receivables		1,829,526	4,303,545	6,133,071
2.2.2 Operating Lease Receivables		16,799	1	16,800
2.2.3 Unearned Income (-)		328,891	441,191	770,082
2.3 Factoring Receivables		2,201,495	528,478	2,729,973
2.3.1 Factoring Receivables Measured at Amortised Cost		2,201,495	528,478	2,729,973
2.3.2 Factoring Receivables Measured at Fair Value Through Profit or Loss		-	-	-
2.3.3 Factoring Receivables Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans	V-I-f	11,036,744	1,455,294	12,492,038
2.5 Expected Credit Loss (-)	V-I-f	9,017,125	3,213,869	12,230,994
2.5.1 12 Month Expected Credit Losses (Stage I)		1,116,182	938,540	2,054,722
2.5.2 Significant Increase in Credit Risk (Stage II)		1,308,201	1,807,230	3,115,431
2.5.3 Credit-Impaired Losses (Stage III/Special Provision)		6,592,742	468,099	7,060,841
III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-r	256,334	26,804	283,138
3.1 Held for Sale		256,334	26,804	283,138
3.2 Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		9,418,560	-	9,418,560
4.1 Investments in Associates (Net)	V-I-h	212,705	-	212,705
4.1.1 Associates Accounted by using Equity Method		181,741	-	181,741
4.1.2 Unconsolidated Associates		30,964	-	30,964
4.2 Subsidiaries (Net)	V-I-i	9,202,767	-	9,202,767
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		9,202,767	-	9,202,767
4.3 Joint Ventures (Net)	V-I-j	3,088	-	3,088
4.3.1 Joint Ventures Accounted by using Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		3,088	-	3,088
V. TANGIBLE ASSETS (Net)	V-I-m	7,060,877	43,164	7,104,041
VI. INTANGIBLE ASSETS (Net)	V-I-n	787,447	96,094	883,541
6.1 Goodwill		35,974	-	35,974
6.2 Other		751,473	96,094	847,567
VII. INVESTMENT PROPERTY (Net)	V-I-n	3,704,581	-	3,704,581
VIII. CURRENT TAX ASSET	V-I-o	166,238	4,590	170,828
IX. DEFERRED TAX ASSET	V-I-p	1,238,889	304,981	1,543,870
X. OTHER ASSETS	V-I-p	26,246,756	6,424,118	32,670,874
TOTAL ASSETS		271,317,281	228,590,076	499,907,357

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Balance Sheet

As of December 31, 2017

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

	Footnotes	THOUSAND TL RESTATED PRIOR PERIOD (31/12/2017)		
		TP	FC	Total
ASSETS				
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-a	5,002,407	31,827,105	36,829,512
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-b-c	1,231,712	2,446,634	3,678,346
2.1 Financial Assets Held for Trading		1,231,712	2,446,634	3,678,346
2.1.1 Government Debt Securities		127,403	10,648	138,051
2.1.2 Equity Securities		334,271	-	334,271
2.1.3 Derivative Financial Assets Held for Trading		233,551	2,291,169	2,524,720
2.1.4 Other Marketable Securities		536,487	144,817	681,304
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Equity Securities		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
III. BANKS	V-I-d	2,144,661	8,594,341	10,739,002
IV. MONEY MARKET PLACEMENTS		343,389	121,623	465,012
4.1 Interbank Money Market Placements		-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		322,387	-	322,387
4.3 Receivables from Reverse Repurchase Agreements		21,002	121,623	142,625
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	V-I-e	42,623,046	13,248,330	55,871,376
5.1 Equity Securities		73,676	169,673	243,349
5.2 Government Debt Securities		41,684,103	12,275,058	53,959,161
5.3 Other Marketable Securities		865,267	803,599	1,668,866
VI. LOANS AND RECEIVABLES	V-I-f	151,989,838	116,032,828	268,022,666
6.1 Loans and Receivables		151,092,659	116,009,824	267,102,483
6.1.1 Loans to the Bank's Risk Group		157,391	82,113	239,504
6.1.2 Government Debt Securities		-	-	-
6.1.3 Other		150,935,268	115,927,711	266,862,979
6.2 Non-Performing Loans		5,592,227	206,644	5,798,871
6.3 Specific Provisions (-)		4,695,048	183,640	4,878,688
VII. FACTORING RECEIVABLES		3,313,949	893,386	4,207,335
VIII. HELD TO MATURITY INVESTMENTS (Net)	V-I-g	8,599,175	594,000	9,193,175
8.1 Government Debt Securities		8,455,055	213,596	8,668,651
8.2 Other Marketable Securities		144,120	380,404	524,524
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-h	197,053	-	197,053
9.1 Associates Accounted for Using the Equity Method		163,821	-	163,821
9.2 Unconsolidated Associates		33,232	-	33,232
9.2.1 Financial Investments		-	-	-
9.2.2 Non-Financial Investments		33,232	-	33,232
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-i	7,187,875	-	7,187,875
10.1 Unconsolidated Financial Subsidiaries		-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		7,187,875	-	7,187,875
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-j	2,527	-	2,527
11.1 Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-
11.2 Unconsolidated Jointly Controlled Entities		2,527	-	2,527
11.2.1 Jointly Controlled Financial Entities		-	-	-
11.2.2 Jointly Controlled Non-Financial Entities		2,527	-	2,527
XII. LEASE RECEIVABLES	V-I-k	1,709,538	2,702,228	4,411,766
12.1 Finance Lease Receivables		2,068,732	2,984,309	5,053,041
12.2 Operating Lease Receivables		9,800	-	9,800
12.3 Other		-	-	-
12.4 Unearned Income (-)		368,994	282,081	651,075
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	V-I-l	-	-	-
13.1 Fair Value Hedges		-	-	-
13.2 Cash Flow Hedges		-	-	-
13.3 Net Foreign Investment Hedges		-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-m	5,868,205	52,815	5,921,020
XV. INTANGIBLE ASSETS (Net)	V-I-n	698,262	83,791	782,053
15.1 Goodwill		35,974	-	35,974
15.2 Other		662,288	83,791	746,079
XVI. INVESTMENT PROPERTY (Net)	V-I-o	3,454,409	-	3,454,409
XVII. TAX ASSETS	V-I-p	537,275	40,388	577,663
17.1 Current Tax Assets		24,909	2,103	27,012
17.2 Deferred Tax Assets		512,366	38,285	550,651
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-r	168,019	16,625	184,644
18.1 Held for Sale		168,019	16,625	184,644
18.2 Discontinued Operations		-	-	-
XIX. OTHER ASSETS	V-I-s	23,078,810	2,953,171	26,031,981
TOTAL ASSETS		258,150,150	179,607,265	437,757,415

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Consolidated Balance Sheet

As of December 31, 2018

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

LIABILITIES	Footnotes	THOUSAND TL		
		CURRENT PERIOD (31/12/2018)		
		TL	FC	Total
I. DEPOSITS	V-II-a	111,338,629	137,642,773	248,981,402
II. FUNDS BORROWED	V-II-c	3,194,143	69,387,864	72,582,007
III. MONEY MARKETS		7,803,284	4,177,303	11,980,587
IV. SECURITIES ISSUED (Net)	V-II-d	9,638,527	31,003,744	40,642,271
4.1 Bills		8,370,994	-	8,370,994
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		1,267,533	31,003,744	32,271,277
V. FUNDS		2,408	30,121	32,529
5.1 Borrower Funds		2,408	30,121	32,529
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	V-II-b	1,700,398	2,857,888	4,558,286
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		1,700,398	2,857,888	4,558,286
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES (Net)	V-II-g	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	V-II-i	13,316,436	1,845,249	15,161,685
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		1,101,531	1,406	1,102,937
10.3 Insurance Technical Provisions (Net)		6,925,257	1,689,236	8,614,493
10.4 Other Provisions		5,289,648	154,607	5,444,255
XI. CURRENT TAX LIABILITY	V-II-j	1,708,815	19,716	1,728,531
XII. DEFERRED TAX LIABILITY	V-II-j	80,066	-	80,066
XIII. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-k	-	-	-
13.1 Held for Sale		-	-	-
13.2 Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT	V-II-l	1,136,214	11,572,361	12,708,575
14.1 Loans		-	-	-
14.2 Other Debt Instruments		1,136,214	11,572,361	12,708,575
XV. OTHER LIABILITIES	V-II-f	32,393,567	3,442,958	35,836,525
XVI. SHAREHOLDERS' EQUITY	V-II-m	56,822,220	(1,207,327)	55,614,893
16.1 Paid-in Capital		4,500,000	-	4,500,000
16.2 Capital Reserves		1,129,862	-	1,129,862
16.2.1 Share Premium		39,234	-	39,234
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		1,090,628	-	1,090,628
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		4,734,077	210	4,734,287
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1,085,876	(1,198,836)	(112,960)
16.5 Profit Reserves		29,032,549	4,619	29,037,168
16.5.1 Legal Reserves		4,486,040	1,930	4,487,970
16.5.2 Status Reserves		112,204	-	112,204
16.5.3 Extraordinary Reserves		24,434,305	2,689	24,436,994
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or Loss		10,272,441	31,100	10,303,541
16.6.1 Prior Periods' Profit or Loss		3,755,901	(124,183)	3,631,718
16.6.2 Current Period Profit or Loss		6,516,540	155,283	6,671,823
16.7 Minority Shares	V-II-n	6,067,415	(44,420)	6,022,995
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		239,134,707	260,772,650	499,907,357

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Balance Sheet

As of December 31, 2017

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

LIABILITIES	Footnotes	THOUSAND TL			
		RESTATED PRIOR PERIOD (31/12/2017)	TL	FC	TOTAL
I. DEPOSITS	V-II-a	95,538,526	112,341,966	207,880,492	
1.1 Deposits from the Bank's Risk Group		1,086,444	2,548,273	3,634,717	
1.2 Other		94,452,082	109,793,693	204,245,775	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-b	406,123	1,166,475	1,572,598	
III. FUNDS BORROWED	V-II-c	5,064,901	58,392,887	63,457,788	
IV. MONEY MARKET FUNDS		21,735,325	2,839,898	24,575,223	
4.1 Interbank Money Market Funds		2,704,799	-	2,704,799	
4.2 Istanbul Stock Exchange Money Market Funds		4,144,888	-	4,144,888	
4.3 Funds Provided Under Repurchase Agreements		14,885,638	2,839,898	17,725,536	
V. MARKETABLE SECURITIES ISSUED (Net)	V-II-d	7,823,307	25,193,437	33,016,744	
5.1 Bills		6,203,449	71,646	6,275,095	
5.2 Asset-backed Securities		-	-	-	
5.3 Bonds		1,619,858	25,121,791	26,741,649	
VI. FUNDS		1,178	11,723	12,901	
6.1 Borrower funds		1,178	11,723	12,901	
6.2 Other		-	-	-	
VII. MISCELLANEOUS PAYABLES		26,698,342	1,542,475	28,240,817	
VIII. OTHER LIABILITIES	V-II-f	1,975,171	1,292,539	3,267,710	
IX. FACTORING PAYABLES		-	-	-	
X. LEASE PAYABLES (Net)	V-II-g	-	-	-	
10.1 Finance Lease Payables		-	-	-	
10.2 Operating Lease Payables		-	-	-	
10.3 Other		-	-	-	
10.4 Deferred Financial Lease Expenses (-)		-	-	-	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-h	-	78,682	78,682	
11.1 Fair Value Hedges		-	78,682	78,682	
11.2 Cash Flow Hedges		-	-	-	
11.3 Net Foreign Investment Hedges		-	-	-	
XII. PROVISIONS	V-II-i	15,599,358	1,445,337	17,044,695	
12.1 General Loan Loss Provisions		3,023,676	72,567	3,096,243	
12.2 Provision for Restructuring		-	-	-	
12.3 Reserves for Employee Benefits		886,794	1,446	888,240	
12.4 Insurance Technical Reserves (Net)		6,284,671	1,272,009	7,556,680	
12.5 Other Provisions		5,404,217	99,315	5,503,532	
XIII. TAX LIABILITIES	V-II-j	1,038,584	12,349	1,050,933	
13.1 Current Tax Liabilities		957,719	12,349	970,068	
13.2 Deferred Tax Liabilities		80,865	-	80,865	
XIV. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	
14.1 Held for Sale		-	-	-	
14.2 Discontinued Operations		-	-	-	
XV. SUBORDINATED DEBT		1,124,891	8,309,326	9,434,217	
XVI. SHAREHOLDERS' EQUITY	V-II-m	48,342,327	(217,712)	48,124,615	
16.1 Paid-in Capital		4,500,000	-	4,500,000	
16.2 Capital Reserves		4,116,966	(98,835)	4,018,131	
16.2.1 Share premium		40,921	-	40,921	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Marketable Securities Value Increase Fund		(1,098,117)	(99,105)	(1,197,222)	
16.2.4 Tangible Assets Revaluation Reserve		3,692,837	270	3,693,107	
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	
16.2.6 Investment Property Revaluation Reserve		-	-	-	
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(1,179)	-	(1,179)	
16.2.8 Hedging Reserves (Effective Portion)		(73)	-	(73)	
16.2.9 Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		-	-	-	
16.2.10 Other Capital Reserves		1,482,577	-	1,482,577	
16.3 Profit Reserves		25,600,237	31,736	25,631,973	
16.3.1 Legal Reserves		3,452,976	1,563	3,454,539	
16.3.2 Statutory Reserves		94,223	-	94,223	
16.3.3 Extraordinary Reserves		21,199,770	30,173	21,229,943	
16.3.4 Other Profit Reserves		853,268	-	853,268	
16.4 Profit or Loss		8,920,221	(153,922)	8,766,299	
16.4.1 Prior Years' Profit/Loss		2,825,085	(126,431)	2,698,654	
16.4.2 Current Period Profit/Loss		6,095,136	(27,491)	6,067,645	
16.5 Non-controlling Interest	V-II-n	5,204,903	3,309	5,208,212	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		225,348,033	212,409,382	437,757,415	

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Off-Balance Sheet Items as of December 31, 2018

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

		THOUSAND TL CURRENT PERIOD (31/12/2018)			
		Footnotes	TL	FC	Total
OFF-BALANCE SHEET ITEMS					
A. OFF-BALANCE SHEET CONTINGENCIES and COMMITMENTS (I+II+III)					
I. GUARANTEES AND SURETYSHIPS					
1.1 Letters of Guarantee		V-III	162,350,429	324,183,710	486,534,139
1.1.1 Guarantees Subject to State Tender Law			32,977,443	60,576,037	93,553,480
1.1.2 Guarantees Given for Foreign Trade Operations			32,819,062	38,538,848	71,357,910
1.1.3 Other Letters of Guarantee			817,618	3,525,794	4,343,412
1.2 Bank Acceptances			1,761,444	15,656,466	17,417,910
1.2.1 Import Letter of Acceptance			30,240,000	19,356,586	49,596,588
1.2.2 Other Bank Acceptances			-	3,622,582	3,622,582
1.3 Letters of Credit			-	205,562	205,562
1.3.1 Documentary Letters of Credit			-	3,417,020	3,417,020
1.3.2 Other Letters of Credit			84,493	16,122,452	16,206,945
1.4 Pre-financing Given as Guarantee			68,660	12,725,179	12,793,839
1.5 Endorsements			15,833	3,397,273	3,413,106
1.5.1 Endorsements to the Central Bank of Turkey			-	-	-
1.5.2 Other Endorsements			-	-	-
1.6 Purchase Guarantees for Securities Issued			-	-	-
1.7 Factoring Guarantees			17,395	-	17,395
1.8 Other Guarantees			56,493	2,292,155	2,348,648
1.9 Other Suretyships			-	-	-
II. COMMITMENTS					
2.1 Irrevocable Commitments			55,987,059	18,164,982	74,152,041
2.1.1 Forward Asset Purchase Commitments			55,047,839	9,726,323	64,774,162
2.1.2 Forward Deposit Purchase and Sales Commitments			1,711,886	3,332,103	5,043,989
2.1.3 Capital Commitments to Associates and Subsidiaries			-	-	-
2.1.4 Loan Granting Commitments			400	97,405	97,805
2.1.5 Securities Underwriting Commitments			15,747,394	363,815	16,111,209
2.1.6 Commitments for Reserve Deposit Requirements			-	-	-
2.1.7 Commitments for Cheque Payments			2,600,948	-	2,600,948
2.1.8 Tax and Fund Liabilities from Export Commitments			17,791	-	17,791
2.1.9 Commitments for Credit Card Expenditure Limits			27,477,673	-	27,477,673
2.1.10 Commitments for Credit Cards and Banking Services Promotions			113,226	-	113,226
2.1.11 Receivables from Short Sale Commitments			-	-	-
2.1.12 Payables for Short Sale Commitments			-	-	-
2.1.13 Other Irrevocable Commitments			7,378,521	5,933,000	13,311,521
2.2 Revocable Commitments			939,220	8,438,659	9,377,879
2.2.1 Revocable Loan Granting Commitments			839,220	8,438,659	9,277,879
2.2.2 Other Revocable Commitments			100,000	-	100,000
III. DERIVATIVE FINANCIAL INSTRUMENTS			73,385,927	245,442,691	318,826,618
3.1 Derivative Financial Instruments Held for Risk Management			-	18,028,129	18,028,129
3.1.1 Fair Value Hedges			-	18,028,129	18,028,129
3.1.2 Cash Flow Hedges			-	-	-
3.1.3 Net Foreign Investment Hedges			-	-	-
3.2 Derivative Financial Instruments Held for Trading			73,385,927	227,414,562	300,800,489
3.2.1 Forward Foreign Currency Buy/Sell Transactions			8,758,823	16,445,556	25,204,379
3.2.1.1 Forward Foreign Currency Buy Transactions			4,562,249	8,080,591	12,642,840
3.2.1.2 Forward Foreign Currency Sell Transactions			4,196,574	8,364,965	12,561,539
3.2.2 Currency and Interest Rate Swaps			56,335,555	191,467,112	247,802,667
3.2.2.1 Currency Swap Buy Transactions			14,173,178	61,593,554	75,766,732
3.2.2.2 Currency Swap Sell Transactions			41,458,577	33,382,858	74,841,435
3.2.2.3 Interest Rate Swap Buy Transactions			351,900	48,245,350	48,597,250
3.2.2.4 Interest Rate Swap Sell Transactions			351,900	48,245,350	48,597,250
3.2.3 Currency, Interest Rate and Security Options			7,949,592	12,988,081	20,937,673
3.2.3.1 Currency Call Options			4,088,149	5,348,163	9,436,312
3.2.3.2 Currency Put Options			3,797,202	5,674,940	9,472,142
3.2.3.3 Interest Rate Call Options			-	982,489	982,489
3.2.3.4 Interest Rate Put Options			-	982,489	982,489
3.2.3.5 Securities Call Options			21,440	-	21,440
3.2.3.6 Securities Put Options			42,801	-	42,801
3.2.4 Currency Futures			248,427	231,154	479,581
3.2.4.1 Currency Buy Futures			193,142	62,759	255,901
3.2.4.2 Currency Sell Futures			55,285	168,395	223,680
3.2.5 Interest Rate Futures			-	-	-
3.2.5.1 Interest Rate Buy Futures			-	-	-
3.2.5.2 Interest Rate Sell Futures			-	-	-
3.2.6 Other			93,530	6,282,659	6,376,189
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)			595,134,339	544,307,169	1,139,441,508
IV. ITEMS HELD IN CUSTODY			89,026,303	30,008,264	119,034,567
4.1 Customers' Securities Held			-	-	-
4.2 Investment Securities Held in Custody			69,371,076	3,760,338	73,131,414
4.3 Cheques Received for Collection			16,339,012	10,700,589	27,039,601
4.4 Commercial Notes Received for Collection			2,944,080	11,905,030	14,849,110
4.5 Other Assets Received for Collection			-	251	251
4.6 Assets Received for Public Offering			-	-	-
4.7 Other Items Under Custody			372,135	3,642,056	4,014,191
4.8 Custodians			-	-	-
V. PLEDGED ITEMS			506,108,036	514,298,905	1,020,406,941
5.1 Marketable Securities			26,775,543	45,127,679	71,903,222
5.2 Guarantee Notes			9,438,396	23,433,546	32,871,942
5.3 Commodity			104,598,885	21,604,581	126,203,466
5.4 Warranty			-	-	-
5.5 Real Estates			297,464,738	278,499,219	575,963,957
5.6 Other Pledged Items			67,830,474	145,633,880	213,464,354
5.7 Pledged Items-Depository			-	-	-
VI. ACCEPTED BILL, GUARANTEES AND SURETIES			-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			757,484,768	868,490,879	1,625,975,647

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Off-Balance Sheet Items as of December 31, 2017

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

		THOUSAND TL		
		PRIOR PERIOD (31/12/2017)		
		TL	FC	TOTAL
OFF-BALANCE SHEET ITEMS				
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)				
I. GUARANTEES AND SURETIES				
1.1 Letters of Guarantee	V-III	148,260,543	264,798,097	413,058,640
1.1.1 Guarantees Subject to State Tender Law		30,856,347	53,387,006	84,387,361
1.1.2 Guarantees Given for Foreign Trade Operations		842,452	2,757,476	3,599,928
1.1.3 Other Letters of Guarantee		2,044,694	10,676,161	12,720,855
1.2 Bank Acceptances		27,969,201	17,060,847	45,030,048
1.2.1 Import Letters of Acceptance		-	3,356,576	3,356,576
1.2.2 Other Bank Acceptances		-	3,230,812	3,230,812
1.3 Letters of Credit		11,510	17,894,021	17,905,531
1.3.1 Documentary Letters of Credit		9,275	14,658,471	14,667,746
1.3.2 Other Letters of Credit		2,235	3,235,550	3,237,785
1.4 Pre-financing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Purchase Guarantees for Securities Issued		-	-	-
1.7 Factoring Guarantees		46,958	-	46,958
1.8 Other Guarantees		85,540	1,641,925	1,727,465
1.9 Other Suretyships		-	-	-
II. COMMITMENTS				
2.1 Irrevocable Commitments		54,662,312	23,075,473	77,737,785
2.1.1 Forward Asset Purchase Commitments		53,996,135	14,944,178	68,940,313
2.1.2 Forward Deposit Purchase and Sale Commitments		1,193,459	10,567,097	11,760,556
2.1.3 Capital Commitment for Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		4,750	78,890	83,640
2.1.5 Securities Underwriting Commitments		14,479,657	284,591	14,764,248
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Commitments for Cheque Payments		6,056,477	-	6,056,477
2.1.8 Tax and Fund Liabilities from Export Commitments		20,805	-	20,805
2.1.9 Commitments for Credit Card Expenditure Limits		24,193,467	-	24,193,467
2.1.10 Commitments for Credit Cards and Banking Services Promotions		84,622	-	84,622
2.1.11 Receivables from Short Sale Commitments		-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-
2.1.13 Other Irrevocable Commitments		7,962,898	4,013,600	11,976,498
2.2 Revocable Commitments		666,177	8,131,295	8,797,472
2.2.1 Revocable Loan Granting Commitments		666,177	8,131,295	8,797,472
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS				
3.1 Derivative Financial Instruments held for risk management		62,597,876	188,335,618	250,933,494
3.1.1 Fair Value Hedges		-	10,582,050	10,582,050
3.1.2 Cash Flow Hedges		-	10,582,050	10,582,050
3.1.3 Net Foreign Investment Hedges		-	-	-
3.2 Derivative Financial Instruments Held for Trading		62,597,876	177,753,568	240,351,444
3.2.1 Forward Foreign Currency Buy/Sell Transactions		7,921,454	19,207,706	27,129,160
3.2.1.1 Forward Foreign Currency Buy Transactions		3,881,018	9,655,913	13,536,931
3.2.1.2 Forward Foreign Currency Sell Transactions		4,040,436	9,551,793	13,592,229
3.2.2 Currency and Interest Rate Swaps		46,540,307	140,752,401	187,292,708
3.2.2.1 Currency Swap Buy Transactions		12,308,576	53,424,068	65,732,644
3.2.2.2 Currency Swap Sell Transactions		32,836,433	29,253,095	62,089,528
3.2.2.3 Interest Rate Swap Buy Transactions		697,649	29,037,619	29,735,268
3.2.2.4 Interest Rate Swap Sell Transactions		697,649	29,037,619	29,735,268
3.2.3 Currency, Interest Rate and Security Options		7,863,334	12,256,089	20,119,423
3.2.3.1 Currency Call Options		3,672,386	5,713,351	9,385,737
3.2.3.2 Currency Put Options		4,049,577	5,337,458	9,387,035
3.2.3.3 Interest Rate Call Options		-	602,640	602,640
3.2.3.4 Interest Rate Put Options		-	602,640	602,640
3.2.3.5 Securities Call Options		15,460	-	15,460
3.2.3.6 Securities Put Options		125,911	-	125,911
3.2.4 Currency Futures		159,502	290,567	450,069
3.2.4.1 Currency Buy Futures		95,705	194,208	289,913
3.2.4.2 Currency Sell Futures		63,797	96,359	160,156
3.2.5 Interest Rate Futures		-	-	-
3.2.5.1 Interest Rate Buy Futures		-	-	-
3.2.5.2 Interest Rate Sell Futures		-	-	-
3.2.6 Other		113,279	5,246,805	5,360,084
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)				
ITEMS HELD IN CUSTODY				
4.1 Customers' Securities Held		482,922,972	369,140,059	852,063,031
4.2 Investment Securities Held in Custody		96,016,939	18,968,320	114,985,259
4.3 Cheques Received for Collection		-	-	-
4.4 Commercial Notes Received for Collection		-	-	-
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items under Custody		-	-	-
4.8 Custodians		-	-	-
V. PLEDGED ITEMS				
5.1 Marketable Securities		386,906,033	350,171,739	737,077,772
5.2 Guarantee Notes		17,668,203	32,512,537	50,180,740
5.3 Commodity		8,396,450	18,433,975	26,830,425
5.4 Warranty		87,838,379	20,062,631	107,901,010
5.5 Real Estates		228,241,425	183,538,135	411,779,560
5.6 Other Pledged Items		44,761,576	95,624,461	140,386,037
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED BILL GUARANTEES AND SURETIES				
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		631,183,515	633,938,156	1,265,121,671

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Income as of December 31, 2018

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

			THOUSAND TL CURRENT PERIOD (01/01-31/12/2018)
I.	INCOME STATEMENT	Footnotes	
	INTEREST INCOME	V-IV-a	44,078,656
1.1	Interest Income on Loans		33,172,163
1.2	Interest Income on Reserve Deposits		516,952
1.3	Interest Income on Banks		666,318
1.4	Interest Income on Money Market Placements		121,271
1.5	Interest Income on Marketable Securities Portfolio		8,573,477
1.5.1	Financial Assets At Fair Value Through Profit or Loss		95,544
1.5.2	Financial Assets At Fair Value Through Other Comprehensive Income		5,295,906
1.5.3	Financial Assets At Measured at Amortised Cost		3,182,027
1.6	Financial Lease Income		491,438
1.7	Other Interest Income		537,037
II.	INTEREST EXPENSE (-)	V-IV-b	24,492,384
2.1	Interest on Deposits		13,326,370
2.2	Interest on Funds Borrowed		2,699,744
2.3	Interest on Money Market Funds		4,320,946
2.4	Interest on Securities Issued		4,102,649
2.5	Other Interest Expenses		42,675
III.	NET INTEREST INCOME (I - II)		19,586,272
IV.	NET FEES AND COMMISSIONS INCOME		3,756,035
4.1	Fees and Commissions Received		5,628,940
4.1.1	Non-cash Loans		886,972
4.1.2	Other		4,741,968
4.2	Fees and Commissions Paid		1,872,905
4.2.1	Non-cash Loans		23,764
4.2.2	Other		1,849,141
V.	PERSONNEL EXPENSE (-)		4,501,780
VI.	DIVIDEND INCOME		19,655
VII.	TRADING INCOME/(LOSS) (Net)	V-IV-d	(2,293,686)
7.1	Gains/(Losses) on Securities Trading		197,556
7.2	Derivative Financial Transactions Gains/Losses		(2,601,163)
7.3	Foreign Exchange Gains/(Losses)		109,921
VIII.	OTHER OPERATING INCOME		8,120,963
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		24,687,459
X.	EXPECTED CREDIT LOSS (-)	V-IV-f	7,012,853
XI.	OTHER OPERATING EXPENSES (-)	V-IV-g	10,154,346
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		7,520,260
XIII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIV.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		1,569,036
XV.	NET MONETARY POSITION GAIN/LOSS		-
XVI.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XII+...+XV)		9,089,296
XVII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-i	1,517,912
17.1	Current Tax Provision		1,659,581
17.2	Deferred Tax Income Effect (+)		824,035
17.3	Deferred Tax Expense Effect (-)		965,704
XVIII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)		7,571,384
XIX.	INCOME ON DISCONTINUED OPERATIONS		-
19.1	Income on Assets Held for Sale		-
19.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-
19.3	Other Income on Discontinued Operations		-
XX.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-
20.1	Expense on Assets Held for Sale		-
20.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-
20.3	Other Expense on Discontinued Operations		-
XXI.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1	Current Tax Provision		-
22.2	Deferred Tax Expense Effect (+)		-
22.3	Deferred Tax Income Effect (-)		-
XXIII.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET PERIOD PROFIT/LOSS (XVIII+XXIII)	V-IV-k	7,571,384
24.1	Group's Profit/Loss		6,671,823
24.2	Non-controlling Interest Profit/Loss (-)		899,561
	Earnings per Share (*)		0,059303907

(*) Expressed in exact TL.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Income as of December 31, 2017

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

			THOUSAND TL RESTATED PRIOR PERIOD (01/01-31/12/2017)
I. INCOME STATEMENT		Footnotes	
I.1. INTEREST INCOME		V-IV-a	31,108,967
1.1 Interest Income on Loans			23,855,036
1.2 Interest Income on Reserve Deposits			322,086
1.3 Interest Income on Banks			521,292
1.4 Interest Income on Money Market Placements			59,660
1.5 Interest Income on Marketable Securities Portfolio			5,637,327
1.5.1 Financial Assets Held for Trading			79,432
1.5.2 Financial Assets at Fair Value Through Profit and Loss			-
1.5.3 Financial Assets Available for Sale			4,656,168
1.5.4 Held to Maturity Investments			901,727
1.6 Finance Lease Income			366,670
1.7 Other Interest Income			346,896
I.2. INTEREST EXPENSE		V-IV-b	16,277,297
2.1 Interest on Deposits			9,088,528
2.2 Interest on Funds Borrowed			1,593,816
2.3 Interest on Money Market Funds			2,975,118
2.4 Interest on Securities Issued			2,584,767
2.5 Other Interest Expense			35,068
III. NET INTEREST INCOME/EXPENSE (I - II)			14,831,670
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE			2,733,423
4.1 Fees and Commissions Received			4,205,812
4.1.1 Non-cash Loans			611,481
4.1.2 Other			3,594,331
4.2 Fees and Commissions Paid			1,472,389
4.2.1 Non-cash Loans			20,871
4.2.2 Other			1,451,518
V. DIVIDEND INCOME			18,258
VI. TRADING INCOME/LOSS (NET)		V-IV-c	(946,253)
6.1 Gains/Losses on Securities Trading			304,125
6.2 Derivative Financial Transactions Gains/Losses			(1,625,239)
6.3 Foreign Exchange Gains/Losses			374,861
VII. OTHER OPERATING INCOME		V-IV-e	6,765,642
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)			23,402,740
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)		V-IV-f	3,016,417
X. OTHER OPERATING EXPENSES (-)		V-IV-g	12,862,111
XI. NET OPERATING INCOME (VIII-IX-X)			7,524,212
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			842,068
XIV. NET MONETARY POSITION GAIN/LOSS			-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)			8,366,280
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)		V-IV-i	1,660,614
16.1 Current Tax Provision			1,773,008
16.2 Deferred Tax Provision			(112,394)
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)			6,705,666
XVIII. INCOME ON DISCONTINUED OPERATIONS			-
18.1 Income on Assets Held for Sale			-
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-
18.3 Other Income on Discontinued Operations			-
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)			-
19.1 Expense on Assets Held for Sale			-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)			-
19.3 Other Expense on Discontinued Operations			-
XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)			-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			-
21.1 Current Tax Provision			-
21.2 Deferred Tax Provision			-
XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)			-
XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)		V-IV-k	6,705,666
23.1 Group's Profit/Loss			6,067,645
23.2 Non-controlling Interest Profit/Loss (-)			638,021
Earnings per Share (*)			0,053933544

(*)Expressed in exact TL.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Profit or Loss and Other Comprehensive Income of December 31, 2018

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

		THOUSAND TL
		CURRENT PERIOD
		(01/01-31/12/2018)
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I.	PROFIT/LOSS FOR THE PERIOD	7,571,384
II.	OTHER COMPREHENSIVE INCOME	593,782
2.1	Other comprehensive income that will not be reclassified to profit or loss	1,367,210
2.1.1	Revaluation Surplus on Tangible Assets	1,203,375
2.1.2	Revaluation Surplus on Intangible Assets	(93,725)
2.1.3	Gains/(Losses) on remeasurements of Defined Benefit Plans	312,801
2.1.4	Other Income/Expense Items of Other Comprehensive Income not to be Reclassified to Profit Or Loss	(55,241)
2.1.5	Taxes Relating To Components Of Other Comprehensive Income not to be Reclassified To Profit Or Loss	(773,428)
2.2	Other Income/Expense Items not be Reclassified to Profit or Loss	118,892
2.2.1	Exchange Differences on Translation	733,250
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income	(2,059,975)
2.2.3	Income/(Loss) Related with Cash Flow Hedges	434,405
2.2.4	Income/(Loss) Related with Hedges of Net Investments in Foreign Operations	(16,428)
2.2.5	Other Income/Expense Items of Other Comprehensive Income to be Reclassified to Other Profit or Loss	(1,000)
2.2.6	Taxes Relating To Components Of Other Comprehensive Income to be Reclassified To Profit Or Loss	(1,000)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	8,165,166

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Income and Expense Items Under Shareholders' Equity of December 31, 2017

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

	THOUSAND TL RESTATED PRIOR PERIOD (01/01-31/12/2017)
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	741,486
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	41,042
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	253,389
V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	472
VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	
VII. THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	
VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS	(118,476)
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	(191,543)
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	726,370
XI. PROFIT/LOSS FOR THE PERIOD	6,705,666
11.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	61,603
11.2 The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	
11.3 The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	
11.4 Other	6,644,063
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	7,432,036

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Changes in Shareholders' Equity as of December 31, 2018

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

		THOUSAND TL							
		Accumulated Other Comprehensive Income That will not be Reclassified in Profit/Loss							
CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves (**)	Tangible assets revaluation reserve	Accumulated gains/losses on remeasurements of defined benefit plans	Other ⁽¹⁾
	Current Period (31/12/2018)	V-V							
I.	Beginning Balance		4,500,000	40,921		1,614,759	2,546,105	(107,621)	1,121,262
II.	Adjustment in accordance with TAS 8								
2.1	The Effect of Adjustments								
2.2	The Effect of Changes in Accounting Policies								
III.	New Balance (I+II)		4,500,000	40,921		1,614,759	2,546,105	(107,621)	1,121,262
IV.	Total Comprehensive Income						904,624	(72,169)	312,801
V.	Capital Increase in Cash								
VI.	Capital Increase Through Internal Reserves								
VII.	Paid-in-Capital inflation adjustment difference								
VIII.	Convertible Bonds								
IX.	Subordinated Debt								
X.	Increase/(Decrease) Through Other Changes ^(*)			(1,687)		(524,131)	29,300	(12)	(3)
XI.	Profit Distribution								
11.1	Dividend Paid								
11.2	Transfer to Reserves								
11.3	Other ^(**)								
	Ending Balance (III+IV+.....+X+XI)	-	4,500,000	39,234	-	1,090,628	3,480,029	(179,802)	1,434,060

⁽¹⁾ Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss

⁽²⁾ Accumulated gains or (losses) on cash flow hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for using equity method that will be classified to Profit or Loss, Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss

^(*) Includes changes in the Group Shares.

^(**) According to the Articles of Incorporation of the Bank, since a portion of the net profit for the period is distributed to the employees as a dividend, the provision provided for employee dividend distribution within the scope of "TAS 19-Employee Benefits", has been added to distributable profit.

^(**) The repurchase of shares amounting to TL 530,307 in accordance with the Bank's Board of Directors decision dated August 17, 2018 has been classified under Other Capital Reserves, related amount have been allocated as Legal Reserve in accordance with Article 612 of the Turkish Trade Law.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

THOUSAND TL									
Accumulated Other Comprehensive Income That will be Reclassified in Profit/Loss									
Exchange differences on translation reserve	Accumulated gains/ (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (2)	Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/ (Loss)	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Shareholder's Equity	
				Profit/(Loss)					
282,015	(1,297,415)	671,373	24,778,705	8,766,299 598,514		42,916,403 1,502,584	5,208,212 (1,278)	48,124,615 1,501,306	
282,015	904,070			598,514		1,502,584	(1,278)	1,501,306	
738,771	904,070 (393,345) (1,530,453)	671,373 118,892	24,778,705 118,892	9,364,813	6,671,823	44,418,987 7,144,289	5,206,934 1,020,877	49,625,921 8,165,166	
7	(220)			13,311 4,245,152	(171,502) (5,561,593) (1,679,172) (3,882,421)	(654,937) (1,316,441) (1,679,172)	3,935 (208,751) (213,180)	(651,002) (1,525,192) (1,892,352)	
1,020,793	(1,924,018)	790,265	29,037,168	3,631,718	6,671,823	49,591,898	6,022,995	55,614,893	

Türkiye İş Bankası A.Ş.

Consolidated Statement of Changes in Shareholders' Equity as of December 31, 2017

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

			THOUSAND TL					
		Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
CHANGES IN SHAREHOLDERS' EQUITY								
RESTATED PRIOR PERIOD (31/12/2017)		V-V						
I.	Beginning Balance		4,500,000	1,615,938	33,941		3,043,282	81,638
II.	Corrections Made According to TAS 8				7,209			
2.1	The Effect of Corrections of Errors					7,209		
2.2	The Effect of Changes in Accounting Policies							
III.	Adjusted Beginning Balance (I+II)		4,500,000	1,615,938	41,150		3,043,282	81,638
	Changes During the Period							
IV.	Increase/Decrease Due to Mergers							
V.	Marketable Securities Value Increase Fund							
VI.	Hedge Reserves (Effective Portion)							
6.1	Cash Flow Hedges							
6.2	Net Foreign Investment Hedges							
VII.	Revaluation Surplus on Tangible Assets							
VIII.	Revaluation Surplus on Intangible Assets							
IX.	Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities(Joint Ventures)							
X.	Translation Differences							
XI.	The Effect of Disposal of Assets							
XII.	The Effect of Reclassification of Assets							
XIII.	The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank							
XIV.	Capital Increase							
14.1	Cash							
14.2	Internal Sources							
XV.	Share Issue					(229)		
XVI.	Share Cancellation Profits							
XVII.	Paid-in-Capital Inflation Adjustment							
XVIII.	Other (*)							
XIX.	Net Profit/Loss for the Period						411,257	12,585
XX.	Profit Distribution							
20.1	Dividend Paid							
20.2	Transfer to Reserves						411,257	12,585
20.3	Other (**)							
	Ending Balance (III+IV+V...+XVIII+XIX+XX)		4,500,000	1,615,938	40,921	-	3,454,539	94,223

(*) Includes changes in the Group Shares.

(**) According to the Articles of Incorporation of the Bank, since a portion of the net profit for the period is distributed to the employees as a dividend, the provision provided for employee dividend distribution within the scope of "TAS 19-Employee Benefits", has been added to distributable profit.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately. Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three.

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

THOUSAND TL												
Extraordinary Reserves	Other Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Asset Held for Sale and Discontinued Oper.	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Shareholder's Equity	
17,965,162	260,238		5,157,004	1,415,547	2,669,508	(1,179)	(545)	36,741,079	5,070,088	41,811,167		
	302,374		2,574,857	(3,256,787)	1,094,014			721,122	(352,136)	368,986		
17,965,162	302,374		2,574,857	(3,256,787)	1,094,014	(1,179)	(545)	721,122	(352,136)	368,986		
	562,612		7,731,861	(1,841,240)	3,763,522			37,462,201	4,717,952	42,180,153		
				642,468			472		642,468	19,125	661,593	
					(70,415)				(70,415)	(20,106)	(90,521)	
		252,763		1,550					254,313	(924)	253,389	
										100	100	
										100	100	
										(229)	(455)	(684)
	(95,468)		(96,521)							(191,989)	9,721	(182,268)
3,264,781		6,067,645	(4,936,686)						6,067,645	638,021	6,705,666	
			(1,471,737)						(1,248,063)	(155,222)	(1,403,285)	
3,041,107			(3,464,949)						(1,471,737)	(157,177)	(1,628,914)	
223,674									223,674	1,955	225,629	
21,229,943	719,907	6,067,645	2,698,654	(1,197,222)	3,693,107	(1,179)	(73)	-	42,916,403	5,208,212	48,124,615	

Türkiye İş Bankası A.Ş.

Consolidated Statement of Cash Flow as of December 31, 2018

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

		THOUSAND TL CURRENT PERIOD (01/01-30/09/2018)
	Footnotes	
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		16,900,414
1.1.1 Interest Received		40,514,718
1.1.2 Interest Paid		(23,599,120)
1.1.3 Dividend Received		235,020
1.1.4 Fees and Commissions Received		5,628,940
1.1.5 Other Income		5,273,483
1.1.6 Collections from Previously Written Off Loans and Other Receivables		604,581
1.1.7 Payments to Personnel and Service Suppliers		(7,202,631)
1.1.8 Taxes Paid		(1,403,381)
1.1.9 Other		(3,151,196)
1.2 Changes in Operating Assets and Liabilities		7,519,976
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		75,461
1.2.2 Net (Increase)/Decrease in Due From Banks		7,926,833
1.2.3 Net (Increase)/Decrease in Loans		(14,070,302)
1.2.4 Net (Increase)/Decrease in Other Assets		(6,031,809)
1.2.5 Net Increase/(Decrease) in Bank Deposits		(963,779)
1.2.6 Net Increase/(Decrease) in Other Deposits		29,719,651
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		(265,422)
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(8,870,657)
I. Net Cash Provided From Banking Operations		24,420,390
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from/Used in Investing Activities		(6,024,499)
2.1 Cash Paid for the Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(13,588)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		3,840
2.3 Cash Paid for the Purchase of Tangible Asset		(430,638)
2.4 Cash Obtained from the Sale of Tangible Asset		270,638
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(17,020,749)
2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		12,785,480
2.7 Cash Paid for Purchase of Financial Assets Measured at Amortised Cost		(4,918,394)
2.8 Cash Obtained from Sale of Financial Assets Measured at Amortised Cost (*)		3,737,743
2.9 Other		(438,831)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from/used in financing activities		(5,130,058)
3.1 Cash obtained from funds borrowed and securities issued		23,325,704
3.2 Cash used for repayment of funds borrowed and securities issued		(26,033,103)
3.3 Equity Instruments		-
3.4 Dividends Paid		(1,892,352)
3.5 Payments for Finance Leases		-
3.6 Other(**)		(530,307)
IV. Effect of change in foreign exchange rate on cash and cash equivalents		84,514
V. Net increase/(Decrease) in cash and cash equivalents (I+II+III+IV)		13,350,347
VI. Cash and cash equivalents at beginning of the period		21,288,841
VII. Cash and cash equivalents at end of the period		34,639,188

(*) Includes Redeemed Financial Assets measured at amortized cost.

(**) Includes repurchased share amount in accordance with the Bank's Board of Directors decision dated August 17, 2018.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Cash Flow as of December 31, 2017

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

		THOUSAND TL PRIOR PERIOD (01/01-31/12/2017)
	Footnotes	
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		12,629,389
1.1.1 Interest Received		29,578,739
1.1.2 Interest Paid		(16,001,089)
1.1.3 Dividend Received		191,903
1.1.4 Fees and Commissions Received		4,205,812
1.1.5 Other Income		6,811,734
1.1.6 Collections from Previously Written Off Loans and Other Receivables		795,840
1.1.7 Cash Payments to Personnel and Service Suppliers		(6,137,924)
1.1.8 Taxes Paid		(1,557,949)
1.1.9 Other		(5,257,677)
1.2 Changes in Operating Assets and Liabilities		(11,128,756)
1.2.1 Net (Increase) Decrease in Financial Assets Held for Trading		(58,711)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-
1.2.3 Net (Increase) Decrease in Due From Banks		(3,717,554)
1.2.4 Net (Increase) Decrease in Loans		(33,216,816)
1.2.5 Net (Increase) Decrease in Other Assets		(5,106,010)
1.2.6 Net Increase (Decrease) in Bank Deposits		(1,612,880)
1.2.7 Net Increase (Decrease) in Other Deposits		21,034,636
1.2.8 Net Increase (Decrease) in Funds Borrowed		6,302,061
1.2.9 Net Increase (Decrease) in Matured Payables		-
1.2.10 Net Increase (Decrease) in Other Liabilities		5,246,518
I. Net Cash Provided From Banking Operations		1,500,633
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from/Used in Investing Activities		(5,364,796)
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(98,238)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-
2.3 Tangible Asset Purchases		(749,695)
2.4 Tangible Asset Sales		184,288
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(17,779,114)
2.6 Cash Obtained from Sales of Financial Assets Available for Sale		15,708,121
2.7 Cash Paid for Purchase of Investment Securities Held to Maturity		(4,688,142)
2.8 Cash Obtained from Sales of Investment Securities Held to Maturity ^(*)		2,676,434
2.9 Other		(618,450)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from/Used in Financing Activities		5,219,499
3.1 Cash Obtained from Funds Borrowed and Securities Issued		28,131,809
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(21,283,496)
3.3 Equity Instruments		-
3.4 Dividends Paid		(1,628,914)
3.5 Payments for Finance Leases		-
3.6 Other		100
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(35,624)
V. Net Increase/(Decrease) in Cash and Cash Equivalents		1,319,712
VI. Cash and Cash Equivalents at Beginning of the Period		19,969,129
VII. Cash and Cash Equivalents at End of the Period		21,288,841

^(*)Includes Redeemed Investment securities held to maturity.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Profit Distribution as of December 31, 2018

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

		THOUSAND TL CURRENT PERIOD (31/12/2018)
I.	DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾	
1.1	CURRENT PERIOD PROFIT	7,729,865
1.2	TAXES AND DUES PAYABLE (-)	960,780
1.2.1	Corporate Tax (Income Tax)	1,175,043
1.2.2	Income Tax Withholding	19,350
1.2.3	Other Taxes and Dues Payable ⁽²⁾	(233,613)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	6,769,085
1.3	PRIOR YEARS' LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	-
B.	NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]	6,769,085
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of Preferred Shares	-
1.6.3	To Preferred Shares (Preemptive Rights)	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit/Loss Share Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To Owners of Ordinary Shares	-
1.9.2	To Owners of Preferred Shares	-
1.9.3	To Preferred Shares (Preemptive Rights)	-
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit/Loss Share Certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	-
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II.	DISTRIBUTION FROM RESERVES	
2.1	DISTRIBUTED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Preferred Shares	-
2.3.3	To Preferred Shares (Preemptive Rights)	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit/Loss Share Certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
III.	EARNINGS PER SHARE	
3.1	TO OWNERS OF ORDINARY SHARE ⁽³⁾	0.0602
3.2	TO OWNERS OF ORDINARY SHARE (%)	150
3.3	TO OWNERS OF PREFERRED SHARES	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-
IV.	DIVIDEND PER SHARE	
4.1	TO OWNERS OF ORDINARY SHARES	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PREFERRED SHARES	-
4.4	TO OWNERS OF PREFERRED SHARES (%)	-

⁽¹⁾The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.

⁽²⁾Deferred Tax Income.

⁽³⁾Expressed in exact TL.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Consolidated Statement of Profit Distribution as of December 31, 2017

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

		THOUSAND TL PRIOR PERIOD (31/12/2017)
I. DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾		
1.1	CURRENT PERIOD PROFIT ⁽¹⁾	6,906,024
1.2	TAXES AND DUES PAYABLE (-)	1,240,720
1.2.1	Corporate Tax (Income Tax)	1,393,317
1.2.2	Income Tax Withholding	13,474
1.2.3	Other Taxes and Dues Payable ⁽²⁾	(166,071)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		5,665,304
1.3	PRIOR YEARS' LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	283,192
1.5	OTHER STATUTORY RESERVES (-)	3,351,129
B. NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5)]		2,030,983
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	270,000
1.6.1	To Owners of Ordinary Shares	269,998
1.6.2	To Owners of Preferred Shares	2
1.6.3	To Preferred Shares (Preemptive Rights)	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit/Loss Share Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	352,197
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	1,056,976
1.9.1	To Owners of Ordinary Shares	1,056,944
1.9.2	To Owners of Preferred Shares	22
1.9.3	To Preferred Shares (Preemptive Rights)	10
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit/Loss Share Certificates	-
1.10	SECOND LEGAL RESERVES (-)	145,417
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	206,393
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II. DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Preferred Shares	-
2.3.3	To Preferred Shares (Preemptive Rights)	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit/Loss Share Certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-
III. EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARE ⁽³⁾	0.0472
3.2	TO OWNERS OF ORDINARY SHARE (%)	118
3.3	TO OWNERS OF PREFERRED SHARES ⁽³⁾	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-
IV. DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES ⁽³⁾	0.0118
4.2	TO OWNERS OF ORDINARY SHARES (%)	29
4.3	TO OWNERS OF PREFERRED SHARES ⁽³⁾	0.0288
4.4	TO OWNERS OF PREFERRED SHARES (%)	288

⁽¹⁾ Restatements for the prior period is related with TAS 27 policy change where details are disclosed in Footnote I, Section Three. For this reason, Profit shown in profit distribution table is different from the restated prior period income statement profit. In accordance with "TAS 19-Employee Benefits", TL 355,000 which was added to the employee dividend distribution and to the same year profit distribution of 2017, and TL 2,399 prior year's profit which has been added to the same profit distribution, has been added to "current period profit".

⁽²⁾ Deferred Tax Income.

⁽³⁾ Expressed in exact TL

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION THREE: EXPLANATION ON ACCOUNTING POLICIES

I. Basis of Presentation

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSAC Accounting and Financial Reporting Legislation") and requirements of Turkish Accounting Standards (TAS) published by Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying unconsolidated financial statements for the first time in the current period based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from January 1, 2018. Transition of the mentioned standard replacing "TAS 39-Financial Instruments: Recognition and Measurement", the financial statements and footnotes of the prior periods have not been restated and the total effect of the first application of the standard is presented under equity in the current period. Due to the fact that the financial statements of the current period and the prior period are prepared on different basis, financial statements and related footnotes have not been presented comparatively. The disclosures of the application and the effect of TFRS 9 are presented in Section Three, footnote XXVII, 1.

On the other hand, in the current period, as detailed in Section Three, footnote III, 2, the accounting policy for the valuation of investments associates, subsidiaries and jointly controlled entities that are not credit or financial institutions has changed according to equity method which is described in TAS 28 "Investments in Associates and Joint Ventures" within the framework of TAS 27 "Separate Financial Statements". Due to "TAS 8-Accounting Policies, Changes in Accounting Estimates and Errors", in the current period, the change in the valuation policy of associates, subsidiaries and jointly controlled entities that are not credit or financial institutions, has been applied retrospectively and the prior period financial statements have been restated. The effects of these corrections on the financial statements as of December 31, 2017 and December 31, 2016 are given below.

December 31, 2017	Announced	Adjustment of the Accounting Policy Change	Restated
Assets			
Subsidiaries (Net)	204,342	(7,289)	197,053
Non-Financial Subsidiaries	40,521	(7,289)	33,232
Associates (Net)	7,811,510	(623,635)	7,187,875
Unconsolidated Non-Financial Associates	7,811,510	(623,635)	7,187,875
Jointly Controlled Associates (Business Associates) (Net)	2,260	267	2,527
Non-Financial Jointly Controlled Associates	2,260	267	2,527
Total Assets	438,388,072	(630,657)	437,757,415
Liabilities			
Provisions	17,040,220	4,475	17,044,695
Other Liabilities	5,499,057	4,475	5,503,532
Shareholders Equity	48,759,747	(635,132)	48,124,615
Capital Reserves	7,548,745	(3,530,614)	4,018,131
Profit Reserves	25,060,720	571,253	25,631,973
Profit or Loss	5,778,698	2,987,601	8,766,299
Prior years' Profit/Loss	248,564	2,450,090	2,698,654
Current year Profit/Loss	5,530,134	537,511	6,067,645
Minority Shares	5,871,584	(663,372)	5,208,212
Total Liabilities	438,388,072	(630,657)	437,757,415
Income Statement			
Dividend Income	324,669	(306,411)	18,258
Other Operating Income	6,775,484	(9,842)	6,765,642
Profit/Loss From Associates Using the Equity Method	16,737	825,331	842,068
Net Period Profit/Loss	6,196,588	509,078	6,705,666
Groups Profit/Loss	5,530,134	537,511	6,067,645
Minority Shares' Profit/Loss	666,454	(28,433)	638,021

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

December 31, 2016	Announced	Adjustment of the Accounting Policy Change	Restated
Assets			
Subsidiaries (Net)	176,074	(10,179)	165,895
Non-Financial Subsidiaries	41,490	(10,179)	31,311
Associates (Net)	5,831,815	383,369	6,215,184
Unconsolidated Non-Financial Associates	5,831,815	383,369	6,215,184
Jointly Controlled Associates (Business Associates) (Net)	2,260	(693)	1,567
Non-Financial Jointly Controlled Associates	2,260	(693)	1,567
Total Assets	373,820,264	372,497	374,192,761
Liabilities			
Provisions	14,813,554	3,511	14,817,065
Other Liabilities	3,993,088	3,511	3,996,599
Shareholders Equity	41,811,167	368,986	42,180,153
Capital Reserves	5,703,692	(2,163,939)	3,539,753
Profit Reserves	21,380,383	310,204	21,690,587
Profit or Loss	5,157,004	2,574,857	7,731,861
Prior years' Profit/Loss	146,523	2,250,096	2,396,619
Current year Profit/Loss	5,010,481	324,761	5,335,242
Minority Shares	5,070,088	(352,136)	4,717,952
Total Liabilities	373,820,264	372,497	374,192,761
Income Statement			
Dividend Income	318,223	(306,726)	11,497
Other Operating Income	6,716,704	(8,277)	6,708,427
Impairment Loss for Loans and Other Receivables (-)	2,835,495	(149,494)	2,686,001
Profit/Loss From Associates Using the Equity Method	12,871	466,706	479,577
Net Period Profit/Loss	5,697,897	301,194	5,999,091
Groups Profit/Loss	5,010,481	324,761	5,335,242
Minority Shares' Profit/Loss	687,416	(23,567)	663,849

Apart from TFRS 9, the TAS and TFRS amendments effective from January 1, 2018 do not have a material impact on the Group's accounting policies and financial position.

The amendments of TAS and TFRS which are not effective as of the reporting date, will not have an important effect on the accounting policies and financial position of the Bank and its subsidiaries.

According to the "TFRS-16 Leases", which was published on the Official Gazette dated April 16, 2018 and numbered 30393, a similar application will be applied for operational leases, similar to the accounting of existing financial leases effective from January 1, 2019. In accordance with the TFRS 16 application, the right to use and the lease liability will be calculated for the lease contracts and/or transactions. The amount of the asset to be incurred shall be subject to amortization, and the interest expense related to the lease liability will be reflected separately. The Group continues to work on compliance with the mentioned standard, and given the existing contract portfolio and the cash flows of contracts, no significant impact is expected on the transition to TFRS 16.

Additional paragraph for convenience translation to English

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

II. Strategy for Use of Financial Instruments and on Foreign Currency Transactions

1. The Group's Strategy on Financial Instruments

The Group's main financial activities comprise a wide range of activities such as banking, insurance and reinsurance services, brokerage services, investment consulting, real estate portfolio and asset management, financial lease, factoring services, portfolio and asset management. The liabilities on the Group's balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of other activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of the Republic of Turkey (CBRT). The liquidity of the Group and the banking system can be perpetually monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and close monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Some of the fixed interest liabilities that are issued/used by the Group companies are subject to fair value hedge accounting. The fair value risk of the related fixed interest financial liabilities is protected by interest rate swaps. Explanations on hedge accounting are explained in Section Three, footnote IV.2.

By taking into account the global and national economic outlook, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity and currency risks, the Group's placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities. In management of Financial Statements, this strategy is parallel to and acts within legal limits.

The primary objectives related to balance sheet components are set by the long-term plans shaped along with budgeting; and the Parent Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

2. Foreign Currency Transactions

The financial statements of the Parent Bank's branches and financial institutions that have been established abroad are prepared in functional currency prevailing in the economic environment that they operate in; and when they are consolidated, they are presented in TL, which are the functional currency of the Parent Bank and also the currency used in presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted into Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into Turkish Lira by the rates at the date of which the fair value is determined. Exchange rate differences arising from the conversions of monetary foreign currency items and the collections of and payments in foreign currency transactions are reflected to the income statement.

While the Parent Bank and Türkiye Sinai Kalkınma Bankası A.Ş. one of the consolidated subsidiaries, use their own foreign currency exchange rates for their foreign currency transactions, other consolidated institutions residing domestically use the CBRT rates for their foreign currency transactions.

Assets and liabilities of the foreign branches of the Parent Bank and financial institutions that have been established abroad are converted into TL by using the prevailing exchange rates at the balance sheet date. Income and expenses of foreign branches are converted by at exchange rates at the dates of the transactions. Incomes and expenses of foreign financial institutions are converted into TL at average foreign currency rates of the balance sheet date as long as there is not a significant fluctuation in currency rates during the period. The exchange rate differences arising from the conversion to TL are recognized in the shareholders' equity.

III. Information on the Consolidated Companies

1. Basis of Consolidation:

The consolidated financial statements have been prepared in accordance with the procedures and principles listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated November 8, 2006.

a. Subsidiaries:

A subsidiary is an entity that is controlled by the Parent.

Control; is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

As per the "Communiqué Related to the Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated November 8, 2006, as at the current period, the Parent Bank has no subsidiaries, qualified as credit institutions or financial institutions, excluded from consolidation. Detailed information about the consolidated subsidiaries is given in Section Five, Note I.i.3.

Under full consolidation method, the assets, liabilities, income and expenses, and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank. The book value of the Parent Bank's investment in each of the subsidiaries and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Non-controlling interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Non-controlling interests are presented separately in the balance sheet and in the income statement.

In preparing its consolidated financial statements, the Bank performed necessary correction to ensure uniformity accounting policies used by the subsidiaries which are included in the consolidated financial statements with the Parent Bank's. On the other hand, insurance companies under consolidation are obliged to carry their activities in accordance with the regulations issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury and in the accompanying consolidated financial statements, financial reporting presentations of these companies are in accordance with the insurance legislation of the Undersecretariat of Treasury.

TFRS 3 "Business Combinations" standard prescribes no depreciation to be recognized for goodwill arising on the acquisitions on or after March 31, 2004, realizing positive goodwill as an asset and application of impairment analysis as of balance sheet dates. In the same standard, it is also required from that date onwards that the negative goodwill, which occurs in the case of the Group's interest in the fair value of acquired identifiable assets and liabilities exceeds the acquisition cost to be recognized in profit or loss.

Details of positive goodwill arising from Bank's investments to its subsidiaries in investment basis are as follows:

Name of the Investment	Amount of the Positive Consolidation Goodwill
İş Finansal Kiralama A.Ş.	611
Türkiye Sinai Kalkınma Bankası A.Ş.	4,792
Anadolu Anonim Türk Sigorta Şirketi	1,767
JSC İşbank	28,804
Total	35,974

The structured entity that is established within the Bank's securitization loan transactions are included in the consolidated financial statement although the bank does not have any subsidiaries.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b. Associates:

An associate is a domestic or foreign entity which the Parent Bank participates in its capital and over which it has a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds qualified shares in the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Parent Bank from having significant influence.

Qualified share is the share that directly or indirectly constitutes ten or more than ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiaries' or joint venture's accordingly recalculated value.

Arap-Türk Bankası A.Ş. is a subsidiary of the Bank acting as a credit institution or financial institution, is accounted under the equity method in the consolidated financial statements according to the "Communiqué on the Preparation of Consolidated Financial Statements". Accounting policies of Arap Türk Bankası A.Ş. are not different than the Parent Bank's accounting policies. Detailed information about Arap Türk Bankası A.Ş. is given in Section Five Note I.h.2.

c. Jointly controlled entities:

A joint venture is an agreement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Bank does not have any jointly controlled entities which are credit or financial institutions in nature and to be consolidated in the financial statements by the equity method according to the "Regulation on Preparation of Consolidated Financial Statements of Banks".

d. Principles applied during share transfer, merger and acquisition:

None.

2. Presentation of subsidiaries, associates and jointly controlled entities which are not credit or financial institutions in consolidated financial statements:

The subsidiaries, associates and jointly controlled entities which are not credit or financial institutions owned by the Bank and its subsidiaries are accounted accordingly to the equity method described in TAS 28 "Investments in Associates and Joint Ventures" as of March 31, 2018. The effect of the change presented in Section Three, footnote I, is realized within the scope of TAS-27 "Separate Financial Statements", investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market, and investments in subsidiaries and associates whose shares are not traded in an active market (stock market), are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of impairment if any.

IV. Forward, Option Contracts and Derivative Instruments

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, forwards, foreign currency options and interest rate options. The Bank has no derivative instruments decomposed from the main contract.

The Group classifies derivative products "Derivative Financial Instruments at Fair Value through Profit or Loss" or "Derivative Financial Instruments through Other Comprehensive Income" according to the "IFRS 9-Financial Instruments" principles.

1. Derivative Financial Instruments

Derivative transactions are recorded at their fair values as of the date of the contract and receivables and payables arising from these transactions are followed under off-balance sheet accounts. Derivative transactions are valued at their fair values in the reporting periods after their recognition and if the valuation difference is positive, difference is presented under the "Derivative Financial Assets at Fair Value through Profit or Loss" and if the valuation difference is negative, then it is presented under the "Derivative Financial Liabilities at Fair Value through Profit or Loss".

It is shown that the valuation differences resulting from the valuation of derivative transactions are associated with the profit and loss accounts.

On off-balance sheet items table, options which generated assets for the Group are presented under "call options" line and which generated liabilities are presented under "put options" line.

2. Hedging Derivative Financial Instruments

IFRS 9 "Financial Instruments" rules that TAS 39 "Financial Instruments: Recognition and Measurement" value hedge accounting may continue to be implemented to hedge the fair value changes against interest rate risk. In this context, the principles of TAS 39 regarding hedge accounting for fair value hedge accounting continue to be applied in the accompanying financial statements.

Interest rate swaps are performed in order to hedge the changes in fair value of fixed interest rate financial instruments.

In this context, if the valuation differences of the derivative transactions are positive, they are included in "Derivative financial assets at Fair Value through Profit or Loss" and if the valuation differences are negative, they are included in "Derivative Financial Liabilities at Fair Value through Profit or Loss". Changes in the fair value of the fixed rate financial liabilities subject to hedge accounting and changes in the fair value of interest rate swaps as hedging instruments are recorded under "Trading Profit/Loss" in the statement income.

At the beginning of the hedging transaction and in each reporting period, it is expected that the hedging transaction will offset the changes in the hedged risk arising from the hedged transaction (related to the hedged risk) and effectiveness tests are performed in this context. Efficiency tests are carried out with the "Dollar off-set method" and the hedging accounting is continued if the efficiency is between 80% and 125%.

The hedge accounting is terminated if the hedging instrument is terminated, realized, sold or the effectiveness test is ineffective. In the case of termination of fair value hedge accounting, the valuation effects of the fair value hedge accounting applied on the hedged financial instruments is reflected to the statement of profit or loss on a straight-line basis over the life of the hedged financial instrument.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

V. Interest Income and Expenses

Interest income is calculated by using the effective interest rate method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) to gross carrying amount of financial asset in conformity with "TFRS 9 Financial Instruments" except financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired.

Under the scope of TFRS 9 application, the Group does not reverse the interest accruals and rediscounts of non-performing loans and other receivables and monitors the said amounts in interest income and calculates expected credit loss provisions on these amounts according to the related methodology.

VI. Fees and Commission Income and Expenses

Wages and commissions other than those that are an integral part of the effective interest rate of the financial instruments measured at amortized cost are accounted for in accordance with "TFRS 15 - Revenue from Customer Contracts". Fees and commission income and expenses are recognized either on accrual basis or by using the effective interest method. Income earned in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recognized in income accounts in the period of collection.

VII. Financial Assets

As of January 1, 2018, the Bank within the scope of "TFRS 9 Financial Instruments", classifies and accounts its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets at Measured at Amortised Cost" by taking into account their business model and contractual cash flow characteristics. Financial assets are recognized or derecognized according to TFRS 9 "Recognition and Derecognition in Statement of Financial Position" requirements. The Bank recognizes a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

The Group has three different business models for classification of financial assets:

- Business model aimed at holding financial assets in order to collect contractual cash flows: Financial assets held under the mentioned business model are managed to collect contractual cash flows over the life of these assets. The Group manages its assets held under this portfolio in order to collect certain contractual cash flows.
- Business model aimed at collecting contracted cash flows of financial assets and selling: in this business model, the Group intends both to collect contractual cash flows of financial assets and to sell these assets.
- Other business models; A business model in which financial assets; are not held within the scope of a business model aimed at collection of contractual cash flows and within the scope of a business model aimed at collecting and selling contracted cash flows, are measured by reflecting fair value in profit or loss.

The Group is able to reclassify all affected financial assets in case it changes the business model that is used for the management of financial asset.

In the event of the termination of the rights related to the cash flows from a financial asset, the transfer of all risks and rewards of the financial asset to a significant extent or has no longer control of the financial assets, the Group derecognizes the financial asset.

1. Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason or financial assets that are not held in a business model that aims at collecting and/or selling contractual cash flows of financial assets.

Financial assets at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. Gains or losses arising from the valuation are related to income profit and loss accounts.

In some cases, restructuring, alteration or counterparty changes of contractual cash flows of loans may lead to derecognition of related loans in accordance with TFRS 9. When the change in the financial asset results from derecognizing the existing financial asset from the financial statements and the revised financial asset is recognized in the financial statements, the revised financial asset is considered as a new financial asset in accordance with TFRS 9. When the Group determines that there are significant changes between the first conditions in the new conditions of the revised financial asset, the Group evaluates the new financial asset according to the current business models. When it is determined that the contractual conditions do not only result in cash flows that include principal and interest payments at certain dates, the financial asset is recognized at fair value and is subject to valuation. The differences arising from the valuation are reflected in the nominal accounts.

The Group recognizes loans at fair value through profit or loss, if the contractual terms of the loan, do not result in cash flow including the principal payments and interest payments generated from principal amounts at certain dates. These loans are valued at their fair values after their recognition and the losses or gains arising from the valuation are included in the profit and loss accounts.

2. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flows and to sell financial assets, and financial assets with contractual terms that lead to cash flows that are solely payments of principal and interest on the principle amount outstanding at specific dates.

Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction costs on the financial statements.

The initial recognition and subsequent valuation of such financial assets, including the transaction costs, are carried out on a fair value basis and the difference between amortized cost and the cost of borrowing instruments is recognized in profit or loss by using the effective interest method. Dividend income arising from investments in equity intruments that are classified as at fair value through other comprehensive income is also recognized in profit/loss accounts.

Gains and losses, except impairment gain or loss and foreign exchange gain or loss, arising from changes in the fair value of financial assets at fair value through other comprehensive income are reflected to other comprehensive income until derecognized or reclassified. When the value of the financial asset is collected or when financial asset is disposed, the related fair value differences accumulated in the shareholders' equity are transferred to the statement of income.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

During the initial introduction to financial statements, amendments to the fair value of an investment in an equity instrument within the framework of TFRS 9 that are not held for trading or that are not valued in a financial statement of an entity that acquires a business combinations under the "TFRS 3 Business Combinations" may be subject to an irreversible preference regarding these amendments being accounted in other comprehensive income. In such case dividends taken from mentioned investment will be accounted in financial statement as profit or loss.

3. Financial Assets at Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. Financial assets measured at amortized cost with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. Interest income from financial assets measured at amortized cost are recognized in the income statement as an "interest income".

The Group evaluates its loans within the framework of current business models and can be classified as Financial Assets measured at Amortized Cost.

VIII. Impairment of Financial Assets

In accordance with the "TFRS 9- Financial Instruments" and the regulation "Procedures and Principles regarding Classification of Loans and Allowances Allocated for Such Loans" issued by BRSA, in the current period the Bank recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and impaired credit commitments and financial guarantee contracts.

Under TFRS 9, the expected credit loss is calculated according to the "three-stage" impairment model based on the change in the loan quality of financial assets after the initial accounting and detailed in the following headings:

Stage 1:

An important determinant for calculating the expected credit loss in accordance with TFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the Stage 1 financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument's lifetime expected credit loss.

In order to classify a financial asset in the second Stage, the following criteria is considered:

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability of default

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is classified as stage 2.

The absolute and gradual thresholds used to increase the probability of default are differentiated on the basis of portfolio and product group. In this manner, for the commercial portfolio, definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from the integrated rating/score based on internal rating and probability of default of the same loan on reporting date, obtained from the integrated rating/score based on internal rating. For the individual portfolio, it is accepted that the probability of default is worsened in cases where the behavioral score falls below the thresholds determined on the basis of the product and the probability of default exceeds the thresholds determined on the basis of the product.

Stage 3:

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Provision for impairment of fair value equal to the expected loan loss is applied for the mentioned assets.

The expected credit loss of financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic criterion are considered for the classification of a financial asset in the third stage.

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a firm opinion on this matter

While estimating the expected credit loss, statistical models, methods and tools are used in accordance with the relevant legislation and accounting standards. Expected credit loss is measured using reasonable and supportable information by taking into account current and forecasts of future economic information, including macroeconomic factors. Three scenarios, base scenario, optimistic scenario and the worst scenario, are used in forecasting studies made by macroeconomic models. The macroeconomic variables highlighted during estimations are the calendar-adjusted Industrial Production Index, the Consumer Price Index and the 2-year benchmark government bond interest rate. The validity of the risk parameter estimates used in the calculation of expected credit losses is reviewed and evaluated at least annually within the framework of model validation processes. Macroeconomic forecasts and risk delinquency data used in risk parameter models are re-evaluated every quarter to reflect the changes in economic conjuncture and are updated if needed. In the expected credit loss calculations carried out for year-end, macroeconomic information is taken into account under multiple scenarios.

Except for demand or revolving loans, the maximum period for which expected credit losses are to be determined is the contractual life of the financial asset. For demand or revolving loans, maturity is determined by taking into account the future risk mitigation processes such as behavioral maturity analyses performed by the Bank and cancellation/revision of the Bank's credit limit.

While calculating the expected credit loss, aside from assessment of whether there is a significant increase in credit risk or not, basic parameters expressed as probability of default, loss given default and exposure at default are used.

Probability of Default: Represents the probability of default on the loan over a specified time period. In this context, the Bank has developed models to calculate 12-month and life-time default probabilities by using internal rating based credit rating models. As for the Group Companies historical probability of default data has also been observed.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Loss Given Default (LGD): Defined as the damage caused by the default of borrower to the total balance of the exposure at the time of default. The LGD estimates are determined in terms of credit risk groups that are detailed in the Bank's data resources and system facilities. The model used for the estimation of the LGD was established by taking into account the direct cost items during the collection process, based on the historical data of the Bank's collection, cash flows are discounted at effective interest rates.

Exposure at Default: For cash loans, the cash balance at the date of report, for non-cash loans the balance calculated using the credit conversion rate is represented by Exposure at Default.

Credit Conversion Factor: Calculated for non-cash loans (undrawn limit for revolving loans, commitments, non-cash loans etc.) The historical limit usage data of the Bank for revolving loans are analyzed and the limit amount that can be used until the moment of default is estimated. For non-cash loans, the cash conversion ratio of the loan amount is estimated by analyzing the product type and the past compensation amount of the Group.

Expected credit loss is reflected in the income statement. Released provisions in the current year are accounted under "Expected Credit Loss Expenses", released provision which is carried from the prior year are accounted under "Other Operating Income".

IX. Offsetting Financial Instruments

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

X. Sale and Repurchase Agreements and Securities Lending Transactions

Marketable securities subject to repurchase agreements are classified under "Financial Assets at Fair Value through Profit and Loss", "Financial Assets at Fair Value through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost" in the Group's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the effective interest method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the effective interest method.

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Assets held for sale are not amortized or depreciated and presented in the financial statements separately. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a group that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. Goodwill and Other Intangible Assets

The Group's intangible assets consist of consolidation goodwill, software programs and rights.

Goodwill arising from the acquisition of a subsidiary represents the excess of cost of acquisition over the fair value of Group's share of the identifiable assets, liabilities, or contingent liabilities of the acquired subsidiary at the date of acquisition of the control. Goodwill is recognized as an asset at cost and then carried at cost less accumulated impairment losses. In impairment-loss test, goodwill is allocated between the Group's every cash-generating unit that is expected to benefit from the synergies of the business combination. To control whether there is an impairment loss in the cash-generating units that goodwill is allocated, impairment- loss test is applied every year or more often if there is indications of impairment loss. In the cases, recoverable amount of cash-generating unit is smaller than its book value; impairment loss is firstly used in reduction of book value of the cash-generating unit, and then the other assets proportionally. Goodwill which is allocated for the impairment losses could not be reversed. When a subsidiary is to be sold, related goodwill amount is combined with the profit/loss relating to this disposal. Positive goodwill arising from the Group's investments in its subsidiaries is recognized in "Intangible Assets". Explanations on consolidation goodwill are given in Section Three, Note III.1.a. As for other intangible assets, the purchased items are presented with their acquisition costs less the accumulated amortization and impairment losses. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost. Such assets are amortized by the straight-line method considering their estimated useful life. The amortization method and period are periodically reviewed at the end of each year.

XIII. Tangible Assets

Tangible assets purchased before January 1, 2005, are presented in the financial statements at their inflation adjusted acquisition costs as at December 31, 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In 2015, the Group, has been changed its accounting policies from historical cost method to revaluation method for the real estate properties which are held for own use in accordance with "TAS 16-Property, Plant and Equipment". The positive difference between the net book value of real estate property values and the renewed expertise values which are determined by the licenced valuation companies in 2018 are recorded under the shareholders' equity.

In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 - Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized.

Assets held under finance lease are depreciated over the expected useful life of the related assets.

However, in any case the useful life cannot exceed the leasing term. However, in any case, the benefit period cannot exceed the lease period. If the lease period is not certain or longer than 5 years, the amortization period is recognized as 5 years.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The difference between the sales proceeds arising from the disposal of tangible fixed assets or the decommissioning of a tangible asset and the carrying amount of the asset is included in the income statement.

Normal maintenance and repair expenses for tangible fixed assets are recognized as expense.

There are no pledges, mortgages and similar encumbrances on tangible assets.

The "Regulation on Procedures and Principles for the Trading of Precious Metals by Banks and the Disposal of Commodities and Real Properties acquired by Banks due to their Receivables" has been abolished by BRSA effective from January 1, 2017. Real properties acquired by Group due to their receivables and not treated in the scope of "TFRS 5 - Non-current Assets Held for Sale and Discontinued Operations" has been started to follow under "Other Assets" in accordance with the related accounting standard from the current period.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	50	2%
Safe Boxes	2-50	2% - 50%
Other Movable	2-25	4% - 50%

XIV. Investment Property

Investment properties are kind of properties held by the Group to earn rent income or benefit from valuation surplus. The investment properties of the Group are measured at their fair values in the consolidated financial statements in accordance with "TAS 40 Investment Property". Any gains or losses arising from changes in fair values of investment properties are recognised in "Other Operating Incomes" and "Other Operating Expenses" for the related period.

XV. Leasing Transactions

Assets acquired through financial leases are carried at fair values less the discounted value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion of the payables is recognized as a deferred amount of interest. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated.

Within the context of the Group's general borrowing policy, financial expenses are recognized in the income statement. Assets held under financial leases are recognized under the tangible assets account and are depreciated by using the straight line method. There is one company which exclusively does finance leases (İş Finansal Kiralama A.Ş.) and one bank (Türkiye Sınai Kalkınma Bankası A.Ş.) which operates finance lease activities as per provisional article No 4 of the Banking Law No 5411. Finance lease activities are operated according to the "Law on Financial Leasing, Factoring and Financing" No 6361.

Where the Group is the "lessor", finance lease receivables are recognized at their fair value on the first entry date of initial registration and are shown at amortized cost using the effective interest method in the reporting period after the first registration date. Interest income on finance leasing is allocated to the accounting periods in order to reflect a fixed periodic return from the net investments subject to leasing.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XVI. Insurance Technical Income and Expense

In insurance companies premium income is obtained subsequent to the share of reinsurance in policy income is diminished.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reassurer' share of claims paid and outstanding loss are offset in these provisions.

XVII. Insurance Technical Provisions

TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, insurance technical provisions accounted by insurance companies for unearned premium claims, unexpired risk reserves, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

Unearned premium reserve is recognized on accrued premiums without discount or commission which extends to the next period or periods on a daily basis for the current insurance contracts.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the main branches specified by the Undersecretariat of Treasury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

If the outstanding claim reserve is established and confirmed by approximation and if there are unpaid or unidentified compensation amounts in both prior and current accounting periods, it is separated for estimated yet unreported compensation amounts.

Mathematical reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

XVIII. Provisions and Contingent Liabilities

As of the end of the reporting period, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists, the entity recognizes a provision in the financial statements. As of the end of the reporting period where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are calculated based on the reliable estimates of management on the expenses to incur as of the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability. In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XIX. Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Parent Bank and the Group. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XX. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Parent Bank and consolidated Group companies (excluding the subsidiaries residing outside Turkey) are obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 "Employee Benefits", the Parent Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. According to TAS 19, all actuarial gains and losses occurred are recognized under equity. As the legislations of the countries in which the Parent Bank's non-resident subsidiaries operate do not require retirement pay provision, no provision liability has been recognized for the related companies. In addition, provision is also allocated for the unused paid vacation.

2. Retirement Benefit Obligations

İşbank Pension Fund (Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı), of which each employee of the Parent Bank is a member, has been established according to the provisional Article 20 of the Social Security Act numbered 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated November 30, 2006 numbered 2006/11345. However, the related article of the act has been cancelled upon the President's application dated November 2, 2005, by the Supreme Court's decision dated March 22, 2007. Nr.E.2005/39. K.2007/33, which was published on the Official Gazette dated March 31, 2007 and numbered 26479 and the execution decision were ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional Article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated December 15, 2007 and numbered 26731. Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emending Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated May 8, 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision.

However related transfer period has been prolonged for 2 years by the Cabinet decision dated, March 14, 2011. which was published on the Official Gazette dated April 9, 2011 and numbered 27900. In addition, by the Law "Emending Social Security and General Health Insurance Act", which was published on the Official Gazette dated March 8, 2012 and numbered 28227, this period of 2 years has been raised to 4 years after that related transfer period has been prolonged for one more year by the Cabinet decision dated April 8, 2013, which was published on the Official Gazette dated May 3, 2013 and numbered 28636 also this period has revaluated one more year by the Cabinet decision dated February 24, 2014, which was published on the Official Gazette dated April 30, 2014 and numbered 28987.

The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the "Occupational Health and Safety Law and Other Laws and Decree Laws" published in the Official Gazette dated April 23, 2015 and numbered 29335. This authority was transferred to the president with the delegated legislation No.703 which published in the repetitive Official Gazette No. 30473 dated July 9, 2018.

On the other hand, the application made on June 19, 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The above mentioned law also states that;

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank obtained a technical actuarial valuation report from a licenced actuary for the year ended December 31, 2018, and provided full provision for the total amount of technical and actual deficit in the actuarial report in the financial statements. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-i-5-1. Besides the Parent Bank; Anadolu Anonim Türk Sigorta Şirketi, Milli Reasürans T.A.Ş. and Türkiye Sinai Kalkınma Bankası A.Ş. also had actuarial valuations as of 31 December 2018 for their pension funds. According to actuarial report of Milli Reasürans T.A.Ş., the amount of actuarial and technical deficit which was measured according this report and reflected to the year-end financial statements, was kept in the financial statements for the current period. According to actuarial report of Anadolu Anonim Türk Sigorta Şirketi and Türkiye Sinai Kalkınma Bankası, there is not any additional operational or actuarial liability.

There has not been any deficit in İşbank Members' Supplementary Pension Fund, which has been founded by the Parent Bank as per the provisions of the Turkish Commercial Code and Turkish Civil Code. Those are also valid for the supplementary pension funds of the employees of Anadolu Anonim Türk Sigorta Şirketi, Milli Reasürans T.A.Ş. and Türkiye Sinai Kalkınma Bankası A.Ş. which are among the other financial institutions of the Group.

XXI. Taxation

1. Corporate Tax:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

With the change in Law no: 7061, in accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 22% for 2018, 2019 and 2020 taxation period's income. As per the Corporate Tax law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The 4th temporary provisional tax for the year 2018 will be paid in February, 2019 and will be offset with the current period's corporate tax.

Tax expense consists of current tax and deferred tax. The current tax liability is calculated over the portion of the period subject to taxation. The taxable profit differs from the profit stated in the income statement, as the income and expense items that can be taxable or deductible at other periods, and items that are not taxable or deductible are excluded. The current tax amounts payable are netted off with prepaid tax amounts and presented on the financial statements.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovable are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

However, in accordance with Article 89/a of the Law No. 7061 and Article 5.1.e and Article 5.1.f of the Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, the 75% applied in terms of immovable sales mentioned above has been reduced to 50% which is effective from the date of publication of the Law.

2. Deferred Tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Free provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers. The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period or about to be enacted when the assets are realized or liabilities are settled, and the tax is recognized as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. Within this context deferred tax is calculated using the related rates considering the periods when deferred tax assets and liabilities are realized.

Although according to BRSB article numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, deferred tax calculation for general provision and free provision is not made, the Bank has started to calculate deferred tax for the expected credit loss for stage 1 and 2 as of January 1, 2018. Deferred tax calculation is not provided for free provisions.

Deferred tax assets and liabilities of banks and consolidated companies are shown by way of offsetting in separate financial statements of each entities. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

In accordance with TRNC tax legislation, 15% income tax is accrued on the remaining tax base after 10% corporate tax is deducted from corporate income. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The related withholding tax payments are deducted from corporate tax payable and the difference between withholding amount and corporate tax payable is discounted from income tax provided that the withholding tax amount is higher than corporate tax amount.

England

Corporate earnings are subject to 19% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the specific balance within the scope of the regulations' tax base of the relevant year, is higher than the amount found the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the determined balance, corporate tax is paid by the end of September following the year that the profit is made.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

The Republic of Iraq (Iraq)

The corporate tax is 15% in Iraq. In central government-dependent cities tax is paid in the following year to the related tax administration by the end of May at the latest and in the cities under the administration of Northern Iraq tax is paid in the following year to the related tax administration by the end of June, at latest and the financial statements must be presented and accrued taxes must be paid. In accordance with the agreement reached between the Central Administration of Iraq and the Northern Iraq Regional Government at the end of 2018, the corporate tax of the Bank's Iraq Branches will be paid in Erbil in a consolidated manner starting from the 2017 financial period.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the corporate income and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, July, October and January of the current year and the 15th day of January of the following year by four installments. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the end of March of the following year, in case of a claim made by company, if it is higher, then the difference is returned to the institution by the tax authorities after the inspection conducted by those institution.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. In addition, in accordance with the legislation of Georgia, each year during May, July, September and December the amount of tax, that calculated according to the previous year income tax, is paid to the tax office by four equal installments of the probable income that is likely to be obtained the current year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Germany

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four installments and are deducted from the corporate tax that is finalized at the end of the current year.

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid until March 28, by considering the provisional taxes paid during the year. Corporate earnings are subject to 15% corporate tax from the coupon income earned from the government bonds which are issued after the date January 1, 2018. Corporate tax from the coupon income earned from the government bond is paid by the end of 10 weekday from the month following the end of the coupon payments. Taxes arise from other financial instruments are paid when Corporate tax is paid.

4. Transfer Pricing:

Transfer pricing is regulated through Article 13 of Corporate Tax Law titled "Transfer Pricing through Camouflage of Earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing. In accordance with Article 11 of Corporate Tax Law, this type of income distribution is not accepted as a reduction in terms of corporate tax.

XII. Additional Information on Borrowings

The Parent Bank and its consolidated Group companies whenever required, generates funds from individuals and institutions residing domestically and abroad by approaching the borrowing instruments in the form of syndication, securitization, collateralized borrowing and issue of bonds/bills. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the effective interest method.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Part of the bills issued by the Group with fixed interest and a part of its liabilities with fixed interest are subject to fair value hedge accounting. While the discounted credit risk and accumulated interest amount subject to hedging liability are recognized in "Interest Expenses" under income statement; net amount resulted of the hedge accounting other than the credit risk and accumulated interest amount are recognized in "Derivative Financial Transactions Gains/Losses" under income statement by using fair value model. In the balance sheet, these valuations are presented with the related liabilities.

XXIII. Information on Equity Shares and Issuance of Equity Shares

Share issuance related to costs is recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods.

The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

	Current Period
Group's net profit	6,671,823
Weighted average number of shares (thousands)	112,502,250
Earnings per share - (in exact TL)	0.059303907
<hr/>	
	Prior Period
Group's net profit	6,067,645
Weighted average number of shares (thousands)	112,502,250
Earnings per share - (in exact TL)	0.0539335444

XXIV. Bank Acceptances and Bills of Guarantee

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXV. Government Incentives

There are no government incentives that the Group has received from both current and prior period.

XXVI. Segment Reporting

Business segment is the part of an enterprise.

- Which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise).
- Whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment and
- Which has its separate financial information.

Information on the Group's business segmentation and related information is explained in Section Four footnote XII.

XXVII. Other Disclosures

1. Explanations on "TFRS 9-Financial Instruments" Standard

The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 instead of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. The Bank measures and classifies its financial instruments in accordance with the requirements of TFRS 9 as of the mentioned date. The explanation for the application and the effect of the mentioned TFRS 9 standard is listed below.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

1.a. Classification and Measurement

In accordance with TFRS 9, if a financial asset is held in a business model that aims to collect contractual cash flows or in a business model that aims to collect contractual cash flows and to sell financial assets, the financial asset is classified based on the contractual cash flow's characteristics. The Bank has assessed whether contractual cash flows for all financial assets within the scope of TFRS 9 include principle and interest payments on principle balance only and has implemented asset classifications within the framework of existing business models.

Financial Assets	Book Value Before TFRS 9 December 31, 2017	Reclassifications	Remeasurements	Book Value after TFRS 9 January 1, 2018	Tax Effect	Equity Effect
Financial Assets Measured at Amortized Cost						
Pre-classification balance (Held to maturity)	9,193,175					
Classification from Financial Assets Available for Sale		15,474,626				
Valuation Difference			1,159,065		(254,995)	904,070
Book Value After Classification				25,826,866		
Financial Assets At Fair Value Through Profit or Loss						
Pre-classification (Held for Trading)	1,153,626					
Book Value After Classification				1,153,626		
Financial Assets At Fair Value Through Other Comprehensive Income						
Pre-classification balance (Available for Sale)	55,871,376					
Classification to Financial Assets Held to Maturity		(15,474,626)				
Book Value After Classification				40,396,750		
Loans Measured at Amortized Cost (Gross)⁽¹⁾						
Pre-classification balance	281,690,911					
Valuation effect			2,883			
Book Value After Classification				281,693,794		
Expected Credit Loss	(8,423,734)		(173,894)	(8,597,628)	713,353	539,459

⁽¹⁾ Loans Measured at Amortized Cost includes factoring and leasing receivables.

Within the framework of current business models, the Bank has classified its securities held under Financial Assets Available for Sale as of December 31, 2017 with a nominal value of TL 15,307,457 as Financial Assets Measured at Amortized Cost. Other than these securities, securities held for trading, available-for-sale and held-to-maturity in previous periods are classified as Financial Assets at Fair Value through Profit or Loss, at Fair Value through Other Comprehensive Income and Measured at Amortized Cost respectively.

	Book Value Before TFRS 9 December 31, 2017	Reclassifications ⁽²⁾	Remeasurements	Book Value after TFRS 9 January 1, 2018
Loans (Gross)⁽¹⁾	281,690,911		2,883	281,693,794
Standard Loans	262,812,354	(1,973,229)		260,839,125
Closely Monitored Loans	12,813,272	1,913,360		14,726,632
Non-performing Loans	6,065,285	59,869	2,883	6,128,037

⁽¹⁾ Loans include factoring and leasing receivables.

⁽²⁾ Overdue receivables, which are presented in "Receivables from Leasing Transactions" and "Factoring Receivables" in the previous period on the basis of "Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated December 24, 2013 and numbered 28861 and specific provision amounts are classified according to TFRS 9 application in the "Non-performing Loans" and "Expected Credit Loss" lines as of January 1, 2018 and in accordance with the standard provisions.

The difference between December 31, 2017 and January 1, 2018 amounting to TL 2,883 in the loans is the result of the change of the valuation method for loans under "Non-performing Loans" account.

On the other hand, in the financial statements that are effective as of January 1, 2018;

-Cash and Cash Equivalents includes "Cash and Balances with the Central Bank", "Banks" and "Money Market Placements" items which were shown as separate items on the December 31, 2017 financial statements,

-Other Liabilities includes "Miscellaneous Payables" and "Other Foreign Liabilities" items which were shown as separate items on the December 31, 2017 financial statements.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

1.b Provision for expected credit losses

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value after TFRS 9 January 1, 2018
Loans ⁽¹⁾	7,832,991	77,975	7,910,966
Stage 1	2,308,342	(39,838)	2,268,504
Stage 2	465,705	914,061	1,379,766
Stage 3	5,058,944	(796,248)	4,262,696
Financial Assets ⁽²⁾	149,851	(75,380)	74,471
Non-cash Loans ⁽³⁾	440,892	171,299	612,191
Stage 1 and 2	262,345	(73,375)	188,970
Stage 3	178,547	244,674	423,221
Total	8,423,734	173,894	8,597,628

⁽¹⁾ Loans include factoring and leasing receivables.

⁽²⁾ Within the scope of TFRS 9, consists of provisions for Cash and Cash Equivalents, Securities Measured at Amortized Cost and Other financial assets.

⁽³⁾ Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified in "General Provisions" and the expected credit loss for stage 3 non-cash loans is classified in "Other Provisions" under liabilities. In accordance with TFRS 9, the expected credit loss for the 1st, 2nd and 3rd stage non-cash loans are classified in "Other Provisions" under liabilities.

1.c. Effects of Equity

In accordance with the related requirements of "TFRS 9-Financial Instruments" published in the Official Gazette numbered 29953 dated January 19, 2017, there is no obligation to restate the prior period information. If the prior period information is not restated, the difference between the prior book value and the book value of January 1, 2018 at the date of application must be reflected in the opening balance of equity. The explanations regarding the issue is presented below.

Specific and general provisions reserved under the applicable legislation before the transition to TFRS 9 are canceled and the expected loss provision is set according to TFRS 9 principles. In this context;

- A net expense effect of TL 173,894 on total loan provisions of the abovementioned transactions
- TL 713,353 of deferred tax income effect

has been reflected to prior year's profit/loss. As a result of the mentioned transactions, there has been an increase of TL 539,459 in prior year's profit.

Within the scope of transition to TFRS 9, the Parent Bank reclassified securities classified under Financial Assets Available for Sale with a nominal value of TL 15,307,457 to Financial Assets Measured at Amortized Cost. As a result of mentioned reclassification there has been an after tax net increase of TL 904,070 in equity.

2. Explanations on Prior Period Accounting Policies Not Valid for the Current Period

The Group has started to apply TFRS 9 Financial Instruments ("TFRS 9") instead of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. With the transition to the mentioned application the accounting policies which are not valid are given below.

2.a. Explanations on Financial Assets

Financial assets are comprised of cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with the counterparty or the capital instrument transactions of the counterparty. According to the Parent Bank management's purpose of holding, the financial assets are classified into four groups as "Financial Assets at Fair Value through Profit And Loss", "Financial Assets Available for Sale", "Held to Maturity Investments" and "Loans and Receivables".

1. Explanations on Financial Assets at Fair Value through Profit and Loss

1.a. Financial Assets Held for Trading

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading is presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Fair values are measured within the scope of "TFRS 13 Fair Value Measurement" while measuring the fair values, market prices, quoted prices, prices set by CBRT and published in official gazette and the values derived from the alternative models are used within the context of related accounting standards.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and discounted value of the financial assets are recognized under the "Interest Income" account, and in case the discounted fair value of the asset is over the amortized cost, the positive difference is recognized in the "Gains on Securities Trading" account. If the fair value is less than the amortized cost, the negative difference between the discounted value and the fair value is recorded in "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

1.b. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. Explanations on Financial Assets Available for Sale

Financial assets available for sale represent non-derivative financial assets, loans and receivables, held to maturity investments and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the effective interest method. Dividend income from the Equity Securities which are classified under Available for Sale Financial Assets are reflected to Income Statement Fair. Within the scope of "TFRS 13 Fair Value Measurement" while measuring the fair values of available for sale securities, market prices, quoted prices, prices set by CBRT and published in official gazette and the values derived from the alternative models are used within the context of related accounting standards. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences recognized under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

3. Held to Maturity Investments

Held to maturity investments are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest method less provision for any impairment, if any. Interest income from held to maturity investments are recognized in the income statement as an "interest income".

There are no financial assets that are classified by the Group as held to maturity investments; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments and other than derivative financial assets.

Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted value calculated using the "effective interest method".

Retail and corporate loans that are followed under cash loans are recognized at original maturities, based on their contents.

Foreign currency indexed consumer and corporate loans are followed at TL accounts after converting into TL by using the opening date exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

2.b. Impairment of Financial Assets

At each balance sheet date, the Group companies evaluate the carrying amount of its financial assets or a group of its financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the held to maturity investments are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When an impairment occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If the fair value of the related asset increases in a subsequent period, the amount of increase is recognized in equity.

Loans are classified and followed in line with the provisions of the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside", published on the Official Gazette numbered 26333 dated November 1, 2006. Within the scope of the relevant legislation the Parent Bank was allocating specific provision for the non-performing loans and other receivables, the Parent Bank calculated to allocate specific provisions in accordance with the minimum provision rates mentioned. Among the activities of the Group, for the receivables from the financial leasing and factoring companies provisions are set aside in accordance with the communiques "Financial Leasing, Factoring and Financing Companies and Financial Statements of the Regulation on Accounting Policy" published on the Official Gazette numbered 28861 dated December 24, 2013 and for receivables acquired through the asset management activities in "Regulation on the Establishment and Operations of Asset Management Companies" published on the Official Gazette numbered 26333 dated November 1, 2006 under the special provision are made. Specific provisions are reflected in the income statement. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

Other than specific allowances, the Bank and the financial institutions affiliated to the Group also provide "general allowances" for loan and other receivables classified in accordance with the abovementioned legal regulations and communiqués.

3. Other Matters:

Classifications have been made at the "Shareholders Equity- Other Profit Reserves", "Off- Balance Sheet- Factoring Guarantees and Other Guarantees" in the consolidated financial statements dated December 31, 2017 for compliance with the current period consolidated balance sheet.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Shareholders' Equity:

1. Explanations on Consolidated Shareholders' Equity

The Bank's consolidated capital adequacy ratio is 15.33%. (December 31, 2017: 15.17%)

	Current Period	Amount as per the Regulation before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	6,115,938	
Share Premium	39,234	
Legal Reserves	28,434,743	
Other Comprehensive Income According to TAS	7,287,274	
Profit	10,303,541	
Net Current Period Profit	6,671,823	
Prior Period Profit	3,631,718	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	(1,165)	
Minority Shares	1,651,883	1,651,883
Common Equity Tier I Capital Before Deductions	53,831,448	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9, (i) of the Regulation on Bank Capital		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	2,587,667	
Leasehold Improvements on operational leases (-)	99,855	
Goodwill Netted with Deferred Tax Liabilities	35,974	35,974
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	822,850	822,850
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences		
Differences Arise When Assets and Liabilities Not Held at Fair Value, are Subjected to Cash Flow Hedge Accounting		
Total Credit Losses That Exceed Total Expected Loss Calculated According to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach		
Securitization Gains		
Unrealized Gains and Losses from Changes in Bank's Liabilities' Fair Values due to Changes in Creditworthiness		
Net Amount of Defined Benefit Plans		
Direct and Indirect Investments of the Bank on its own Tier 1 Capital (-)	3,054	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)		
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 (-)		
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
Mortgage Servicing Rights (amount above 10% threshold of above Tier I Capital) (-)		
Deferred Tax Assets Arising from Temporary Differences (amount above 10% threshold of above Tier I Capital) (-)		
Amount Exceeding the 15% Threshold of Tier 1 Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)		
Excess Amount arising from Mortgage Servicing Rights		
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)		
Other Items to be Defined by the BRSA (-)		
Deductions from Tier I Capital in Cases where there are no Adequate Additional Tier I or Tier II Capitals (-)		

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Current Period	Amount as per the Regulation before 1/1/2014 ⁽¹⁾
Total regulatory adjustments to Common equity Tier 1	3,549,400	
Total Common Equity Tier I capital	50,282,048	
ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Shares of Third Parties in Additional Tier I Capital	1,131,501	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)		
Additional Tier I Capital before Deductions	1,131,501	
Deductions from Additional Tier 1 Capital		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)		
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)		
Other items to be defined by the BRSA (-)		
Items to be Deducted from Tier 1 Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Deduction from Additional Tier 1 Capital when there is not enough Tier II Capital (-)		
Total Deductions from Additional Tier I Capital	1,131,501	
Total Additional Tier I Capital	51,413,549	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5,260,500	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	2,105,200	
Shares of Third Parties in Additional Tier I Capital	632,464	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)		
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4,783,065	
Tier II Capital before Regulatory Adjustments	12,781,229	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)		
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		
Other items to be Defined by the BRSA (-)		
Total Deductions from Tier II Capital	12,781,229	
Total Tier II Capital	64,194,778	
Total Equity (Total Tier I and Tier II Capital)	64,194,778	
Deductions from Total Equity	4,958	
Loans Granted against the Articles 50 and 51 of the Banking 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	2,824	
Other items to be Defined by the BRSA	2,134	

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Current Period	Amount as per the Regulation before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph ⁽¹⁾ and ⁽²⁾ and Temporary Article 2, Clause 1 of the Regulation (-)		
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	64,189,820	
Total Risk Weighted Assets	418,763,034	
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	12.01	
Consolidated Tier I Capital Ratio (%)	12.28	
Consolidated Capital Adequacy Ratio (%)	15.33	
BUFFERS		
Total Additional Common Equity Requirement Ratio (a+b+c)	3.0400	
a) Capital Conservation Buffer Ratio (%)	1.8750	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.0400	
c) Systemic Bank Buffer Ratio (%)	1.1250	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.2770	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	181,741	
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences	1,543,870	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,509,052	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	4,783,065	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach		
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets		
Debt Instruments Covered by Temporary Article 4 (effective between January 1, 2018 - January 1, 2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4		
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	2,105,200	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	5,230,800	

⁽¹⁾ Represents the amounts taken into consideration according to transition clauses.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period (2)	Amount as per the Regulation before 1/1/2014 (1)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	6,115,938	
Share Premium	33,941	
Legal Reserves	24,153,193	
Other Comprehensive Income according to TAS	8,363,127	
Profit	5,778,698	
Net Current Period Profit	5,530,134	
Prior Period Profit	248,564	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	(1,179)	
Minority Interest	1,927,410	1,352,778
Common Equity Tier 1 capital before deductions	46,371,128	
Common Equity Tier 1 capital: regulatory deductions		
Valuation adjustments calculated as per the article 9, (i) of the Regulation on Bank Capital		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	1,555,555	
Leasehold improvements on operational leases (-)	98,899	
Goodwill Netted with Deferred Tax Liabilities	28,779	35,974
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	586,856	733,570
Deferred Tax Assets that Rely on Future Profitability Excluding Those Arising from Temporary Differences (net of related tax liability)		
Differences Arise When Assets and Liabilities Not Held at Fair Value, are Subjected to Cash Flow Hedge Accounting		
Total Credit Losses That Exceed Total Expected Loss Calculated According to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach		
Securitization Gains		
Unrealized Gains and Losses from Changes in Bank's Liabilities' Fair Values due to Changes in Creditworthiness		
Net Amount of Defined Benefit Plans		
Direct and Indirect Investments of the Bank on its own Tier 1 Capital (-)	9,638	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
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 Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)		
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital not deducted from Tier I Capital (-)		
Excess Amount arising from Mortgage Servicing Rights		
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)		
Other Items to be Defined by the BRSA (-)		
Deductions from Tier I Capital in Cases where there are no Adequate Additional Tier I or Tier II Capitals (-)		

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period ⁽²⁾	Amount as per the Regulation before 1/1/2014 ⁽¹⁾
Total Deductions from Common Equity Tier I Capital		2,279,727
Total Common Equity Tier I Capital		44,091,401
ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Shares of Third Parties in Additional Tier I Capital	1,117,381	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)		
Additional Tier 1 capital before regulatory deductions		1,117,381
Deductions from Additional Tier 1 Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I (-)		
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)		
Other items to be defined by the BRSA (-)		
Items to be Deducted from Tier 1 Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	153,909	
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Deductions from Additional Tier 1 Capital when there is not enough Tier II Capital (-)		
Total Deductions from Additional Tier I Capital		153,909
Total Additional Tier I Capital		963,472
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)		45,054,873
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,098,250	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	2,212,000	
Shares of Third Parties in Additional Tier I Capital	528,263	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)		
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,096,243	
Tier II Capital before Regulatory Deductions		9,934,756
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)		
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		
Other items to be Defined by the BRSA (-)		
Total Deductions from Tier II Capital		9,934,756
Total Tier II Capital		54,989,629
Total Equity (Total Tier I and Tier II Capital)		54,989,629
Deductions from Total Equity		9,785
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	2,201	
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 (-)	7,584	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period ⁽²⁾	Amount as per the Regulation before 1/1/2014 ⁽¹⁾
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1 st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)		
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1 st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1 st and 2 nd Paragraph of the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)		
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	54,979,844	
Total Risk Weighted Assets	362,510,007	
CAPITAL ADEQUACY RATIOS		
Consolidated Common Equity Tier I Capital Ratio (%)	12.16	
Consolidated Tier I Capital Ratio (%)	12.43	
Consolidated Capital Adequacy Ratio (%)	15.17	
BUFFERS		
Total Additional Common Equity Tier I Capital Ratio (%) (a+b+c)	2.274	
a) Capital Conservation Buffer Ratio (%)	1.250	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.024	
c) Systemic Significant Bank Buffer Ratio (%)	1.000	
Additional Common Equity Tier I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.429	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	163,821	
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences	550,651	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,096,243	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,096,243	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach		
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach. Limited by 0.6% Risk Weighted Assets		
Debt Instruments Covered by Temporary Article 4 (effective between January 1, 2018-January 1, 2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4		
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4		
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit		

⁽¹⁾ Represents the amounts taken into consideration according to transition clauses.

⁽²⁾ Previous period corrections specified in footnote I of Part Three are not reflected.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. Information on Subordinated Liabilities:

Issuer	Türkiye İş Bankası A.Ş.		
Unique identifier (CUSIP, ISIN etc.)	US900151AB70 - XS0847042024	US900151AF84 - XS1003016018	US90016BAF58-XS1623796072
Governing law(s) of the instrument	With the exception of certain substances will be subject to Turkish law is subject to English law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.	With the exception of certain substances will be subject to Turkish law is subject to English law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.	With the exception of certain substances will be subject to Turkish law is subject to English law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.
Taking into account in equity calculation			
Reduced by 10% from 01.01.2015	Yes	No	No
Eligible at unconsolidated/consolidated	Unconsolidated -Consolidated	Unconsolidated -Consolidated	Unconsolidated -Consolidated
Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond
Amount recognized in regulatory capital (Currency in mil. as of most recent reporting date)	428	1,677	2,620
Par value of instrument (Expressed in million TL)	5,240	2,096	2,620
Accounting classification	Subordinated Liabilities	Subordinated Liabilities	Subordinated Liabilities
Original date of issuance	24.10.2012	10.12.2013	29.06.2017
Perpetual or dated	Dated	Dated	Dated
Original maturity date	10 Years	10 Years	11 Years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	The Bank; (1) provided that subject to having obtained the prior approval of the BRSA and the date which may not be earlier than fifth anniversary of the Issue Date a) can purchase b) can redeem all bonds if any taxes imposed or levied (2) can redeem all bonds in case of the deduction from equity.	The Bank; (1) provided that subject to having obtained the prior approval of the related legislation, can purchase or otherwise acquire treasury stock (2) provided that subject to having obtained the prior approval of the BRSA, (a) can redeem all bonds if any taxes imposed or levied (b) can redeem all bonds in case of the deduction from equity.	The Bank has the option to repay all of the related bonds on June 29, 2023 provided that subject to having obtained the prior approval of the BRSA. The Bank; (1) provided that subject to having obtained the prior approval of the related legislation, can purchase or otherwise acquire treasury stock (2) provided that subject to having obtained the prior approval of the BRSA, (a) can redeem all bonds if any taxes imposed or levied (b) can redeem all bonds in case of the deduction from equity.
Subsequent call dates, if applicable	None	None	None
Coupons/dividends			
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Coupon rate and any related index	% 6	% 7.85	% 7
Existence of a dividend stopper	None	None	None
Fully discretionary, partially discretionary or mandatory	None	None	None
Existence of step up or other incentive to redeem	None	None	None
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Issuer	Türkiye İş Bankası A.Ş.		
Convertible or non-convertible	None	None	None
If convertible. conversion trigger (s)			
If convertible. fully or partially			
If convertible. conversion rate			
If convertible. mandatory or optional conversion			
If convertible. specify instrument type convertible into			
If convertible. specify issuer of instrument it converts into			
Write-down feature	None	In accordance with Regulations on Equities of Banks.Article 8 (2) (ğ).bonds have deleted option from records.	In accordance with Regulations on Equities of Banks.Article 8 (2) (ğ).bonds have deleted option from records.
If write-down. write-down trigger(s)		Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable).	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable)
If write-down. full or partial		Partially or completely	Partially or completely
If write-down. permanent or temporary		Permanent	Permanent
If temporary write-down. description of write-up mechanism			
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Paid before shares and the primary of subordinated debt and after all the other debts.	Paid before shares and the primary of subordinated debt and after all the other debts.	Paid before shares and the primary of subordinated debt and after all the other debts.
In compliance with article number 7 and 8 of "Own fund regulation"	Yes.	Yes.	Yes.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Don't vest with the conditions stated in clause of the Article 7 and the clause of 8.2. (ğ)	To vest conditions stated in clause of the Article 8 and Don't vest the conditions stated in clause of the Article 7.	To vest conditions stated in clause of the Article 8 and Don't vest the conditions stated in clause of the Article 7.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Issuer	Türkiye İş Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTISB72712
Governing law(s) of the instrument	Subject to Turkish law. The BRSA dated 1 November 2006 and published in Official Gazette No. 26333 on the Equity of the Bank were issued under the Regulation.
Taking into account in equity calculation	
Subject to 10% deduction as of 1/1/2015	No
Eligible at unconsolidated/consolidated	Unconsolidated -Consolidated
Instrument type (types to be specified by each jurisdiction)	Bond
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting data)	1,100
Nominal value of instrument (TL Million)	1,100
Accounting classification	Subordinated Liabilities
Original date of issuance	08.08.2017
Perpetual or dated	Dated
Original maturity date	10 Years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	The Bank; (1) provided that subject to having obtained the prior approval of the BRSA and the date which may not be earlier than fifth anniversary of the Issue Date a) can purchase b) can redeem all bonds if any taxes imposed or levied (2) can redeem all bonds in case of the deduction from equity
Subsequent call dates, if applicable	None
Interest/Dividend Payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	Government Debt Security for 5 years +350 base points
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Non-cumulative
Convertible into equity shares	None
If convertible, conversion trigger(s)	
If convertible, fully or partially	
If convertible, conversion rate	
If convertible, mandatory or optional conversion	
If convertible, specify instrument type convertible into	
If convertible, specify issuer of instrument it converts into	
Write-down feature	
If write-down, write-down trigger(s)	In accordance with Regulations on Equities of Banks, Article 8(2)(g), bonds have deleted option from records. Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable)
If bond can be written-down, full or partially	Partially or Completely
If bond can be written-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	
Position in subordination hierarchy in case of liquidation (Instrument type immediately senior to the instrument)	Paid before shares and the primary of subordinated debt and after all the other debts.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Yes
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	To vest conditions stated in clause of the Article 8 and Don't vest the conditions stated in clause of the Article 7.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Issuer	Türkiye Sinai Kalkınma Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	XS1584113184
Governing law(s) of the instrument	Communiqué on SPK-II-31.1 Borrowing Instruments Regulation on Equity of BRSA Banking Sector
Taking into account in equity calculation	
Transitional Basel III rules	No
Eligible at unconsolidated/consolidated	Unconsolidated - Consolidated
Instrument type (types to be specified by each jurisdiction)	Bond
Amount recognized in regulatory capital (Currency in mil. as of most recent reporting date)	300 300
Par value of instrument	Subordinated Debts
Accounting classification	28.03.2017
Original date of issuance	Dated
Perpetual or dated	10 Years
Original maturity date	Yes
Issuer call subject to prior supervisory approval	29.03.2022 (After 5 th year) There is a early payment option.
Optional call date, contingent call dates and redemption amount	After 5 th year, there is a refund option only once.
Subsequent call dates, if applicable	
Coupons/dividends	
Fixed or floating dividend/coupon	Fixed/interest payment semiannually, principle payment at the maturity date.
Coupon rate and any related index	% 7.625
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
Write-down feature	
If write-down, write-down trigger(s)	In accordance with Banking Law No. 5411 and the Turkish Commercial Code No. 6102, if the possibility of the removal and liquidation of the Bank's operation permission is determined within the framework of the Article 71 of the Banking Law, the BRSA will be able to delete it from the records.
If write-down, full or partial	Partially or completely
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the debts, before the additional main capital, same as the tier II capital
In compliance with article number 7 and 8 of "Own fund regulation"	To vest conditions stated in clause of the Article 8.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Don't vest the conditions stated in clause of the Article 7.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

3. Explanations on Reconciliations of Amounts in the Consolidated Capital Items Table and Carrying Amounts in the Consolidated Financial Statements

	Carrying Amount	Amounts in Equity Calculation ⁽¹⁾
Shareholders' Equity	55,614,893	53,007,746
Group Share	49,591,898	49,591,898
Minority Interest	6,022,995	3,415,848
Leasehold improvements on operational leases	99,855	(99,855)
Goodwill and intangible assets	883,541	(858,824)
Provisions	5,509,052	4,783,065
Subordinated debt	12,708,575	7,365,700
Deductions from shareholders' equity	8,012	(8,012)
Capital		64,189,820

⁽¹⁾ The related amounts are calculated in accordance with "Regulation on Equities of Banks". In this context, part of the expected credit loss of stage 1 and stage 2 up to 1.25 % of amount subject to credit risk, part; subordinated loans according to fourth article of the regulation, have been taken into consideration in equity calculation.

II. Explanations on Credit Risk

⁽¹⁾ Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Bank and its consolidated financial subsidiaries.

Banks and financial institutions subject to consolidation, carry out their placement activities in accordance with the credit limitations stipulated by legal regulations of the countries in which they operate.

The Parent Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Parent Bank's Risk Group, including the Parent Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, and the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation

The Parent Bank and its financial affiliates give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

Non-performing and impaired loans has classified in accordance with the "TFRS 9-Financial Instruments" and BRSAs "Regulation on Procedures and Principles for Classification of Loans and Provisions to be set aside". The detailed descriptions of these methods correspond with accounting practices, are included in Section Three Note VIII.

Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with different risk classes according to the types and amounts of disaggregated risks are listed below the average for the period.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Amount subject to credit risk ⁽¹⁾	Current Period Risk Amount	Average Risk Amount ⁽²⁾
Risk Classifications		
Conditional and unconditional exposures to central governments or central banks	128,066,399	123,236,885
Conditional and unconditional exposures to regional governments or local authorities	128,204	108,891
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	375,561	402,806
Conditional and unconditional exposures to multilateral development banks	1,583	588
Conditional and unconditional exposures to international organizations		
Conditional and unconditional exposures to banks and brokerage houses	38,589,987	32,052,004
Conditional and unconditional exposures to corporate	244,411,538	233,398,393
Conditional and unconditional retail exposures	78,096,894	77,512,248
Exposures secured by residential real estate property	18,897,250	19,668,793
Exposures secured by commercial real estate property	23,499,332	25,104,312
Past due loans	5,294,223	3,820,077
Items in regulatory high-risk categories	296,287	210,929
Exposures in the form of bonds secured by mortgages		
Short term exposures to banks, brokerage houses and corporates		
Exposures in the form of collective investment undertakings	511,565	606,168
Stock investments	9,825,810	9,078,886
Other items	21,589,169	19,622,917

⁽¹⁾ The figures represent total risk amounts after credit risk mitigation and after credit conversion factor.

⁽²⁾ Average risk amount is identified by using arithmetical averages of risk amounts calculated quarterly in the current period reports.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic derivatives market in this particular area, the Parent Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Parent Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Determining the country risks of the countries concerned in the context of the current rating system credit transactions carried out abroad, market conditions, legal constraints and risks related to the country on this issue into account. In addition, banks and other financial institutions credit worthiness abroad, foreign rating agencies by based on credit ratings that are determined and CDS-IR (based on credit default swaps) a supported developed degree approach is allocated and monitored.

6. (i) The share of the Group's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 28% and 36% respectively (December 31, 2017: 24%, 32%).

(ii) The share of the Group's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 48% and 62% respectively (December 31, 2017: 48%, 59%).

(iii) The share of the Group's cash and non-cash receivables from the top 100 and 200 credit customers in the overall assets and non-cash loans stands at 17% and 23% (December 31, 2017: 16%, 22%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory, and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. Total value of the Stage 1 and Stage 2 expected credit loss allocated for the credit risk carried by Parent Bank and consolidated companies is TL 5,170,153.

8. The Parent Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period
Strong	40.93%
Standard	52.77%
Below Standard	6.30%

Table shows rating/scoring results.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Strong	38.14%
Standard	57.29%
Below Standard	4.57%

Table shows rating/scoring results.

9. The net values of the collaterals of the Group's closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		
	Personal	Commercial and Corporate	Credit Cards
Real Estate Mortgage ⁽¹⁾	1,163,210	8,810,357	
Cash Collateral (Cash, securities pledge, etc.)	12,438	204,022	
Pledge on Wages and Vehicles	770,711	289,508	
Cheques & Notes		2,521	
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	198,675	20,125,328	
Non-collateralized	844,405	2,305,990	1,096,016
Total	2,989,439	31,737,726	1,096,016

⁽¹⁾The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

Type of Collateral	Current Period		
	Personal	Commercial and Corporate	Credit Cards
Real Estate Mortgage ⁽¹⁾	631,874	3,863,215	
Cash Collateral (Cash, securities pledge, etc.)	4,923	23,695	
Pledge on Wages and Vehicles	398,555	90,296	
Cheques & Notes		37,971	
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	101,245	5,157,753	
Non-collateralized	433,508	1,226,745	669,915
Total	1,570,105	10,399,675	669,915

⁽¹⁾The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of the Group's non-performing loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period	
	Net Value of the Collateral	Loan Balance
Real Estate Mortgage ⁽¹⁾	4,083,888	4,083,888
Cash Collateral	3,259	3,259
Vehicle Pledge	466,913	466,913
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	1,169,421	1,169,421

⁽¹⁾The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

Type of Collateral	Prior Period	
	Net Value of the Collateral	Loan Balance
Real Estate Mortgage ⁽¹⁾	1,107,943	1,107,943
Cash Collateral	710	710
Vehicle Pledge	131,063	131,063
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	127,408	127,408

⁽¹⁾The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the receivables past due but not impaired in terms of financial asset classes, is as follows:

Current Period	31-60 Days ⁽²⁾	61-90 Days ⁽²⁾	Total
	Loans ⁽¹⁾	Corporate/Commercial Loans ⁽³⁾	Consumer Loans
Loans ⁽¹⁾	645,369	840,442	1,485,811
Corporate/Commercial Loans ⁽³⁾	311,287	702,644	1,013,931
Consumer Loans	93,875	47,415	141,290
Credit Cards	240,207	90,383	330,590
Lease Receivables	402,494	28,752	431,246
Insurance Receivables	45,324	16,028	61,352
Total	1,093,187	885,222	1,978,409

⁽¹⁾ The loans classified under close monitoring that are not past due or past due for less than 31 days is TL 30,721,952.

⁽²⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 2,240,820 and TL 943,352 respectively.

⁽³⁾ Includes factoring receivables.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	31-60 Days ⁽²⁾	61-90 Days ⁽²⁾	Total
Loans ⁽¹⁾	335,793	231,062	566,855
Corporate/Commercial Loans ⁽³⁾	95,075	118,656	213,731
Consumer Loans	77,960	41,386	119,346
Credit Cards	162,758	71,020	233,778
Lease Receivables ⁽⁴⁾	5,384	2,534	7,918
Insurance Receivables	32,462	27,237	59,699
Total	373,639	260,833	634,472

⁽¹⁾ The loans classified as closely monitored that are not past due or past due for less than 31 days is TL 8,175,658. Table does not contain TL 2,379,391 which is total amount of extended credits to a company, classified under Loans under Close Monitoring and Other Receivables as of 31 December 2017.

⁽²⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 892,784 and TL 625,955 respectively.

⁽³⁾ Includes factoring receivables.

⁽⁴⁾ Includes only overdue installments, total principal amounts which are not due as of the balance sheet date is TL 341,148. Loans overdue between 91-150 days are amounting to TL 3,028.

12. Profile of Significant Risk Exposures in Major Regions

Current Period	Domestic	European Union	OECD Countries ⁽²⁾	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Unallocated Assets/Liabilities ⁽³⁾	Total
Risk Groups⁽¹⁾									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks ⁽⁴⁾	125,354,010	931,546	78,525			1,702,318			128,066,399
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	99,506					28,698			128,204
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	375,490					71			375,561
Contingent and Non-Contingent Receivables from Multilateral Development Banks		1,583							1,583
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	14,561,904	16,291,313	1,722,937	131,544	4,327,486	1,554,803			38,589,987
Contingent and Non-Contingent Corporate Receivables	235,212,347	3,566,156	92,988	597,983	90,190	4,851,874			244,411,538
Contingent and Non-Contingent Retail Receivables	76,821,002	457,163	31,789	1,307	26,452	759,181			78,096,894
Contingent and Non-Contingent Receivables Secured by Residential Property	42,062,063	221,627	36,634	441	19,235	56,582			42,396,582
Non-Performing Receivables	5,230,647	45,760	249		452	17,115			5,294,223
Receivables are identified as high risk by the Board	295,520	3				764			296,287
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	511,565								511,565
Other Receivables	21,589,169								21,589,169
Stock Investments							9,825,810		9,825,810
Total	522,113,223	21,515,151	1,963,122	731,275	4,463,815	8,971,406	9,825,810		569,583,802

⁽¹⁾ Risk amounts after the credit conversions and the effects of credit risk mitigation

⁽²⁾ OECD Countries other than EU countries, USA and Canada.

⁽³⁾ Assets and liabilities that are not consistently allocated.

⁽⁴⁾ Credits guaranteed by the Undersecretariat of Treasury are included in the class of receivables from central government.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period ⁽⁵⁾	Domestic	European Union	OECD Countries ⁽²⁾	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Unallocated Assets/Liabilities ⁽³⁾	Total
Risk Groups ⁽¹⁾									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks ⁽⁴⁾	112,305,157	977,193	78,578			1,121,733			114,482,661
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	53,082					19,229			72,311
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	385,217					105			385,322
Contingent and Non-Contingent Receivables from Multilateral Development Banks		225							225
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	13,565,796	9,266,349	748,505	24,267	1,291,903	737,225			25,634,045
Contingent and Non-Contingent Corporate Receivables	196,044,530	2,704,753	233,757	480,595	178,809	4,001,239			203,643,683
Contingent and Non-Contingent Retail Receivables	73,046,014	419,171	32,511	965	19,473	656,720			74,174,854
Contingent and Non-Contingent Receivables Secured by Residential Property	44,275,375	204,517	28,241	145	16,696	72,896			44,597,870
Non-Performing Receivables	897,059	16,974	156		203	5,791			920,183
Receivables are identified as high risk by the Board	213,984	114	6		42	2,336			216,482
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	632,133								632,133
Other Receivables	17,438,087								17,438,087
Stock Investments							8,261,461		8,261,461
Total	458,856,434	13,589,296	1,121,754	505,972	1,507,126	6,617,274	8,261,461		490,459,317

⁽¹⁾The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

⁽²⁾OECD Countries other than EU countries, USA and Canada.

⁽³⁾Assets and liabilities that are not consistently allocated.

⁽⁴⁾Credits guaranteed by the Undersecretariat of Treasury are included in the class of receivables from central government.

⁽⁵⁾Table does not contain the prior period adjustments which is stated in Section III no:l

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

13. Risk Profile by Sectors or Counterparties:

	(1) (*)	Current Period						(8)
		(2)	(3)	(4)	(5)	(6)	(7)	
Sectors/Counterparty (*)								
Agriculture	267,960		617				2,024,871	764,034
Farming and Stockbreeding	249,623		617				1,400,879	742,534
Forestry	5,373						48,275	10,674
Fishing	12,964						575,717	10,826
Industry	4,012,778		194,783				110,542,659	4,596,203
Mining	117,691						3,772,768	126,464
Production	3,825,350		10				59,959,352	4,401,357
Electricity, gas, and water	69,737		194,773				46,810,539	68,382
Construction	2,180,508		7,028				29,727,251	2,799,649
Services	53,157,557		166,418	1,583		38,568,291	97,933,941	34,005,579
Wholesale and Retail Trade	5,427,793		586				31,796,120	9,656,361
Hotel, Food and Beverage Services	348,780		59				5,080,399	903,777
Transportation and Telecommunication	838,368		367				18,449,652	3,299,119
Financial Institutions	45,353,751		1,069	1,583		38,568,291	10,768,140	17,258,598
Real Estate and Renting Services	706,209		71,266				25,886,147	1,900,056
Self-Employment Services	104,551		78,963				1,261,913	430,256
Education Services	176,489		9,340				910,422	204,057
Health and Social Services	201,616		4,768				3,781,148	353,355
Other	68,447,596	128,204	6,715			21,696	4,182,816	35,931,429
Total	128,066,399	128,204	375,561	1,583		38,589,987	244,411,538	78,096,894

(1) Contingent and non-contingent exposures to central governments or central banks

(2) Contingent and non-contingent exposures to regional governments or local authorities

(3) Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings

(4) Contingent and non-contingent exposures to multilateral development banks (5) Contingent and non-contingent exposures to international organizations

(6) Contingent and non-contingent exposures to banks and brokerage houses

(7) Contingent and non-contingent corporate receivables

(8) Contingent and non-contingent retail receivables

(9) Contingent and non-contingent exposures secured by real estate property

(10) Past due receivables

(11) Receivables in regulatory high-risk categories

(12) Investments in the nature of collective investment enterprise

(13) Other Receivables

(14) Stock Investments.

(*) Risk amounts after the credit conversions and the effects of credit risk mitigation (**) Credit Guarantee Fund guaranteed by the undersecretariat of treasury are included in the receivables from central governments.

		Current Period						TL	FC	Total
		Current Period								
(9)	(10)	(11)	(12)	(13)	(14)					
399,142	43,200	864				2,586,525	914,163	3,500,688		
294,058	35,305	740				2,471,235	252,521	2,723,756		
3,645	3,181	18				70,481	685	71,166		
101,439	4,714	106				44,809	660,957	705,766		
6,899,140	1,421,607	110,835			8,450,942	37,360,723	98,868,224	136,228,947		
793,185	14,602	5,562				828,074	4,002,198	4,830,272		
4,998,020	475,009	104,994				8,450,942	30,863,326	51,351,708	82,215,034	
1,107,935	931,996	279					5,669,323	43,514,318	49,183,641	
4,882,805	2,081,693	109,765					18,207,428	23,581,271	41,788,699	
16,269,291	1,155,315	74,085	411,565		913,385	102,305,044	140,351,966	242,657,010		
7,104,495	675,593	50,672				34,467	36,090,266	18,655,821	54,746,087	
2,734,753	103,439	1,576					3,094,916	6,077,867	9,172,783	
1,592,204	93,737	12,503				59,549	8,374,801	15,970,698	24,345,499	
140,249	7,727	173	411,565			819,369	39,992,647	73,337,868	113,330,515	
3,765,395	186,230	6,007					10,593,236	21,928,074	32,521,310	
344,513	52,092	656					1,568,696	704,248	2,272,944	
195,638	13,967	383					1,108,901	401,395	1,510,296	
392,044	22,530	2,115					1,481,581	3,275,995	4,757,576	
13,946,204	592,408	738	100,000	21,589,169	461,483	124,921,279	20,487,179	145,408,458		
42,396,582	5,294,223	296,287	511,565	21,589,169	9,825,810	285,380,999	284,202,803	569,583,802		

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

14. Analysis of maturity-bearing exposures according to remaining maturities:

Risk Groups ⁽¹⁾	Current Period						Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,393,270	2,999,182	1,117,184	6,418,334	77,347,303		89,275,273
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	1,275	430	1,786	23,618	101,095		128,204
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	37,029	13,265	43,185	5,158	240,717		339,354
The multilateral development banks and non-contingent receivables	1,283	300					1,583
Contingent and Non-Contingent Receivables from Banks and Intermediaries	16,105,356	4,032,903	3,133,745	6,232,512	6,930,350		36,434,866
Contingent and Non-Contingent Corporate Receivables	14,368,496	13,711,044	19,082,747	24,294,949	144,120,465		215,577,701
Contingent and Non-Contingent Retail Receivables	14,579,476	1,238,143	1,976,733	5,127,524	32,664,014		55,585,890
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	977,323	698,581	1,069,207	2,162,044	35,189,082		40,096,237
Receivables are identified as High Risk by the Board	24,519	11,782	12,196	25,477	212,188		286,162
Total	47,488,027	22,705,630	26,436,783	44,289,616	296,805,214		437,725,270

⁽¹⁾ The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

15. Information on Risk Classes:

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", is based on the Fitch Ratings' international rating. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks, type of exchange and original maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Evaluation of Capital Adequacy of Banks, is given below:

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

Risk Amounts according to Risk Weights

Risk Weight	0%	20%	35%	50%	75%	100%	150%	250%	Mitigation in Shareholders' Equity
Amount Before Credit Risk Mitigation ⁽¹⁾	117,934,087	17,112,937	18,917,390	33,310,056	66,517,984	320,298,665	305,965	181,741	958,679
Amount After Credit Risk Mitigation	132,254,073	17,112,937	18,897,250	33,304,070	61,159,259	306,368,507	305,965	181,741	958,679

⁽¹⁾ The figures represent total risk amounts before credit risk mitigation and after credit conversion factor.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

16. Miscellaneous Information According to Type of Counterparty of Major Sectors

Significant Sectors/Counterparty Current Period	Loans ⁽¹⁾			Provisions	
	Depreciated (TFRS 9)		Expected Credit Loss (TFRS 9)		
	Significant Increase in Credit Risk (Stage 2)	Non-Performing (Stage 3)			
1 Agricultural	251,003	131,414	104,437		
1.1 Farming and Raising Livestock	235,834	114,101	93,034		
1.2 Forestry	12,145	10,382	9,007		
1.3 Fishing	3,024	6,931	2,396		
2 Industry	16,913,386	2,932,611	2,902,695		
2.1 Mining	142,326	92,322	86,985		
2.2 Production	6,180,113	1,621,200	1,699,633		
2.3 Electricity, gas, and water	10,590,947	1,219,089	1,116,077		
3 Construction	4,151,936	3,690,161	1,959,366		
4 Services	10,170,773	3,355,687	3,277,456		
4.1 Wholesale and Retail Trade	2,966,396	2,070,095	1,731,262		
4.2 Hotel, Food and Beverage Services	2,277,724	272,559	425,294		
4.3 Transportation and Telecommunication	2,257,573	258,505	438,087		
4.4 Financial Institutions	12,388	29,372	22,835		
4.5 Real Estate and Renting Services	2,061,856	463,662	447,070		
4.6 Self-Employment Services	402,948	161,191	126,495		
4.7 Education Services	89,925	39,436	36,920		
4.8 Health and Social Services	101,963	60,867	49,493		
5 Other	4,336,083	2,382,165	1,932,318		
6 Total	35,823,181	12,492,038	10,176,272		

⁽¹⁾ The fair value difference is not included in the profit balance as reflected in profit or loss.

17. Information on Value Adjustments and Change in Credit Provisions

	Beginning Balance ⁽¹⁾	Provisions	Reversal of Provisions	Other Value Adjustments	Ending Balance
Stage 3 Provisions	4,262,696	4,383,842	(1,585,697)		7,060,841
Stage 1 and Stage 2 Provisions	3,648,270	4,300,547	(2,778,664)		5,170,153

⁽¹⁾Balances of January 1, 2018.

18. Exposures Subject to Countercyclical Capital Buffer

Explanations about exposures subject to consolidated private sector receivables:

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	306,111,947	769,851	306,881,798
TRNC	1,960,012		1,960,012
Germany	1,520,071	1,464	1,521,535
England	1,253,824		1,253,824
Albania	1,050,703		1,050,703
Cayman Island	571,122		571,122
Kosovo	570,775		570,775
Malta	564,999		564,999
Russia	526,551		526,551
Georgia	435,559		435,559
Other	1,845,982	481	1,846,463

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

III. Explanations on Currency Risk

Foreign currency position risk for the Group is a result of the difference between the Group's assets denominated in and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk for the Parent Bank is managed by the internal currency risk limits which are established as a part of the Parent Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within framework of the determined by the "Net Foreign Currency Overall Position/Shareholders' Equity" standard ratio, which is a part of the legal requirement and the internal currency risk limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Key Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Parent Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

Date	USD	EUR
December 31, 2018	5.2400	5.9998
December 28, 2018	5.1970	5.9490
December 27, 2018	5.2104	5.9492
December 26, 2018	5.2146	5.9499
December 25, 2018	5.2663	5.9736
December 24, 2018	5.2162	5.9475

The Parent Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: 5.2343 TL EUR: 5.9594 TL

Sensitivity to currency risk:

The Group's sensitivity to any potential change in foreign currency rates has been analyzed. Within this framework, 10% change is anticipated in USD, EUR, RUB and GEL currencies and the possible impact of the related change is presented below. 10% is the ratio that is used in the internal reporting of the Parent Bank.

	% Change in Foreign Currency	Effects on Profit/Loss ⁽¹⁾	
		Current Period	Prior Period
USD	10% increase	(94,827)	351,106
	10% decrease	94,827	(351,106)
EUR	10% increase	(85,804)	(583,747)
	10% decrease	85,804	583,747
RUB	10% increase	31,292	32,702
	10% decrease	(31,292)	(32,702)
GEL	10% increase	15,791	3,678
	10% decrease	(15,791)	(3,678)

⁽¹⁾ Indicates the values before tax.

	% Change in Foreign Currency	Effects on Profit/Loss ⁽¹⁾
USD	10% increase	(94,827)
	10% decrease	94,827
EUR	10% increase	(85,804)
	10% decrease	85,804
RUB	10% increase	31,292
	10% decrease	(31,292)
GEL	10% increase	15,791
	10% decrease	(15,791)

⁽¹⁾ Indicates the values before tax.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Information on currency risk:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽¹⁾	10,219,549	17,982,557	6,292,537	34,494,643
Banks	5,524,045	6,298,408	689,130	12,511,583
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	395,143	3,310,758	19,048	3,724,949
Money Market Placements				
Financial Assets at Fair Value through Other Comprehensive Income	1,605,007	13,894,870	36,202	15,536,079
Loans ^{(2) (3)}	71,746,609	85,108,689	2,845,819	159,701,117
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				
Financial Assets measured at Amortized Cost	23,879	2,127,161	361,420	2,512,460
Derivative Financial Assets Held for Risk Management				
Tangible Assets ⁽²⁾	10,174	277	51,953	62,404
Intangible Assets ⁽²⁾				
Other Assets ⁽²⁾	2,705,419	3,306,774	262,572	6,274,765
Total Assets	92,229,825	132,029,494	10,558,681	234,818,000
Liabilities				
Bank Deposits	2,401,515	703,154	317,187	3,421,856
Foreign Currency Deposits ⁽⁴⁾	48,553,301	73,858,019	11,809,597	134,220,917
Money Market Funds	152,115	4,025,188		4,177,303
Funds Provided from Other Financial Inst,	28,090,088	41,285,987	11,789	69,387,864
Marketable Securities Issued ⁽⁵⁾		42,499,333	76,772	42,576,105
Miscellaneous Payables	755,659	1,208,430	78,142	2,042,231
Derivative Financial Liabilities Held for Risk Management		172,258		172,258
Other Liabilities ^{(2) (6)}	1,226,322	2,239,976	282,767	3,749,065
Total Liabilities	81,179,000	165,992,345	12,576,254	259,747,599
Net On Balance Sheet Position	11,050,825	(33,962,851)	(2,017,573)	(24,929,599)
Net Off Balance Sheet Position	(10,216,147)	32,814,562	3,051,383	25,649,798
Derivative Financial Assets ⁽⁷⁾	13,386,191	57,968,880	4,670,568	76,025,639
Derivative Financial Liabilities ⁽⁷⁾	23,602,338	25,154,318	1,619,185	50,375,841
Non-Cash Loans	25,868,761	31,457,246	3,250,030	60,576,037
Prior Period				
Total Assets	72,638,645	104,283,225	11,187,008	188,108,878
Total Liabilities	63,149,439	137,722,417	10,726,572	211,598,428
Net Balance Sheet Position	9,489,206	(33,439,192)	460,436	(23,489,550)
Net Off Balance Sheet Position	(15,229,974)	37,820,447	(1,807,865)	20,782,608
Derivative Financial Assets	11,771,775	57,984,726	4,284,980	74,041,481
Derivative Financial Liabilities	27,001,749	20,164,279	6,092,845	53,258,873
Non-Cash Loans	19,095,340	31,305,556	3,058,616	53,459,512

⁽¹⁾ Precious metals accounts amounting TL 6,147,767 are included.

⁽²⁾ In accordance with the principles of the "Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Banks on Consolidated and Non-Consolidated Basis", Derivative Financial Instruments Foreign Currency Income Accruals (TL 2,077,863) Operating Lease Development Costs (TL 7,564), Deferred Tax Asset (TL 304,981), Prepaid Expenses and Taxes (TL 169,413), expected credit loss for stage 1 and stage 2 ((TL 2,792,274)) Intangible Assets (TL 96,094) in assets and Derivative Financial Instruments Foreign Currency Expense Accruals (TL 2,216,695), Shareholders' Equity (TL 1,207,327) in liabilities and expected credit loss for stage 1 and stage 2 for non-cash loans (TL 15,682) are not taken into consideration in the currency risk measurement.

⁽³⁾ Includes foreign currency indexed loans, which are followed under TL account. Of the total amount of TL 6,091,565 of the aforementioned loans; TL 2,491,256 is USD indexed, TL 3,592,278 is EUR indexed, TL 1,298 is CHF indexed, TL 6,000 is GBP indexed and TL 733 is JPY indexed.

⁽⁴⁾ The item includes TL 6,172,052 precious metals deposit accounts.

⁽⁵⁾ Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

⁽⁶⁾ The borrower funds are presented in the "Other Liabilities" according to their type of currency.

⁽⁷⁾ The derivative transactions in the context of forward foreign currency options and foreign currency forwards definitions included in the Communiqué above are taken into consideration.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IV. Explanations on Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the interest sensitive assets, liabilities and off-balance sheet operations as a result of interest rate fluctuations. The method of average maturity gap according to the repricing dates is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Parent Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly followed in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Parent Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits on the ratio of structural interest rate risk to equity and tier 1 capital determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the average maturity gaps and the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the yearend balance figures were the same throughout the year. Mentioned analysis shows how the FC and TL changes in interest rates by one point during the one-year period affect the Group's income accounts and shareholders' equity under the assumption maturity structure and balances are remain the same all year round at the end of the year.

During the measurement of the Group's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 100 base point increase/decrease in TL and FC interest rates on the reporting day are given below:

% Change in the Interest Rate ⁽¹⁾		Effect On Profit/Loss		Effect on Equity ⁽²⁾	
TL	FC ⁽³⁾	Current Period		Current Period	
100 bp increase	100 bp increase		(89,635)		(888,207)
100 bp decrease	100 bp decrease		121,637		991,863

⁽¹⁾ Changes in interest rates is calculated assuming that the expectations reflected in inflation. The effects on the profit/loss and shareholders' equity are stated with their before tax values.

⁽²⁾ The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets at Fair Value through other comprehensive income.

⁽³⁾ The negative shock imposed on FC interest rates remained below the aforementioned rates in some maturity segments due to LIBOR rates being in low levels.

% Change in the Interest Rate ⁽¹⁾		Effect On Profit/Loss ⁽²⁾		Effect on Equity ⁽³⁾	
TL	FC ⁽⁴⁾	Current Period		Current Period	
100 bp increase	100 bp increase		(84,510)		(1,079,541)
100 bp decrease	100 bp decrease		212,061		1,196,169

⁽¹⁾ The effects on the profit/loss and shareholders' equity are stated with their before tax values.

⁽²⁾ The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

⁽³⁾ The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

⁽⁴⁾ The negative shock imposed on FC interest rates remained below the aforementioned rates in some maturity segments due to LIBOR rates being in low levels.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on time remaining to repricing date):

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey							
Cash	20,424,342					20,497,900	40,922,242
Banks	7,805,173	1,654,760	1,911,774			3,082,370	14,454,077
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	1,958,464	1,481,836	2,799,345	726,809	29,197	421,842	7,417,493
Money Market Placements	538,934	174,121	45,114				758,169
Financial Assets Available for Sale	10,150,841	6,484,009	8,558,347	9,820,260	12,109,972	726,273	47,849,702
Loans ⁽²⁾	65,289,619	35,889,261	86,780,121	98,847,005	22,090,913	(5,139,986)	303,756,933
Held to Maturity Investments	3,641,791	4,775,152	10,344,451	6,718,038	3,534,075		29,013,507
Other Assets	4,239,609	12,865	100,989	27,431		51,354,340	55,735,234
Total Assets	114,048,773	50,472,004	110,540,141	116,139,543	37,764,157	70,942,739	499,907,357
Liabilities							
Bank Deposits							
Bank Deposits	2,382,200	1,271,190	717,521	524,500		652,518	5,547,929
Other Deposits	128,697,570	36,390,167	14,969,154	2,202,323	171,055	61,003,204	243,433,473
Money Market Funds	9,671,115	723,891	1,585,581				11,980,587
Miscellaneous Payables	1,342,100	2,416	7,411	4,670		29,242,964	30,599,561
Marketable Securities Issued ⁽³⁾	3,451,365	5,333,079	6,357,959	29,030,259	9,178,184		53,350,846
Funds Provided from Other Financial Institutions	12,411,048	31,017,155	19,481,875	6,426,754	3,245,175		72,582,007
Other Liabilities ^{(4) (5)}	1,633,353	1,213,467	1,440,413	519,879		77,605,842	82,412,954
Total Liabilities	159,588,751	75,951,365	44,559,914	38,708,385	12,594,414	168,504,528	499,907,357
Balance Sheet Long Position			65,980,227	77,431,158	25,169,743		168,581,128
Balance Sheet Short Position	(45,539,978)	(25,479,361)				(97,561,789)	(168,581,128)
Off Balance Sheet Long Position	2,288,187	3,831,055		3,253,073			9,372,315
Off Balance Sheet Short Position			(3,668,697)		(3,647,895)		(7,316,592)
Total Position	(43,251,791)	(21,648,306)	62,311,530	80,684,231	21,521,848	(97,561,789)	2,055,723

⁽¹⁾ Includes Derivative financial assets.

⁽²⁾ Stage 1 and Stage 2 expected credit loss for performing loans are included in "non-interest bearing" column

⁽³⁾ Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

⁽⁴⁾ Shareholders' equity is included in "non-interest bearing" column.

⁽⁵⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on time remaining to repricing date):

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	20,303,410					16,526,102	36,829,512
Banks	5,202,873	1,975,983	1,329,653			2,230,493	10,739,002
Financial Assets at Fair Value through Profit/Loss	831,708	767,740	1,043,245	194,227	48,295	793,131	3,679,346
Money Market Placements	426,277	38,372	363				465,012
Financial Assets Available for Sale	6,328,908	6,884,718	11,122,946	15,698,051	14,981,574	855,179	55,871,376
Loans ⁽¹⁾	59,174,358	27,562,760	66,778,640	96,119,628	22,426,473	168,142	272,230,001
Investments Held to Maturity	3,708,958	2,239,988	2,295,482	330,735	618,012		9,193,175
Other Assets	2,604,163	305,116	1,265,969	2,518,857	111,290	41,945,596	48,750,991
Total Assets	98,580,655	39,774,677	83,836,298	114,861,498	38,185,644	62,518,643	437,757,415
Liabilities							
Bank Deposits	3,235,648	976,065	440,017	373,625		953,069	5,978,424
Other Deposits	114,033,426	17,703,364	13,157,351	3,090,220	146,218	53,771,489	201,902,068
Money Market Funds	23,298,339	448,996	780,978	46,910			24,575,223
Miscellaneous Payables	1,489,623	3,100	557	5,550		26,741,987	28,240,817
Marketable Securities Issued ⁽²⁾	1,427,278	4,562,417	6,360,124	20,885,008	9,216,134		42,450,961
Funds Provided from Other Financial Institutions	11,331,168	30,297,427	13,980,666	4,935,693	2,912,834		63,457,788
Other Liabilities ⁽³⁾⁽⁴⁾	843,458	488,799	512,761	121,345	5,145	69,180,626	71,152,134
Total Liabilities	155,658,940	54,480,168	35,232,454	29,458,351	12,280,331	150,647,171	437,757,415
Balance Sheet Long Position			48,603,844	85,403,147	25,905,313		159,912,304
Balance Sheet Short Position	(57,078,285)	(14,705,491)				(88,128,528)	(159,912,304)
Off Balance Sheet Long Position	2,825,555	2,860,719		1,699,085			7,385,359
Off Balance Sheet Short Position			(3,730,001)		(2,692,561)		(6,422,562)
Total Position	(54,252,730)	(11,844,772)	44,873,843	87,102,232	23,212,752	(88,128,528)	962,797

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

⁽³⁾ Equity is included in "non-interest bearing" column.

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

b. Average interest rates applied to monetary financial instruments:

Current Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey		2.00		13.00
Banks	2.12	1.95		22.91
Financial Assets at Fair Value through Profit/Loss	3.93	6.28		17.46
Money Market Placements				23.52
Financial Assets Available for Sale	3.00	4.94		17.66
Loans	4.78	7.60	4.50	20.18
Investments Held to Maturity	0.44	4.18		15.67
Liabilities				
Bank Deposits	0.54	2.72		23.71
Other Deposits	0.85	2.44	0.01	17.17
Money Market Funds	0.61	4.01		23.88
Miscellaneous Payables				
Debt Securities Issued ⁽¹⁾		5.83		22.28
Funds				
Funds Provided from Other Financial Institutions	1.39	4.16		17.70

⁽¹⁾ Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault. Foreign Currency Cash. Money in Transit. Cheques Purchased) and Balances with the Central Bank of Turkey		1.50		4.00
Banks	1.75	1.91		13.90
Financial Assets at Fair Value through Profit/Loss	1.35	4.72		13.56
Money Market Placements		3.00		12.90
Financial Assets Available for Sale	2.65	4.70		10.50
Loans	4.15	6.16		14.79
Held to Maturity Investments	0.84	4.25		11.49
Liabilities				
Bank Deposits	0.41	2.17		14.34
Other Deposits	0.71	1.90	0.01	8.98
Money Market Funds	0.33	2.48		12.85
Miscellaneous Payables				
Debt Securities Issued ⁽¹⁾		5.56		13.53
Funds	0.25	0.50		8.00
Funds Provided from Other Financial Institutions	1.21	3.05		14.41

⁽¹⁾ Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

V. Explanations on Equity Shares Risk Arising from Banking Book

a. Related to the equity investments account practices about the associates and subsidiaries can be seen in the Section Three Note III.2.

b. Balance sheet value of equity investment, fair value and for publicly traded, if the market value is different from the fair value comparison to the market price:

Share Certificate Investments	Comparison		
	Book Value	Fair Value	Market Value
Quoted			
Stock Investment Group A			
Subsidiaries			
Financial Subsidiaries			
Non-Financial Subsidiaries ⁽¹⁾		8,450,942	12,768,750
Non-Quoted			
Associate and Subsidiaries			
Financial Subsidiaries ⁽²⁾		181,741	
Non-Financial Subsidiaries		30,964	
Subsidiaries			
Financial Subsidiaries			
Non-Financial Subsidiaries		751,825	

⁽¹⁾ Türkiye Şişe ve Cam Fabrikaları A.Ş.

⁽²⁾ Accounted under the equity method in the consolidated financial statements according to TAS 28 and 1st clause of Article 5 of the "Communiqué on the Preparation of Consolidated Financial Statements".

c. Information on revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Realised Gains/ losses During the period	Revaluation Increases		Unrealized Gains and Losses		Total
		Total	Including into Tier I Capital ^(*)	Total	Including into Tier I Capital ^(*)	
Private Equity Investments						
Shares Traded on a Stock Exchange		7,253,568	7,253,568			
Other Stocks		(8,393)	(8,393)			
Total		7,245,175	7,245,175			

^(*) Represents the amounts reflected to equity according to the equity method.

d. Capital requirement as per equity shares:

Portfolio	Carrying Value	Total RWA	Minimum Capital Requirement
Private Equity Investments			
Shares Traded on a Stock Exchange	8,450,942	8,450,942	676,075
Other Stocks	964,530	1,237,142	98,971
Total	9,415,472	9,688,084	775,046

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

VI. Explanations on Liquidity Risk and Consolidated Liquidity Coverage Ratio

Liquidity risk may occur as a result of funding long-term assets with short-term liabilities. The Groups' liquidity is managed by the Asset-Liability Management Committee in accordance with the business strategies, legal requirements, current market conditions and expectations regarding the economic and financial conjuncture.

The Bank's principal source of funding is deposits. Although the average maturity of deposits is shorter than that of assets as a result of the market conditions, the Bank's wide network of branches and stable core deposit base are its most important safeguards of funding. Additionally, the Bank borrows medium and long-term funds from institutions abroad. Concentration limits are generally used in deposit and non-deposit borrowings in order to prevent adverse effects of concentrations in the liquidity risk profile of the Bank.

In order to meet the liquidity requirements that may arise from market fluctuations, considerable attention is paid to the need to preserve liquidity and efforts in this respect are supported by projections of Turkish Lira and Foreign Currency (FC) cash flows. The term structure of TL and FC deposits, their costs and amounts are monitored on a daily basis. During these studies historical events and future expectations are taken into account as well, based upon cash flow projections, prices are differentiated for different maturities and measures are taken accordingly to meet liquidity requirements. Moreover, potential alternative sources of liquidity are determined to be used in case of extraordinary circumstances.

The liquidity risk exposure of the Group has to be within the risk capacity limits which are prescribed by the legislation and the Group's risk appetite defined in its business strategy. It is essential for the Group to have an adequate level of unencumbered liquid asset stock which can be sold or pledged, in case a large amount of reduction in liquidity sources occurs. The level of liquid asset buffer is determined in accordance with the liquidity risk tolerance which is set by the Board of Directors. Asset-Liability Management Committee is responsible for monitoring the liquidity position, determining appropriate sources of funds and deciding the maturity structure in accordance with the limits which are set by the Board of Directors.

The Treasury Division is responsible for monitoring the liquidity risk, in accordance with the Asset and Liability Risk Policy limits, objectives set out in the business plan and the decisions taken at the meetings of Asset-Liability Management Committee. The Treasury Division is also responsible for making liquidity projections and taking necessary precautions to reduce liquidity risk, by using the results of stress testing and scenario analysis. Within this scope, Treasury Division is monitoring the Turkish Lira (TL) and foreign currency (FC) liquidity position instantly and prospectively based on the information provided from the branches, business units and IT infrastructure of the Bank. The assessment of long-term borrowing opportunities is carried out regularly in order to balance the cash inflows and outflows and to mitigate the liquidity risk. The Bank creates liquidity through repurchase agreements and secured borrowings based on the high quality liquid asset portfolio, through securitization and other structured finance products which are created from the asset pools like credit card receivables and retail loans.

The Bank applies liquidity stress tests to measure liquidity risk. These liquidity stress tests reveal the Bank's liquid assets' ability to cover cash outflows within one-month-horizon. Liquidity adequacy limits for TL and FC are determined by Board of Directors, based on the liquidity requirements and risk tolerance of the Bank. The liquidity risk is measured by the Risk Management Division and results are reported to the related executive functions, senior management and Board of Directors.

It is essential for the Bank to monitor the liquidity position and funding strategy continuously. In case of a liquidity crisis that may arise from unfavorable market conditions, extraordinary macroeconomic situations and other reasons which are beyond the control of the Bank, "Emergency Action and Funding Plan" is expected to be commissioned. In that case, aforementioned committees have to report the precautions taken and their results to the Board of Directors through Audit Committee.

The Group's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averaged for the last three months are given below.

	Current Period	
	TL+FC	FC
October 31, 2018	112.61	202.41
November 30, 2018	119.23	168.26
December 31, 2018	138.11	196.69

	Prior Period	
	TL+FC	FC
October 31, 2017	109.83	205.08
November 30, 2017	116.69	199.1
December 31, 2017	126.90	213.16

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averaged for the last three months are given below.

Liquidity Coverage Ratio:

	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			74,296,715	35,953,603
Cash Outflows				
Retail and Small Business Customers, of which;	166,087,989	91,074,959	14,951,177	9,107,496
Stable deposits	33,152,428		1,657,621	
Less stable deposits	132,935,561	91,074,959	13,293,556	9,107,496
Unsecured wholesale funding, of which;	75,676,075	36,019,232	43,368,686	19,108,193
Operational deposits	596,816	6,673	149,204	1,668
Non-operational deposits	51,214,303	31,951,711	25,914,483	15,483,266
Other unsecured funding	23,864,956	4,060,848	17,304,999	3,623,259
Secured funding			136,465	118,455
Other cash outflows, of which;	51,213,599	28,457,076	51,213,599	28,457,076
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	51,213,599	28,457,076	51,213,599	28,457,076
Obligations related to structured financial products				
Commitments related to debts to financial markets and other off-balance sheet obligations				
Other revocable off-balance sheet commitments and contractual obligations	19,001,406	15,994,204	950,070	799,710
Other irrevocable or conditionally revocable off-balance sheet obligations	123,599,415	69,225,399	15,084,780	7,939,425
Total Cash Outflows			125,704,777	65,530,355
Cash Inflows				
Secured lending	94,019	79,949		
Unsecured lending	28,612,275	12,751,754	18,883,792	9,325,314
Other cash inflows	46,434,755	38,162,961	46,434,755	38,162,961
Total Cash Inflows	75,141,049	50,994,664	65,318,547	47,488,275
Total HQLA Stock			74,296,715	35,953,603
Total Net Cash Outflows			60,386,230	19,234,603
Liquidity Coverage Ratio (%)			123.32	189.12

⁽¹⁾ The simple arithmetic average calculated for the last three months of the monthly simple arithmetic average.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			65,580,476	35,802,990
Cash Outflows				
Retail and Small Business Customers, of which:	146,628,362	72,280,447	13,023,449	7,228,045
Stable deposits	32,787,746		1,639,387	
Less stable deposits	113,840,616	72,280,447	11,384,062	7,228,045
Unsecured funding, of which:	69,488,132	30,877,074	41,789,043	17,829,290
Operational deposits	1,619,329	6,456	404,832	1,614
Non-operational deposits	42,612,655	26,014,043	22,769,722	13,584,712
Other unsecured funding	25,256,148	4,856,575	18,614,489	4,242,964
Secured funding			160,296	
Other cash outflows, of which:	51,954,535	34,409,787	51,954,535	34,409,787
Derivatives cash outflow and liquidity needs related to market valuation changes on derivative or other transactions	51,954,535	34,409,787	51,954,535	34,409,787
Obligations related to structured financial products				
Commitments related to debts to financial markets and other off-balance sheet obligations				
Other revocable off-balance sheet commitments and contractual obligations	5,776,582	5,090,716	288,829	254,536
Other irrevocable or conditionally revocable off-balance sheet obligations	118,592,354	62,164,251	14,306,967	6,889,786
Total Cash Outflows			121,523,119	66,611,444
Cash Inflows				
Secured lending	150,814	126,727	102,480	85,486
Unsecured lending	22,386,791	9,478,043	14,992,283	7,376,511
Other cash inflows	50,627,276	41,730,255	50,627,276	41,730,255
Total Cash Inflows	73,164,881	51,335,025	65,722,039	49,192,252
			Values at Upper Limit	
Total HQLA Stock			65,580,476	35,802,990
Total Net Cash Outflows			55,801,080	17,419,192
Liquidity Coverage Ratio (%)			117.81	205.78

⁽¹⁾The simple arithmetic average calculated for the last three months of the weekly simple arithmetic average. Values of last days of last 3 months are used during calculations.

With respect to prior period's averages, a decrease in the average consolidated liquidity coverage ratio has been observed in foreign currency ratios while the total ratio increased for the fourth quarter of 2018. The consolidated foreign currency liquidity coverage ratio has decreased due to the decrease in the stock of high quality liquid assets. Total consolidated liquidity coverage ratio increase due to the increase in high quality liquid assets and the decrease in net cash outflows. On the other hand, total and consolidated foreign currency liquidity coverage ratios are currently far above the minimum level (respectively for 90% and 70% in 2018) pursuant to legal legislations.

The Liquidity Coverage Ratio which has been introduced to ensure banks to preserve sufficient stock of high quality assets to meet their net cash outflows that may occur in the short term is calculated as per the Communiqué on "Measurement and Assessment of the Liquidity Coverage Ratio of Banks". The ratio is directly affected by the level of unencumbered high quality assets which can be liquidated at any time and net cash inflows and outflows arising from the Group's assets, liabilities and off-balance sheet transactions.

The Group's high quality liquid asset stock primarily consists of cash, the accounts held at CBRT and unencumbered government bonds which are issued by Turkish Treasury. The Bank's principal source of funding is deposits. In terms of non-deposit borrowing, funds received from repurchase agreements, marketable securities issued and funds borrowed from financial institutions are among the most significant funding sources of the Bank.

The main funding source of the Bank is deposits. Non-deposit borrowing items; Funds obtained from repo transactions, securities issued and borrowings from financial institutions are emerging as other significant sources of funds.

In order to manage liquidity effectively, concentration of liquidity sources and usages should be avoided. Due to the strong and stable core deposit base of the Bank, deposits are received from a diversified customer portfolio. In addition, in order to provide diversification in liquidity sources and usages, liquidity concentration limits are used effectively. Total amount of funds borrowed from a single counterparty or a risk group is closely and instantaneously monitored, taking liquidity concentration limits into account.

Cash flows of derivatives that will take place within 30 days are taken into account in calculation of liquidity coverage ratio. Cash outflows of derivatives that arise from margin obligations, are subsequently reflected to the results in accordance with the methodology calculated in the related legislation.

Liquidity risk of the Bank, its foreign branches and subsidiaries that are to be consolidated are managed within the regulatory limits and in accordance with the Group strategies. For the purposes of effectiveness and sustainability of liquidity management, funding sources of Group company and funding diversification opportunities in terms of markets, instruments and tenor are evaluated and liquidity position of the group companies are monitored continuously by the Parent Bank.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	23,374,648	17,547,594						40,922,242
Banks	3,968,435	6,919,109	1,654,760	1,911,773				14,454,077
Financial Assets at Fair Value through Profit/Loss (**)	417,480	1,748,841	1,092,112	2,717,864	1,274,684	166,512		7,417,493
Money Market Placements		538,934	174,121	45,114				758,169
Financial Assets at Fair Value Through Other Comprehensive Income	726,272	15,712	1,252,150	3,105,466	20,684,766	22,065,336		47,849,702
Loans (***)	19,284,419	29,740,207	21,863,475	74,658,593	122,044,177	35,905,018	261,044	303,756,933
Financial Assets Measured at Amortised Cost		211,162	2,039,511	3,659,178	16,040,380	7,063,276		29,013,507
Other Assets	17,392,979	7,131,195	50,674	134,702	405,098		30,620,586	55,735,234
Total Assets	65,164,233	63,852,754	28,126,803	86,232,690	160,449,105	65,200,142	30,881,630	499,907,357
Liabilities								
Bank Deposits	652,517	2,382,201	1,271,190	717,521	524,500			5,547,929
Other Deposits	61,003,204	128,697,110	36,387,105	14,965,034	2,209,965	171,055		243,433,473
Funds Provided from Other Financial Institutions		2,320,315	4,909,086	25,797,367	25,909,042	13,646,197		72,582,007
Money Market Funds		9,671,115	723,891	1,585,581				11,980,587
Marketable Securities Issued (****)		3,442,508	4,197,087	6,366,309	29,030,544	10,314,398		53,350,846
Miscellaneous Payables	18,947,250	11,439,886	102,237	24,817	85,371			30,599,561
Other Liabilities	2,835,463	5,360,658	1,991,134	1,254,505	907,690	102,274	69,961,230	82,412,954
Total Liabilities	83,438,434	163,313,793	49,581,730	50,711,134	58,667,112	24,233,924	69,961,230	499,907,357
Liquidity Gap	(18,274,201)	(99,461,039)	(21,454,927)	35,521,556	101,781,993	40,966,218	(39,079,600)	
Net Off Balance Sheet Position	(138)	(1,282,502)	(2,210,477)	672,195	1,418,974	149,018		(1,252,930)
Derivative Financial Assets	507,307	46,493,448	22,399,307	22,090,753	34,751,903	32,545,126		158,787,844
Derivative Financial Liabilities	507,445	47,775,950	24,609,784	21,418,558	33,332,929	32,396,108		160,040,774
Non-cash Loans	51,826,697	2,932,474	6,040,893	19,217,646	8,577,867	4,957,903		93,553,480
Prior Period								
Total Assets	52,264,895	58,832,250	22,047,555	72,401,598	150,080,036	57,487,517	24,643,564	437,757,415
Total Liabilities	74,387,782	159,420,621	26,363,766	45,257,365	45,200,081	22,812,302	64,315,498	437,757,415
Liquidity Gap	(22,122,887)	(100,588,371)	(4,316,211)	27,144,233	104,879,955	34,675,215	(39,671,934)	
Net Off Balance Sheet Position	(1,932)	(574,513)	(370,068)	10,484	828,779	(11,018)		(118,268)
Derivative Financial Assets	1,179,315	41,508,267	19,481,250	18,721,369	27,570,327	16,947,085		125,407,613
Derivative Financial Liabilities	1,181,247	42,082,780	19,851,318	18,710,885	26,741,548	16,958,103		125,525,881
Non-cash Loans	43,635,039	1,882,736	5,926,818	20,564,598	7,965,864	4,412,306		84,387,361

(¹) Assets, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted into cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in "Unallocated" column.

(²) The balances include financial derivative assets.

(³) Net value of Stage 1 and Stage 2 Performing Loans' expected credit loss and Stage 3 non performing loans' expected credit loss is included in "Unallocated" column.

(⁴) Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

(⁵) The borrower funds are presented in "Up to 1 month" column in other liabilities.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

In compliance with the "TFRS 7", the following table indicates the maturities of the Group's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of payments without discounting the liabilities. The interest to be paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments (-)	Balance Sheet Value
Liabilities									
Deposits	61,655,721	131,637,381	38,550,442	16,140,289	2,822,524	208,792	251,015,149	2,033,747	248,981,402
Funds Provided from Other Financial Institutions		2,346,803	5,172,123	27,194,226	29,741,005	15,156,801	79,610,958	7,028,951	72,582,007
Money Market Funds		9,677,137	750,531	1,631,115			12,058,783	78,196	11,980,587
Marketable Securities Issued (Net) ⁽¹⁾		3,506,340	4,474,676	8,990,052	35,821,205	12,141,809	64,934,082	11,583,236	53,350,846

⁽¹⁾Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments (-)	Balance Sheet Value
Liabilities									
Deposits	54,724,559	117,600,625	18,889,981	13,784,756	3,560,169	176,686	208,736,776	856,284	207,880,492
Funds Provided from Other Financial Institutions		4,762,413	3,466,535	25,404,834	22,367,011	13,069,513	69,070,306	5,612,518	63,457,788
Money Market Funds		23,319,813	345,521	136,033	847,319		24,648,686	73,463	24,575,223
Marketable Securities Issued (Net) ⁽¹⁾		1,438,868	3,323,851	8,712,904	26,702,414	12,698,938	52,876,975	10,426,014	42,450,961

⁽¹⁾Includes Tier 2 subordinated bond which is classified on the balance sheet as subordinated loan.

The following table shows the remaining maturities of non-cash loans of the Group.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	5,125,787	1,361,001	2,534,884	6,956,546	225,678	3,049	16,206,945
Letters of Guarantee	45,964,678	1,265,242	2,741,961	10,016,265	7,796,371	3,573,393	71,357,910
Acceptances	424,260	306,231	597,907	2,244,117	50,067		3,622,582
Other	311,972		166,141	718	505,751	1,381,461	2,366,043
Total	51,826,697	2,932,474	6,040,893	19,217,646	8,577,867	4,957,903	93,553,480

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	4,714,055	832,990	2,770,021	9,304,957	236,853	46,655	17,905,531
Letters of Guarantee	38,421,451	933,815	2,730,417	8,989,341	7,055,793	3,220,014	61,350,831
Acceptances	193,096	115,919	425,628	2,264,523	357,410		3,356,576
Other	306,437	12	752	5,777	315,808	1,145,637	1,774,423
Total	43,635,039	1,882,736	5,926,818	20,564,598	7,965,864	4,412,306	84,387,361

The following table shows the remaining maturities of derivative financial assets and liabilities of the Group.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	450,289	3,059,733	1,617,530	4,306,690	3,208,598		12,642,840
Forwards Contracts- Sell	474,976	3,005,900	1,600,669	4,281,425	3,198,569		12,561,539
Swaps Contracts -Buy		39,863,693	18,981,205	11,751,702	30,236,318	32,545,128	133,378,046
Swaps Contracts -Sell		40,264,858	19,860,233	11,104,178	28,827,375	32,396,106	132,452,750
Futures Transactions-Buy		14,586	120,403	120,912			255,901
Futures Transactions-Sell		14,567	88,353	120,760			223,680
Options-Call		3,158,588	1,335,242	4,727,006	1,219,405		10,440,241
Options-Put		3,091,956	1,458,321	4,727,750	1,219,405		10,497,432
Other	89,487	1,795,517	1,947,135	2,368,888	175,162		6,376,189
Total	1,014,752	94,269,398	47,009,091	43,509,311	68,084,832	64,941,234	318,828,618

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts - Buy	1,029,481	2,989,970	2,656,988	4,115,922	2,744,570		13,536,931
Forwards Contracts - Sell	1,061,680	3,018,666	2,655,099	4,120,639	2,736,145		13,592,229
Swaps Contracts - Buy		35,794,192	14,173,710	9,755,246	24,088,704	16,947,085	100,758,937
Swaps Contracts - Sell		32,647,474	14,500,188	9,741,706	23,268,350	16,958,103	97,115,821
Futures Transactions - Buy		71,367	176,221	42,325			289,913
Futures Transactions - Sell		71,651	45,965	42,540			160,156
Options - Call		2,221,100	2,425,382	4,620,303	737,052		10,003,837
Options - Put		2,267,546	2,492,561	4,618,425	737,054		10,115,586
Other	269,401	4,509,081	206,454	375,148			5,360,084
Total	2,360,562	83,591,047	39,332,568	37,432,254	54,311,875	33,905,188	250,933,494

VII. Explanations on Leverage Ratio

a. Explanations on Differences Between Current and Prior Years' Leverage Ratios

The Bank's consolidated leverage ratio is calculated in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level". The Bank's consolidated Leverage ratio is 7.49 % (December 31, 2017: 7.40 %). According to Regulation the minimum leverage ratio is 3%. The changes in the leverage ratio are mostly due to the increase in common equity.

b. Summary Comparison Table Related to Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS

	Current Period
Summary Comparison Table Related to Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	483,129,923
The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(1,528,429)
The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽²⁾	(2,331,604)
The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽²⁾	11,151,168
The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks	9,473,668
The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽²⁾	7,010,670
Total Exposures ⁽²⁾	676,369,348

⁽¹⁾ As per Article No 5 of Clause No 6 in the Communiqué on Preparation of Consolidated Financial Statements of Banks, the amounts are represented in the table as of June 30, 2018 since the consolidated financial statements dated December 31, 2018 are not published as per legal regulations as of report date.

⁽²⁾ The amounts in the table represents the average of three months.

	Prior Period ⁽¹⁾
Summary Comparison Table Related to Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS	432,757,649
The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks	(5,630,423)
The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽²⁾	(1,656,573)
The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽²⁾	15,995,644
The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks	8,481,166
The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽²⁾	3,009,090
Total Exposures ⁽²⁾	595,911,542

⁽¹⁾ Prior period corrections specified in footnote no 1 of Part Three are unreflected balances.

⁽²⁾ The amounts in the table represent the three-month averages.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Explanations on consolidated leverage ratio

	Current Period ⁽¹⁾
On-Balance Sheet Items	
On-balance sheet items (excluding derivatives and SFTs. but including collateral)	497,186,641
Asset amounts deducted in determining Basel III Tier 1 capital	(922,979)
The total amount of risk on-balance sheet exposures	496,263,662
Derivative exposures and credit derivatives	
Replacement cost associated with derivative financial instruments and credit derivatives	7,010,670
The potential amount of credit risk with derivative financial instruments and credit derivatives	2,331,604
The total amount of risk on derivative financial instruments with credit derivatives	9,342,274
Investment securities or commodity collateral financing transactions	
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	5,648,006
Risk amount of exchange brokerage operations	
The total amount of risk investment securities or commodity collateral financial transactions	5,648,006
Off-Balance Sheet Items	
Gross notional amount for off-balance sheet items	174,222,497
Adjustments for conversion to credit equivalent amounts	(9,107,091)
The total amount of risk for off-balance sheet items	165,115,406
Capital and Total Exposures	
Tier 1 Capital	50,613,463
Total Exposures	676,369,348
Leverage Ratio	
Leverage Ratio	7.49

⁽¹⁾ Three-month average of the amounts in Leverage Ratio table.

	Prior Period ^{(1) (2)}
On-Balance Sheet Items	
On-balance sheet items (excluding derivatives and SFTs. but including collateral)	434,545,150
Asset amounts deducted in determining Basel III Tier 1 capital	(867,144)
The total amount of risk on-balance sheet exposures	433,678,006
Derivative exposures and credit derivatives	
Replacement cost associated with derivative financial instruments and credit derivatives	3,009,090
The potential amount of credit risk with derivative financial instruments and credit derivatives	1,656,573
The total amount of risk on derivative financial instruments with credit derivatives	4,665,663
Investment securities or commodity collateral financing transactions	
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	3,415,201
Risk amount of exchange brokerage operations	
The total amount of risk investment securities or commodity collateral financial transactions	3,415,201
Off-Balance Sheet Items	
Gross notional amount for off-balance sheet items	162,449,739
Adjustments for conversion to credit equivalent amounts	(8,297,067)
The total amount of risk for off-balance sheet items	154,152,672
Capital and Total Exposures	
Tier 1 Capital	44,076,605
Total Exposures	595,911,542
Leverage Ratio	
Leverage Ratio	7.40

⁽¹⁾ Three-month average of the amount in Leverage Ratio table.

⁽²⁾ The adjustments for the prior period which are explained in footnote I, Section Three are not included.

VIII. Explanations on Other Price Risk

The Group is exposed to stock price risk due to its investments in companies being traded on the BIST.

The Group's sensitivity to stock price risk at the reporting date was measured with an analysis. In the analysis, with the assumption of all other variables were held constant and the data (stock prices) used in the valuation method are 10 % higher or lower. According to this assumption in shares traded in Borsa İstanbul and followed under Financial Assets at Fair Value through Profit or Loss account, expected to have an effect amounting to TL 11,570 increase/decrease.(December 12, 2017: TL 33,427)

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IX. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

Current Period	Book Value	Fair Value
Financial Assets		
Money Market Placements	758,169	758,169
Banks	14,454,077	14,472,748
Financial Assets at Fair Value Through Other Comprehensive Income	47,849,702	47,849,702
Financial Assets Measured at Amortized Cost	29,013,507	26,919,760
Loans	303,495,889	289,352,710
Financial Liabilities		
Banks Deposits	5,547,929	5,458,683
Other Deposits	243,433,473	243,463,550
Funds Provided from Other Financial Institutions	72,582,007	70,840,615
Marketable Securities Issued ⁽¹⁾	53,350,846	49,945,534
Miscellaneous Payables	30,632,090	30,632,090

⁽¹⁾ Tier II subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans are also included.

Prior Period	Book Value	Fair Value
Financial Assets		
Money Market Placements	465,012	465,012
Banks	10,739,002	10,832,455
Financial Assets Available for Sale	55,871,376	55,871,376
Investments Held to Maturity	9,193,175	9,103,703
Loans ⁽¹⁾	272,230,001	269,827,914
Financial Liabilities		
Banks Deposits	5,978,424	5,944,602
Other Deposits	201,902,068	202,036,633
Funds Provided from Other Financial Institutions	63,457,788	62,564,433
Marketable Securities Issued ⁽²⁾	42,450,961	43,056,831
Miscellaneous Payables	28,253,718	28,253,718

⁽¹⁾ Including Factoring Receivables.

⁽²⁾ Tier II subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans are also included.

Strike prices, quotations, market prices determined by the CBRT and published in the Official Gazette and the values calculated by using alternative models, are taken as the basis in the fair value determination of financial assets at fair value through other comprehensive income.

When the prices of the financial assets measured at amortized cost cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. Information on fair value measurements recognized in the financial statements

TFRS 13 - "Fair Value Measurement" standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data.

The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	622,517	39,430	61
Equity Securities	115,702		
Derivative Financial Assets at Fair Value through Profit and Loss		6,337,975	
Other	83,966	217,842	
Financial Assets at Fair Value Through Other Comprehensive Income⁽¹⁾			
Debt Securities	33,911,148	13,034,782	177,500
Equity Securities	53,600	318,421	
Other	150,423	168,600	
Loans at Measured at Fair Value Through Profit or Loss			
Derivative Financial Liabilities			
			4,558,286
			2,417,587

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 35,228) under the financial assets at fair value through other comprehensive income are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	222,030	132,209	24,802
Equity Securities	334,271		
Derivative Financial Assets Held for Trading		2,524,720	
Other	91,891	348,423	
Financial Assets Available-for-Sale⁽¹⁾			
Debt Securities	40,021,533	14,715,395	220,857
Equity Securities	22,492	168,397	
Other	378,834	291,408	
Derivative Financial Liabilities			
			1,651,280

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 52,460) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

The movement table of financial assets at level 3 is given below:

	Current Period
Balance at the Beginning of the Period	245,659
Purchases	106,912
Redemption or Sales	(67,307)
Valuation Difference	2,148
Transfers	2,307,736
Balance at the end of the Period	2,595,148
	Prior Period
Balance at the Beginning of the Period	959,408
Purchases	216,965
Redemption or Sales	(1,155,949)
Valuation Difference	1,527
Transfers	223,708
Balance at the end of the Period	245,659

Properties that are recorded under tangible assets at fair value by the Bank and consolidated companies are classified in the 3rd level, whereas investment properties are classified both in the 2nd and 3rd level.

The loans measured at fair value through profit and loss under Level 3 consists of loan granted to the special purpose entity which is disclosed in the Section V footnote I-f.2 and footnote I.r. The mentioned loan's fair value is determined by the various valuation methods. The potential changes in the fundamental estimations and assumptions in the valuation work can affect the carrying fair value of the loan.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

The Group gives trading, custody, fund management services in the name and on the account of its customers. The Group has no fiduciary transactions.

XI. Explanations on Risk Management Objectives and Policies

Explanations according to "Communiqué on Public Disclosures about Risk Management" published on the Official Gazette No.29511 dated October 23, 2015 are included below. The Bank uses standardised approach for calculation of capital charge for credit risk, therefore explanations about internal ratings-based approach are not included.

a. General Information on Risk Management and Risk Weighted Amounts

a.1 Risk Management Approach of the Group

The Group is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "corporate governance" to forefront, the independence of the internal audit and monitoring units from the business units that undertake risks is established risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Committee operates to prepare the Group's risk management strategies and policies, submit them to the Board of Directors for approval and monitor the implementations. Evaluating the capital adequacy and observing the active use of results in planning and decision making processes, establishing and monitoring limits related to main risks, monitoring the activities of risk management (determining, defining, measuring, evaluating and managing risk) and monitoring results and methods in measuring risk are also under their authority and responsibility of the Committee. Committee reports activity results to the Board of Directors through Audit Committee.

The Risk Management Department, which operates under the Parent Bank's Board of Directors has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Associate Risk Unit and Validation Unit.

The Group's risk management process is carried out within the framework of risk policies which are issued by the Board of the Directors by taking the recommendations of the Risk Management Department into account and which include the written standards that are implemented by the businessunits. These policies which are entered into force in line with the international practices are general standards which contain organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations, compulsory approvals and confirmations to be given in a variety of events and situations.

In the aforementioned risk policies, the Group's risk appetite framework is defined as a set of approaches that determine the risk capacity, the risk appetite, the risk tolerance and that include the policies, procedures, controls and systems for reporting and monitoring of the limits set for the Group's risk profile and the indicators in the framework. The Group's risk appetite framework, which is formed in accordance with the above-mentioned factors and entered into force with the Board of Directors approval, includes indicators that are aligned with the business plan, the strategic programme, capital and remuneration planning and comparable on a business unit level to the extent possible. The compliance to the limits within the framework is periodically monitored and the realization of the risk appetite indicators are reported to the Risk Committee and the Boards on a monthly basis.

In order to build a strong corporate culture that has a risk management perspective, the Group has policies, processes, systems and a control system that is integrated with the risk management system. All employees of the Group essentially perform their duties in a responsible manner that aims to develop controls to reduce or eliminate the probability of the Group to incur losses related to the operational risks. In the process risk analysis studies, risks and the related controls are evaluated together with employees performing the relevant process in a holistic approach. Procedures to be followed in case of a risk threshold breach and risk definitions are given in the risk politics. Code of conducts, operation manuals, the sharing of duties between business units and risk units are announced to staff.

The risk reports that analyse the results reached by the Parent Bank and the comprehensive risk assessment and comparison of these results with a risk management perspective are periodically submitted to the Risk Committee and to the Board through the Audit Committee. The content of the above mentioned reports could be summarised as follows:

- Capital adequacy ratio, the progression of the components of this ratio and the issues that affect the aforementioned ratio,
- Monitoring the compliance status of the limits set by the Board of Directors as a part of therisk appetite framework and based on the components of the main risk types,
- In addition to the assesment of the loan portfolio on the basis of counterparties and loan types, monitoring of the portfolio as a whole according to parameters such as maturity, sector, geography, risk ratings, arrears, defaults,
- Measuring the assets and liabilities management risk, and reporting of measurement results,
- Monitoring of all risks assessed in the context of operational risk, loss events that occurred in the Bank caused by operational risksand the risk indicators,
- Testing the measurement results in terms of completenessand reliability,
- Analysing the level of risk indicators under various stress scenarios,
- Examining various concentration indicators and the course followed by these indicators.

In addition, analyzes and evaluations regarding the risk level of the companies included in the consolidated risk policies are also included in the mentioned report.

As per the communiqué on "Bank's Internal Systems and Internal Capital Adequacy and Assessment Process" and "Guidelines for Stress Testing of Banks to Use in Capital and Liquidity Planning", stress tests are conducted for the entire risks that the Group is exposed to and on the basis of significant risk categories. As a part of the holistic stress tests, risk appetite, capital planning, strategic plan and budget, action plans for emergencies and unexpected situations related to miscellaneous risks and other issues considered as significant are taken into consideration. In the above-mentioned stress tests, the methods that form the basis of regulatory reporting (standard method for credit and market risk, basic indicator method for operational risk) are used. On the other hand, in the stres tests for individual risk types the most advanced approaches used for risk measurement in the Parent Bank are leveraged.

In the stress tests, both the first pillar risks (credit risk, market risk, operational risk) in scope of the regulatory framework and all the other risks that the Group is exposed to independent of the regulatory framework are taken into account in a holistic perspective. In determining the course of capital adequacy under various scenarios during the planning horizon, the actions that the Group will take in case of stress conditions and the impact of the diversified growth strategies of business units on the capital adequacy and the balance sheet are considered.

The scope and content of the Parent Bank's risk management system in terms of the main risk types are listed below. Risk mitigation strategies and processes for the assessment of their effectiveness are given in Fourth Section II No. "Explanations on Credit Risk" under the Fourth Chapter XI-f.1 notes. No. "The Public Disclosure of Qualitative Information Related to the Market Risk" mentioned in the section.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Credit Risk

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Parent Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines measures and manages credit risk of the all products and activities. Board of Directors review the Parent Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Parent Bank's credit risk management, along the limits as required by legal regulations, the Parent Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors. Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Parent Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

Asset and Liability Management Risk

Asset-liability management risk defined as the risk of Group's incurring loss due to managing all financial risks that are inflicted from the assets, liabilities and off-balance sheet transactions, ineffectively. Trading book portfolio's market risk, structural interest rate risk and liquidity risk of the banking portfolio; are considered within the scope of the asset liability management.

Complying the established risk limits and being at the limits that stipulated by the legislation are the primary priority of Asset-liability management risk. Risk limits are determined by the Board of Directors by taking into consideration of the Group's liquidity, target income level and general expectations about changes in risk factors

Board of Directors and the Audit Committee are responsible for following the Group's capital is used optimally; for this purpose, checking the status against risk limits and providing the necessary actions are taken.

Asset and Liability Management Committee is responsible for managing the Asset and Liability risk within the framework of operating principles that are involved in the risk appetite and risk limits are set by the Board of Directors in accordance with the policy statement.

Asset and liability management processes and compliance with the provisions of the policy are controlled and audited by the internal audit system. The execution of the audit, reporting the audit results, action plans for the elimination of errors and gaps identified as a result of inspections regarding the fulfillment of the principles, are determined by the Board of Directors.

Operational Risk

Operational risk is defined as "the probability of loss due to the inadequate or failed internal processes, people, systems, external factors or legal risks". All risks except financial risks are considered within the scope of operational risk. Studies consisted and are formed of occur by execution of identification, definition, measurement, analysis, monitoring of operational risk, providing and reporting the necessary control related to monitoring the progress of our country and the world, the development of techniques and methods, necessary legal reporting, notification and conduct of follow-up transactions. Studies on the subject are conducted by the Department of Risk Management.

Operational risks that arise due to the activities are defined in "Bank Risk Catalogue" and classified in respect of species. Bank Risk Catalogue is kind of the fundamental document that used for identification and classification of all the risk that may be encountered. It is updated in line with the changes in the nature of the processes and activities.

Qualitative and quantitative methods are used in a combination for measurement and evaluation of the operational risks. In this process, information use that obtained from "Impact-Probability Analysis", "Missing Event Data Analysis", "Risk Indicators" methods. Methods prescribed by legal regulations are applied as minimum in determining the capital requirement level for the operating risk.

All risks are assessed in the context of operational risk, loss events and the risk indicators same as operational risks that occurred in the Parent Bank, are monitored on a regular basis by the Department of Risk Management and reported periodically to the Risk Committee and the Board of Directors.

Validation Activities

Risk measurement models are validated at least once a year under international standards. The performance and soundness of the models are evaluated by the validation unit by statistical methods, the compliance of the processes applied within the scope of the model with the related laws, communiqués and regulations are analyzed, and the appropriateness of the data quality and IT applications used in the models is monitored. The results of the validation activities are reported to the Risk Committee and the Board of Directors.

Subsidiaries Risk Operations

Corporations within the Bank's consolidated risk policy, in terms of their own business lines, measure, evaluate and monitor risks, establish risk limits. Risk limits are approved by their own Board of Directors. Risk levels are reported to the Bank's Risk Committee within the periods set by the Bank, to monitor risk levels on consolidated basis. The Bank's Risk Committee, assesses the risk levels and report the results to the Board of the Directors of the Bank.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.2. General Information on Risk Management and Risk Weighted Amounts

Overview of Risk Weighted Amounts:

Current Period	Risk Weighted Amount	Minimum Capital Requirements
Credit risk (excluding counterparty credit risk) (CCR) ⁽¹⁾	370,773,115	29,661,849
Of which standardised approach (SA)	370,773,115	29,661,849
Of which internal rating-based (IRB) approach		
Counterparty credit risk	10,905,037	872,403
Of which standardised approach for counterparty credit risk (CCR)	10,905,037	872,403
Of which internal model method (IMM)		
Equity positions in banking book under basic risk weighting or internal rating-based approach		
Equity investments in funds - look-through approach	511,565	40,925
Equity investments in funds - mandate-based approach		
Equity investments in funds - 1250% weighted risk approach		
Settlement risk	1,125	90
Securitization positions in banking accounts		
Of which IRB ratings-based approach (RBA)		
Of which IRB Supervisory formula approach (SFA)		
Of which SA/simplified supervisory formula approach (SSFA)		
Market risk	6,431,888	514,547
Of which standardised approach (SA)	6,431,888	514,547
Of which internal model approaches (IMM)		
Operational Risk	29,686,001	2,374,880
Of which Basic Indicator Approach	29,686,001	2,374,880
Of which Standardised approach (SA)		
Of which Advanced measurement approach		
The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	454,353	36,348
Floor adjustment		
Total	418,763,034	33,501,042

⁽¹⁾ Equity investments in funds, settlement risk and the amounts below the thresholds for deduction from capital are not included.

Prior Period ⁽¹⁾	Risk Weighted Amount	Minimum Capital Requirements
Credit risk (excluding counterparty credit risk) (CCR) ⁽²⁾	318,439,072	25,475,126
Of which standardised approach (SA)	318,439,072	25,475,126
Of which internal rating-based (IRB) approach		
Counterparty credit risk	5,328,198	426,256
Of which standardised approach for counterparty credit risk (CCR)	5,328,198	426,256
Of which internal model method (IMM)		
Equity positions in banking book under basic risk weighting or internal rating-based approach		
Equity investments in funds - look-through approach	632,133	50,571
Equity investments in funds - mandate-based approach		
Equity investments in funds - 1250% weighted risk approach		
Settlement risk	22,388	1,791
Securitization positions in banking accounts		
Of which IRB ratings-based approach (RBA)		
Of which IRB Supervisory formula approach (SFA)		
Of which SA/simplified supervisory formula approach (SSFA)		
Market risk	11,503,675	920,294
Of which standardised approach (SA)	11,503,675	920,294
Of which internal model approaches (IMM)		
Operational Risk	24,798,361	1,983,869
Of which Basic Indicator Approach	24,798,361	1,983,869
Of which Standardised approach (SA)		
Of which Advanced measurement approach		
The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	1,786,180	142,894
Floor adjustment		
Total	362,510,007	29,000,801

⁽¹⁾ The adjustments for the prior period which are explained in footnote I, Section Three are not included.

⁽²⁾ Equity investments in KYK, settlement risk and the amounts below the thresholds for deduction from capital are not included.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b. Linkages Between Financial Statements and Risk Amounts

b.1 Differences and linkage between scopes of accounting consolidation and regulated consolidation

Current Period	Carrying values in financial statements prepared as per TAS ⁽¹⁾	Carrying values in consolidated financial statements prepared as per TAS ⁽²⁾	Carrying values of items in accordance with Turkish Accounting Standards(TAS) ⁽²⁾				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	
Assets							
Cash and CBRT	42,180,965	40,922,242	40,922,242				
Banks and Money Market Placements	12,780,093	15,212,246	15,212,246				
Financial Assets at Fair Value Through Profit/Loss	1,008,798	1,079,518				1,079,518	
Financial Assets at Fair Value Through Other Comprehensive Income	44,038,862	47,849,702	47,849,702				874,188
Financial Assets at Amortised Cost	28,270,084	29,013,507	29,013,507				
Derivative Financial Assets at Fair Value Through Profit/Loss	5,730,899	6,337,975	6,337,975			3,662,236	
Derivative Financial Assets at Fair Value Through Other Comprehensive Income							
Loans (Net)	302,515,296	303,756,933	303,756,933				
Assets Held for Sale and Discontinued Operations	229,066	283,138	283,138				
Investment in Associates, Subsidiaries and Joint-Ventures	721,306	9,418,560	9,418,560				
Tangible Assets	16,865,548	7,104,041	7,104,041				99,855
Intangible Assets	1,258,613	883,541	883,541				858,824
Investment Properties	3,933,864	3,704,581	3,704,581				
Current Tax Asset	59,576	170,828	170,828				
Deferred Tax Asset	1,647,587	1,543,870	1,543,870				
Other Assets	21,889,366	32,626,675	32,626,675				
Total Assets	483,129,923	499,907,357	498,827,839	6,337,975		5,615,942	958,679
Liabilities							
Deposits	222,532,547	248,981,402					
Funds Borrowed	79,169,752	72,582,007		6,758,265			
Money Market Funds	28,453,020	11,980,587		9,489,236			
Marketable Securities Issued	42,598,820	40,642,271					
Derivative Financial Liabilities at Fair Value Through Profit/Loss	3,265,307	4,558,286				4,558,286	
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	1,126						
Provisions	2,642,935	15,161,685					
Current Tax Liability	995,297	1,728,531					
Deferred Tax Liability	230,047	80,066					
Subordinated Debts	11,156,197	12,708,575					
Other Liabilities	34,845,262	35,869,054					
Shareholders' Equity	57,239,613	55,614,893					
Total Liabilities	483,129,923	499,907,357		16,247,501		4,558,286	

⁽¹⁾ June 30, 2018 amounts are represented, as consolidated financial statements dated December 31, 2018 prepared in accordance with Article No 5 of Clause No 6 in the Communiqué on Preparation of Consolidated Financial Statements of Banks are not published as of reporting date.

⁽²⁾ Financial statements balances are represented as of December 31, 2018.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period⁽¹⁾	Carrying values in financial statements prepared as per TAS	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	
Assets							
Cash and CBRT	36,776,932	36,829,512	36,829,512				
Financial Assets Held for Trading	3,615,010	3,678,346		2,524,720			2,306,556
Financial Assets Held for Trading	1,089,081	1,153,626					1,153,626
Derivative Financial Assets Held for Trading	2,525,929	2,524,720		2,524,720			1,152,930
Bank and Money Market Placements	11,816,201	11,204,014	11,061,389	142,625			
Financial Assets Available-for-Sale	55,903,114	55,871,376	55,570,378				300,998
Loans, Factoring Receivables and Lease Receivables	274,681,831	276,631,967	276,631,967				
Investment Held-to-Maturity	10,423,512	9,193,175	9,193,175				
Investment in Associates, Subsidiaries and Joint-Ventures	908,996	8,018,112	8,018,112				
Derivative Financial Assets Held for Risk Management							
Tangible Assets	15,557,035	5,921,020	5,822,121				98,899
Intangible Assets	980,130	782,053	12,509				769,544
Investment Properties	3,884,152	3,454,409	3,454,409				
Tax Asset	1,197,427	577,663	577,663				
Assets Held for Sale and Discontinued Operations	187,903	184,644	184,644				
Other Assets	16,825,406	26,041,781	26,041,781				
Total Assets	432,757,649	438,388,072	433,397,660	2,667,345			2,607,554 868,443
Liabilities							
Deposits	204,853,093	207,880,492					
Derivative Financial Liabilities Held for Trading	1,572,598	1,572,598					1,572,598
Funds Borrowed	67,503,826	63,457,788		5,836,965			
Money Market Funds	24,575,223	24,575,223		17,725,536			
Marketable Securities Issued	34,238,896	33,016,744					
Other Liabilities	17,763,921	31,521,428					
Derivative Financial Liabilities Held for Risk Management	98,934	78,682					
Provisions	14,896,673	17,040,220					
Tax Liability	1,382,904	1,050,933					
Subordinated Debts	9,434,217	9,434,217					
Shareholders' Equity	56,437,364	48,759,747					
Total Liabilities	432,757,649	438,388,072		23,562,501			1,572,598

⁽¹⁾The adjustments for the prior period which are explained in footnote I, Section Three are not included.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b.2 The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

	Current Period	Total	Credit Risk	Counterparty credit risk	Securitization Position	Market risk
1	Asset carrying value amount under scope of TAS	492,489,864	498,827,839	6,337,975		5,615,942
2	Liabilities carrying value amount under scope of TAS			(16,247,501)		
3	Total net amount under regulatory scope of consolidation	492,489,864	498,827,839	22,585,476		5,615,942
4	Off-balance sheet amounts	339,812,803	65,352,486	8,402,989		
5	Repurchase Transactions Valuation Adjustments ⁽¹⁾			4,869,902		
6	Differences in valuations					
7	Differences due to different netting rules					
8	Differences due to consideration of provisions					
9	Differences due to prudential filters					
10	Differences due to risk mitigation ⁽²⁾		(7,873,623)			
11	Risk Amounts	556,306,702	13,272,891			5,615,942

⁽¹⁾ According to the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", it is the counterparty credit risk amount calculated for repo style transactions.

⁽²⁾ The source of the difference is the collateral for receivables under credit risk mitigation in the calculation of capital adequacy.

	Prior Period⁽³⁾	Total	Credit Risk	Counterparty credit risk	Securitization Position	Market risk
1	Asset carrying value amount under scope of TAS	438,388,072	433,397,660	2,524,720		2,607,554
2	Liabilities carrying value amount under scope of TAS			(23,562,501)		1,572,598
3	Total net amount under regulatory scope of consolidation	438,388,072	433,397,660	26,087,221		1,034,956
4	Off-balance sheet amounts	297,760,078	59,885,197	4,194,053		
5	Repurchase Transactions Valuation Adjustments ⁽¹⁾			3,286,861		
6	Differences in valuations					
7	Differences due to different netting rules					
8	Differences due to consideration of provisions					
9	Differences due to prudential filters					
10	Differences due to risk mitigation ⁽²⁾		(10,304,453)			
11	Risk Amounts	482,978,403	7,480,914			1,034,956

⁽¹⁾ According to the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", it is the counterparty credit risk amount calculated for repo style transactions.

⁽²⁾ The source of the difference is the collateral for receivables under credit risk mitigation in the calculation of capital adequacy.

⁽³⁾ The adjustments for the prior period which are explained in footnote I, Section Three are not included.

The differences between financial statements resulting from legal consolidation and the ones resulting from accounting consolidation are mainly due to the differences in the scope of companies included in consolidation. Legal consolidation only includes partnerships that are in the form of credit institutions or financial institutions in accordance with Article No 5 of Clause No 1 in the "Communiqué on Preparation of Consolidated Financial Statements of Banks" while accounting consolidation includes all partnerships regardless of them being in the form of credit institutions or financial institutions in accordance with Article No 5 of Clause No 6 in the same communiqué.

Bank using the valuation methodology are mainly based on data observed may in accordance with TFRS 13 aims to use methods that measure the fair value. In this context, securities qualification reality in the fair value measurement of financial assets in the transaction prices, quotes, set by the CBRT and as the price published in the Official Gazette as are used also necessary from internal pricing models. As for the derivative transactions interest rates, yield curves, foreign exchange, the basis of valuation models using market data such as volatility curves, valuation service is also available from third parties.

The market prices used to value the scope of the independent price verification process, data and/or model inputs for accuracy is regularly subjected to control, as well as compliance of the results provided by the pricing services obtained from third parties with respect to certain ranges tested.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Explanations on Credit Risk

c.1. General Information on Credit Risk

c.1.1. General Qualitative Information on Credit risk

Relevant information is given in the footnotes below Section Four footnote II "Explanations on Credit Risk" and Section Four footnote numbered XI-a.1.

c.1.2. Credit Quality of Assets:

	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ Amortization and Impairments	Net Values
	Defaulted	Non-defaulted		
Current Period				
Loans	12,492,038	303,495,889	7,060,841	308,927,086
Debt Securities		73,902,984		73,902,984
Off-balance sheet exposures	548,071	157,779,571	366,677	157,960,965
Total	13,040,109	535,178,444	7,427,518	540,791,035

	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values
	Defaulted	Non-defaulted		
Prior Period				
Loans	5,798,871	267,102,483	4,878,688	268,022,666
Debt Securities		63,921,856		63,921,856
Off-balance sheet exposures	348,752	153,373,127	178,547	153,543,332
Total	6,147,623	484,397,466	5,057,235	485,487,854

c.1.3. Changes in Stock of Default Loans and Debt Securities ⁽¹⁾

	Current Period
Defaulted loans and debt securities at end of the previous reporting period	5,798,871
Loans and debt securities that have defaulted since the last reporting period	14,070,206
Receivables back to non-defaulted status	(92,081)
Amounts written off	(1,166,361)
Other Changes	(6,118,597)
Defaulted loans and debt securities at end of the reporting period	12,492,035

⁽¹⁾ Indemnified non-cash loans or non-cash loans not converted into cash, of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

	Prior Period
Defaulted loans and debt securities at end of the previous reporting period	5,273,481
Loans and debt securities that have defaulted since the last reporting period	2,774,121
Receivables back to non-defaulted status	(220,497)
Amounts written off	(340,368)
Other Changes	(1,687,866)
Defaulted loans and debt securities at end of the reporting period	5,798,871

⁽¹⁾ Indemnified non-cash loans or non-cash loans not converted into cash, of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

c.1.4. Additional Information on Credit Quality of Assets

Bank's methods for determining provision amounts and classification of its loans are mentioned in the Section Three Note VIII.

The bank is restructuring its loans classified as first and second group as well as non-performing loans and receivables. Restructuring in performing loans are made by extending the term date of credit given to customer by Bank with changing conditions of contract aiming the enhancing of solvency of customer or customer's demand. Restructuring in non-performing loans are generally made by establishing a new redemption plan within the context of a protocol aiming the collection of those receivables whose redemption plan are not valid because of delinquency previously.

The breakdown of receivables in terms of geographic regions, sectors and remaining maturities are represented in "Explanations on Credit Risk" in the Fourth Section note II.

On the basis of sector-based provisions for receivables are presented in the footnote numbered Section Four II-16. The amounts of the receivables that are set aside for the geographical regions are as follows. The amount of non-performing loans which are written off in 2018 is TL 1,166,361 and it includes the credit which detailed in the Section Five Note I.f.10.2

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Current Period	
	Non-Performing Loans	Specific Provisions
Domestic	12,109,719	6,742,219
EU Countries	207,501	161,741
OECD Countries ⁽¹⁾	1,249	1,000
Off-Shore Banking Regions	5	5
USA, Canada	2,138	1,565
Other Countries	171,426	154,311
Total	12,492,038	7,060,841

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

	Prior Period	
	Non-Performing Loans	Specific Provisions
Domestic	5,481,472	4,584,413
EU Countries	173,725	156,751
OECD Countries ⁽¹⁾	1,094	938
Off-Shore Banking Regions	5	5
USA, Canada	1,007	804
Other Countries	141,568	135,777
Total	5,798,871	4,878,688

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

The aging analysis of past-due receivables are disclosed under Section Four note II-11.

c.2. Credit Risk Mitigation

c.2.1. Qualitative Public Disclosures On Credit Risk Mitigation Techniques

In the calculation of the Group's Credit Risk Mitigation in accordance with the "Communiqué on Credit Risk Mitigation Techniques" published in the Official Gazette numbered 29111 on September 6, 2014, the financial collaterals are taken into consideration. The Group takes local currency and foreign currency deposit pledges into consideration as financial collaterals in calculating regulatory capital adequacy.

Collateral valuation and its management policy and primary features processes are given at Section Four note.II under "Information on Credit Risk" disclosure.

c.2.2. Credit Risk Mitigation Techniques - Standard Approach

Current Period	Exposures unsecured	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees ⁽¹⁾	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	279,167,383	5,267,511	2,602,449	16,245,456	14,098,901		
Debt securities	73,902,984						
Total	353,070,367	5,267,511	2,602,449	16,245,456	14,098,901		
Of which defaulted	5,294,223						

⁽¹⁾Consists loans of Credit Guarantee Fund guaranteed by the Undersecretariat of Treasury.

Prior Period	Exposures unsecured	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees ⁽¹⁾	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	244,345,250	7,223,718	4,549,079	16,453,698	14,494,127		
Debt securities	63,921,856						
Total	308,267,106	7,223,718	4,549,079	16,453,698	14,494,127		
Of which defaulted	920,183						

⁽¹⁾ Consists loans of Credit Guarantee Fund guaranteed by the Undersecretariat of Treasury.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c.3. Credit Risk Under Standardised Approach

c.3.1. Qualitative Disclosures on Banks' Use of External Credit Ratings Under the Standardised Approach for Credit Risk

Aforementioned explanations are disclosed under Section Four note XI-a.1.

c.3.2. Standard Approach: Credit risk exposure and credit risk mitigation techniques:

Current Period	Exposures before CCF and CRM ⁽¹⁾		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk-Weighted Amount	Risk-Weighted Amount Density
Exposures to sovereigns and their central banks	113,542,021	194,273	127,640,746	425,653	17,585,330	13.73%
Exposures to regional and local governments	128,054	416	128,054	150	89,859	70.09%
Exposures to administrative bodies and non-commercial entities	328,189	177,288	328,110	47,451	375,561	100.00%
Exposures to multilateral development banks		7,017		1,583		
Exposures to international organizations						
Exposures to banks and securities firms	23,771,958	16,346,596	23,771,961	14,818,026	18,161,073	47.06%
Exposures to corporates	198,861,309	106,398,614	188,661,906	55,749,632	242,581,803	99.25%
Retail exposures	80,312,976	36,147,570	75,111,161	2,985,733	45,869,444	75.00%
Exposures secured by residential property	18,742,625	406,751	18,723,901	173,349	6,614,038	35.00%
Exposures secured by commercial property	22,935,909	2,574,894	21,697,093	1,802,239	16,450,951	70.01%
Past-due Receivables	5,294,223		5,294,223		4,580,192	86.51%
Exposures in higher-risk categories	209,634	545,107	209,634	86,653	315,116	106.35%
Exposures in the form of bonds secured by mortgages						
Short term exposures to banks, brokerage houses and corporates						
Equity investments in the form of collective investment undertakings	411,565	100,000	411,565	100,000	461,008	90.12%
Other exposures	21,589,169		21,589,169		16,657,117	77.15%
Equity investments	9,825,810		9,825,810		10,098,422	102.77%
Total	495,953,442	162,898,526	493,393,333	76,190,469	379,839,914	66.69%

⁽¹⁾Includes on-balance sheet and off-balance sheet transactions subject to the calculation of the credit risk amount according to the "Regulation on Evaluation and Measurement of Banks' Capital Adequacy Ratio".

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period ⁽²⁾	Exposures before CCF and CRM ⁽¹⁾		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk-Weighted Amount	Risk-Weighted Amount Density
Exposures to sovereigns and their central banks	99,304,350	17,075	113,798,476	684,185	15,173,488	13.25%
Exposures to regional and local governments	68,883	16,793	68,882	3,429	53,907	74.55%
Exposures to administrative bodies and non-commercial entities	303,327	194,127	303,084	82,238	385,321	100.00%
Exposures to multilateral development banks		450		225		
Exposures to international organizations						
Exposures to banks and securities firms	15,554,796	21,521,056	15,554,796	10,079,249	14,292,838	55.76%
Exposures to corporates	170,101,790	99,428,308	157,439,165	46,204,518	202,057,812	99.22%
Retail exposures	76,141,006	32,781,255	71,615,999	2,558,855	44,596,516	75.00%
Exposures secured by residential property	18,745,533	452,498	18,730,276	187,750	6,621,309	35.00%
Exposures secured by commercial property	25,873,147	2,327,347	24,137,486	1,542,358	17,521,723	68.23%
Past-due loans	920,184		920,183		713,551	77.54%
Exposures in higher-risk categories	86,746	595,111	86,747	129,735	224,412	103.66%
Exposures in the form of bonds secured by mortgages						
Short term exposures to banks, brokerage houses and corporates						
Equity investments in the form of collective investment						
Undertakings	632,133		632,133		632,133	100.00%
Equity investments	8,261,461		8,261,461		8,507,193	102.97%
Other exposures	17,438,087		17,438,087		14,042,903	80.53%
Total	433,431,443	157,334,020	428,986,775	61,472,542	324,823,106	66.23%

⁽¹⁾Includes on-balance sheet and off-balance sheet transactions subject to the calculation of the credit risk amount according to the "Regulation on Evaluation and Measurement of Banks' Capital Adequacy Ratio".

⁽²⁾ The adjustments for the prior period which are explained in footnote I, Section Three are not included.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c.3.3 Standardised Approach: Exposures by Risk Classes and Risk Weights:

Current Period	Risk Weights Consolidated											Total
	0% ⁽¹⁾	10%	20%	35%	50%	75%	100%	150%	200%	250%		
Risk Groups												
Exposures to sovereigns and their central banks	110,382,803				196,532		17,487,064					128,066,399
Exposures to regional and local governments					76,691		51,513					128,204
Exposures to administrative bodies and non-commercial entities							375,561					375,561
Exposures to multilateral development banks	1,583											1,583
Exposures to international organizations												
Exposures to banks and securities firms		16,969,240			13,707,622		7,912,548	577				38,589,987
Exposures to corporates		143,697			3,429,554		240,838,287					244,411,538
Retail exposures	16,937,635					61,159,259						78,096,894
Exposures secured by residential property			18,897,250									18,897,250
Exposures secured by commercial property					14,096,762		9,402,570					23,499,332
Past-due loans ⁽²⁾					1,630,243		3,461,800	202,180				5,294,223
Exposures in higher-risk categories					65,551		127,528	103,208				296,287
Exposures in the form of bonds secured by mortgages												
Short term exposures to banks, brokerage houses and corporates												
Equity investments in the form of collective investment Undertakings					101,115		410,450					511,565
Equity investments							9,644,069				181,741	9,825,810
Other exposures	4,932,052						16,657,117					21,589,169
Total	132,254,073	17,112,937	18,897,250	33,304,070	61,159,259	306,368,507	305,965				181,741	569,583,802

⁽¹⁾ This includes individual pension receivables and securities that has been blocked by the group company Anadolu Hayat Emeklilik A.Ş in the name of its policyholders.

⁽²⁾In accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", credits and other receivables which are monitored in the non-performing loans and receivables representing the net of value excluding specific provisions.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period ⁽³⁾	Risk Weights										Total
	Consolidated										
0% ⁽¹⁾	10%	20%	35%	50%	75%	100%	150%	200%	250%		
Risk Groups											
Exposures to sovereigns and their central banks	100,065,775				138,750		13,727,485			550,651	114,482,661
Exposures to regional and local governments					36,811		35,500				72,311
Exposures to administrative bodies and non-commercial entities							385,322				385,322
Exposures to multilateral development banks	225										225
Exposures to international organizations											
Exposures to banks and securities firms		9,264,743			7,858,826		8,510,476				25,634,045
Exposures to corporates		45,853			3,098,428		200,499,352	50			203,643,683
Retail exposures	14,712,834				59,462,020						74,174,854
Exposures secured by residential property			18,918,026								18,918,026
Exposures secured by commercial property				16,316,243			9,363,601				25,679,844
Past-due loans ⁽²⁾				413,264			506,919				920,183
Exposures in higher-risk categories				51,340			97,940	67,202			216,482
Exposures in the form of bonds secured by mortgages											
Short term exposures to banks, brokerage houses and corporates											
Equity investments in the form of collective investment Undertakings							632,133				632,133
Equity investments							8,097,640			163,821	8,261,461
Other exposures	3,395,184						14,042,903				17,438,087
Total	118,174,018	9,310,596	18,918,026	27,913,662	59,462,020	255,899,271	67,252			714,472	490,459,317

⁽¹⁾ This includes individual pension receivables and securities that has been blocked by the group company Anadolu Hayat Emeklilik A.Ş in the name of its policyholders.

⁽²⁾ In accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", credits and other receivables which are monitored in the non-performing loans and receivables representing the net of value excluding specific provisions.

⁽³⁾ The adjustments for the prior period which are explained in footnote I, Section Three are not included.

d. Explanations on Counterparty credit risk

d.1. Qualitative Disclosures on Counterparty Credit Risk Approach

The counterparty credit risk that the Parent Bank exposed to is managed within the framework of general limit allocation and credit risk mitigation that are outlined the credit risk policy. In setting general credit limits, the counterparty credit risks of customers as well as their cash and noncash risks are taken into account with a holistic view. Moreover, the total position of the transactions which create counterparty credit risk is also monitored under a separate risk limit.

The counterparty credit risk, which stems from derivatives and repo like transactions including transactions with qualified central counterparties that result in liabilities for both sides, is measured according to the Appendix-2 and Appendix-4 of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" which is published on the Official Gazette no 29511 dated November 23, 2015. Counterparty credit risk valuation method based on the calculation of fair values of the derivative transactions is implemented. In calculating the potential credit risk, the amount of the contract is multiplied by the rates given in the regulation. The replacement costs of derivative instruments are calculated based on the valuation of the related contracts according to the fair value method.

Most of the credit risk related to the derivative transactions with other banks is subject to daily collateral clearing agreements mutually signed with related parties and the counterparty credit risk is hence reduced. On the other hand, the risk-reducing effect of such agreements is not considered in the calculation of the counterparty credit risk under the capital adequacy legislation. There are no guarantees received or sold by credit derivatives by the Bank in the context of trading or banking accounts.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

d.2. Counterparty Credit Risk (CCR) Approach Analysis:

Current Period	Replacement Cost	Potential Future Exposure	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
Standardised Approach - CCR (for derivatives)	6,337,975	2,065,014	8,402,989	5,802,533
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			4,869,902	2,294,300
Total	6,337,975	2,065,014	13,272,891	8,096,833
Prior Period	Replacement Cost	Potential Future Exposure	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
Standardised Approach - CCR (for derivatives)	2,524,720	1,669,333	4,194,053	2,614,118
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			3,286,861	1,351,601
Total	2,524,720	1,669,333	7,480,914	3,965,719

d.3. Capital obligation for credit valuation adjustment (CVA):

Current Period	Risk Amounts	Risk Weighted Amounts
Total portfolio value with standardized approach CVA capital change	8,402,989	2,803,995
Total subject to the CVA capital change	8,402,989	2,803,995
Prior Period	Risk Amounts	Risk Weighted Amounts
Total portfolio value with standardized approach CVA capital change	4,194,053	1,362,478
Total subject to the CVA capital change	4,194,053	1,362,478

d.4. CCR exposures by risk class and risk weights:

Current Period	Risk Weights							Total Credit Exposure
	0%	10%	20%	50%	75 %	100%	150%	
Risk Groups								
Conditional and unconditional exposures to sovereigns and their central banks	160,347						3,809	164,156
Conditional and unconditional exposures to regional and local governments								
Conditional and unconditional exposures to administrative bodies and non-commercial entities							1,698	1,698
Conditional and unconditional exposures to multilateral development banks								
Conditional and unconditional exposures to international organizations								
Conditional and unconditional exposures to banks and securities firms			1,594,920	7,466,977			83,662	9,145,559
Exposures to corporates				2,541			3,938,867	3,941,408
Retail exposures					20,070			20,070
Exposures secured by residential property								
Past-due items								
Exposures in high-risk categories								
Exposures in the form of bonds secured by mortgages								
Short term exposures to banks, brokerage houses and corporates								
Equity investments in the form of collective investment undertakings								
Other exposures								
Equity investments								
Total	160,347		1,594,920	7,469,518	20,070	4,028,036		13,272,891

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Risk Weights								Total Credit Exposure
	0%	10%	20%	50%	75 %	100%	150%		
Prior Period	0%	10%	20%	50%	75 %	100%	150%		
Risk Groups									
Conditional and unconditional exposures to sovereigns and their central banks	373,088					301			373,389
Conditional and unconditional exposures to regional and local governments									
Conditional and unconditional exposures to administrative bodies and non-commercial entities						1,816			1,816
Conditional and unconditional exposures to multilateral development banks									
Conditional and unconditional exposures to international organizations									
Conditional and unconditional exposures to banks and securities firms		1,605,370	3,693,507			17,425			5,316,302
Exposures to corporates			16,603			1,761,782			1,778,385
Retail exposures					11,022				11,022
Exposures secured by residential property									
Past-due items									
Exposures in high-risk categories									
Exposures in the form of bonds secured by mortgages									
Short term exposures to banks, brokerage houses and corporates									
Equity investments in the form of collective investment undertakings									
Other exposures									
Equity investments									
Total	373,088	1,605,370	3,710,110	11,022	1,781,324				7,480,914

d.5. Collateral for CCR:

	Collateral used in derivative transactions						Collateral used in other transactions	
	Received Collateral		Given Collateral				Received Collateral	Given Collateral
	Segregated	Not Segregated	Segregated	Not Segregated				
Current Period								
Cash- Domestic Currency							7,136,907	
Cash- Other Currencies							8,845,937	
Government bills/bonds-Domestic							34,648	
Government bills/bonds-FC								
Total							16,017,492	
Prior Period								
Cash- Domestic Currency							16,687,884	
Cash- Other Currencies							6,737,564	
Government bills/bonds-Domestic							2,975	
Corporate bills/bonds-FC							18,260	
Total							23,446,683	

d.6. Credit derivatives exposures:

None.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

d.7. Exposures to central counterparties (CCP):

Current Period	Post CRM risk exposure	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)	236,485	4,373
Exposures for trades at WCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC Derivatives	210,519	4,210
(ii) Exchange-traded Derivatives	208,966	4,179
(iii) Repo-reverse transactions, credit securities transactions and securities or commodities lending or borrowing	1,553	31
(iv) Netting sets where cross-product has been approved		
Segregated initial margin	20,552	
Non-segregated initial margin		
Paid guarantee fund amount	5,414	163
Unpaid guarantee fund commitment		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC Derivatives		
(ii) Exchange-traded Derivatives		
(iii) Repo-reverse transactions, credit securities transactions and securities or commodities lending or borrowing		
(iv) Netting sets where cross-product has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

e. Explanations on securitisations:

None.

f. Explanations on Market Risk:

f.1. Qualitative information disclosed to the public regarding Market Risk

Market risk is defined as the risk that may reduce the market value of the trading portfolio due to the changes in the risk factors named interest rate, exchange rates, equities and the price of commodities and options.

The procedures for the management of market risk are discussed in the Parent Bank's "Asset and Liability Management Risk Policy" and those procedures are in line with the risk/return expectations and with the limits that are defined in the risk appetite framework. Limits related to market risk are established by the Board and are revised periodically in order to reflect market conditions and best practices in the industry. Compliance to those limits is closely monitored by the Risk Management Department, Asset and Liability Management Committee and by the executive departments. Additionally, compliance with the provisions relating to the procedures and policies of market risk management is audited by the internal audit system.

Trading activities of the securities that are included in the calculation of market risk is carried out by taking the Asset-Liability Committee decisions, risk policies and established limits into consideration and risks arising due to these activities are hedged using derivatives transactions where necessary.

Measurement of market risk, reporting of results, and monitoring compliance with the risk limits are among the key responsibilities of the Risk Management Department. Analyses related to market risk are reported to the Risk Committee and to the Board via the Audit Committee by the Risk Management Department.

The trading book of the Parent Bank included in market risk calculations consists of on balance-sheet financial assets that are held for trading intent, derivatives that provide hedge to those instruments and foreign currency positions. The market risk carried by the Bank is measured and monitored using two methods known respectively as the Standard Method and the Value at Risk Model (VAR) in accordance with the local regulations which are established in compliance with the international legislations. In this context, the exchange rate risk emerges as the most important component of the market risk.

The market risk calculations using the Standard Method are performed at the end of each month and the measurement results are included in the statutory reports as well as being reported to the Bank's top management.

The Value at Risk Model is another alternative for the Standard Method used for measuring and monitoring market risk. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR model used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Bank's portfolio are determined and the results are reported to the Bank's top management.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.2. Standardised Approach

Current Period		RWA
Outright Products		6,281,763
Interest rate risk (general and specific)		2,508,913
Equity risk (general and specific)		764,475
Foreign exchange risk		2,277,750
Commodity risk		730,625
Options		150,075
Simplified approach		
Delta-plus method		150,075
Scenario approach		
Securitisations		
Total		6,431,838
Prior Period		RWA
Outright Products		11,388,325
Interest rate risk (general and specific)		2,089,388
Equity risk (general and specific)		988,700
Foreign exchange risk		8,191,163
Commodity risk		119,074
Options		115,350
Simplified approach		
Delta-plus method		115,350
Scenario approach		
Securitisations		
Total		11,503,675

g. Explanations on Operational Risk

The operational risk capital requirement is calculated according to "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" article number 24, is measured using the Basic Indicator Approach once a year in parallel with domestic regulations. As of December 31, 2018 the consolidated operational risk amount is TL 29,686,001 information about the calculation is given below (December 31, 2017: TL 24,798,361):

Current Period	ZPP Amount	1PP Amount	CP Amount	Total/Positive Years of Gross Income Amount	Rate (%)	Total
Gross Income	12,790,530	16,179,326	18,527,745	3	15	2,374,880
Value at operational risk (Total*12.5)						29,686,001
<hr/>						
Prior Period	ZPP Amount	1PP Amount	CP Amount	Total/Positive Years of Gross Income Amount	Rate (%)	Total
Gross Income	11,443,946	12,381,973	15,851,458	3	15	1,983,869
Value at operational risk (Total*12.5)						24,798,361

h. The interest rate risk of the banking book items:

Interest rate risk arising from the banking accounts is defined as negative effect risk on capital of the changes in market interest rates due to differences in interest settlement and re-pricing on, differences in interest-earning assets taking part in the banking book; interest-bearing liabilities; interest-bearing derivative transactions inclusive of the policies established by the Board of Directors, is managed within the framework of the strategies set by the Parent Bank Asset-Liability Committee. Compliance with internal risk limits for banking portfolio is closely and continuously monitored by the Risk Management Department and Asset-Liability Committee and the measurement results are reported to the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis by the Bank in the scope of monitoring of interest rate risk arising from the banking books about Interest Rate Risk in the Banking Accounts from the Regulation on Measurement and Assessment of Standard Shock Method which is published in the Official Gazette No. 28034 dated August 23, 2011. In the duration analysis, the maturity gap between assets and liabilities of the balance sheet are determined by the calculation of the weighted average maturities based on the asset that sensitive to interest rate and liabilities and off-balance sheet transactions re-pricing period. In the interest rate risk sensitivity analysis, the influence of the various interest rate change scenarios to the economic value of the Bank's capital is examined.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The interest rate risk of the banking book item in accordance with the legal regulations is measured and monitored on a monthly basis within the scope of the Regulation about Measurement and Assessment of Interest Rate Risk in the Banking Accounts by Standard Shock Method. In the calculations committed due to the mentioned regulations, behavioral maturity modeling method is used for the deposits with low sensitivity to interest rate changes and demand deposits which original maturities is longer than contractual maturities.

Currency	Applied Shock (+/- x basis point)	Gains Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	(+) 500	(5,219,498)	(8.85)%
TL	(-) 400	4,906,866	8.32%
EUR	(+) 200	(367,186)	(0.62)%
EUR	(-) 200	412,453	0.70%
USD	(+) 200	313,852	0.53%
USD	(-) 200	(172,169)	(0.29)%
Total (for Negative Shocks)		5,147,150	8.73%
Total (for Positive Shocks)		(5,272,833)	(8.94)%

i. Remuneration policy

The Remuneration Committee, which is established to carry out the duties and activities related to the monitoring and supervision of the Bank's remuneration applications on behalf of the Board of Directors, consists of two members. The Remuneration Committee meets at least twice a year, not exceeding six months, and reports to the Board of Directors on the results of the activities carried out and important matters considered to have an impact on the Bank's position. As of the end of 2018, the Remuneration Committee met 3 times and made a total of 5 decisions.

Regarding compliance with the Corporate Governance Principles, the Remuneration Committee monitors and supervises the practices related to wage management on behalf of the Board of Directors; the fees are in line with the Bank's ethical values, internal balances and strategic objectives; the evaluation of the remuneration policy and its practices in the context of risk management; it is responsible for the presentation of the proposals determined in line with the requirements of the salary policy and the other responsibilities determined by the provisions of the applicable legislation and the fulfillment of the duties given by the Board of Directors in this framework.

As of the end of 2018, the number of qualified employees working at the Bank is 27.

The monetary and social rights of employees are determined in accordance with the Chartering Policy in the framework of the legislation related to the Collective Labor Agreement. The Bank carries out its practices with regard to remuneration policies within the framework of relevant banking and capital market legislation. This policy includes all managers and employees.

Premium payments are made once a year to managers and managers who work in branches and headquarters units. It is considered that managerial premium payments are in line with the Bank's long-term strategy and the risks assumed, as well as the performance of its employees. There are no variable fees for qualified employees in the Bank.

The compliance of the wage levels in the bank with the sector wage levels is monitored by participating in independent and anonymous wage surveys, which are held twice a year.

Within the scope of the remuneration policy, the Bank's pricing practices are planned and executed on the basis of effective risk management, prevention of excessive risk taking, compliance with relevant legislation and scope and structure of the bank's activities, strategies, long-term objectives and risk management structures.

The fees to be paid to the managers and employees of the Bank at every stage; It is essential that the Bank is in line with its ethical values, internal balances and strategic objectives, and that it is not only associated with its short-term performance.

Payments made to employees are determined in a manner that will positively impact the Bank's corporate values and on the basis of objective conditions.

Payments to be made to the managers of the units within the internal systems and to their staff are determined by taking into account the performance of the relevant personnel in relation to their functions, as they are in the audit or oversight, or are independent of the performance of the activity unit they control.

XII. Explanations on Segment Reporting

The Group's activities are classified under corporate/commercial banking, retail/private banking, treasury operations and investment activities, insurance and reinsurance activities and others.

Services to the large corporations, SMEs and other trading companies are provided through various financial media within the course of the corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

Retail banking services are comprised of individuals needs such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, and investment accounts and by other banking services. Private banking category, are comprised of any kind of financial and cash management related services are provided for individuals within the high-income segment.

Treasury transactions are comprised of medium and long term funding tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations. Investment activities of intermediary institutions and venture capital and real estate investment partnerships are also classified in this area. Investments of subsidiaries who operate in the real sector, investments of associates who operate both in financial and real sector and investments of jointly controlled entities that are presented in the consolidated financial statements are evaluated within the scope of investment activities.

Insurance and reinsurance activities include individual pension, life/non-life insurance transactions and reinsurance transactions.

The Group's financial leasing, factoring, asset management and portfolio management activities are classified under the 'Other' heading.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Information about The Group's segments are presented below.

Current Period	Corporate/ Commercial Banking	Individual/ Private Banking	Treasury Transaction/ Investment Activities	Insurance and Reinsurance Activities	Other/ Unallocated	Total
Interest Income	25,812,219	6,956,376	9,983,915		1,326,146	44,078,656
Interest Expense	5,217,508	7,730,886	10,325,480		1,218,510	24,492,384
Fees and Commissions Income	3,666,750	1,500,831	223,051	81,861	156,447	5,628,940
Fees and Commissions Expense	6,592	234	55,275	819,515	991,289	1,872,905
Dividend Income			19,655			19,655
Trading Income/Loss (Net)			(2,293,686)			(2,293,686)
Other Income	530,804	208,930	471,048	5,862,783	1,047,398	8,120,963
Expected Credit Loss	3,414,162	442,152	16,807	89,076	3,050,656	7,012,853
Other Operating Expense	1,437,452	3,078,791	448,542	5,714,277	3,977,064	14,656,126
Income/Loss from Investments in Subsidiaries Accounted by Equity Method			1,569,036			1,569,036
Income Before Tax						9,089,296
Tax Provision						1,517,912
Net Period Profit						7,571,384
Group Profit/Loss						6,671,823
Minority Interest Profit/Loss						899,561
Total Assets	240,453,866	51,082,961	117,286,430	20,391,713	70,692,387	499,907,357
Total Liabilities	119,429,648	137,473,005	124,631,025	31,082,110	87,291,569	499,907,357

Prior Period	Corporate/ Commercial Banking	Individual/ Private Banking	Treasury Transaction/ Investment Activities	Insurance and Reinsurance Activities	Other/ Unallocated	Total
Interest Income	17,807,875	5,901,020	6,617,500		782,572	31,108,967
Interest Expense	3,624,256	5,160,939	5,752,676		1,739,426	16,277,297
Fees and Commissions Income	2,595,292	1,230,544	200,132	79,726	100,118	4,205,812
Fees and Commissions Expense	7,892	315	61,728	727,453	675,001	1,472,389
Dividend Income			18,258			18,258
Trading Income/Loss (Net)			(946,253)			(946,253)
Other Income	581,824	277,521	440,763	5,241,507	224,027	6,765,642
Expected Credit Loss	1,563,316	448,358	13,496	47,635	943,612	3,016,417
Other Operating Expense	1,253,604	2,711,063	467,964	4,696,002	3,733,478	12,862,111
Income/Loss from Investments in Subsidiaries Accounted by Equity Method			842,068			842,068
Income Before Tax						8,366,280
Tax Provision						1,660,614
Net Period Profit						6,705,666
Group Profit/Loss						6,067,645
Minority Interest Profit/Loss						638,021
Total Assets	214,781,014	50,537,709	96,873,778	17,233,758	58,331,156	437,757,415
Total Liabilities	99,229,771	118,232,589	119,621,401	27,283,601	73,390,053	437,757,415

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE: DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. DISCLOSURES AND FOOTNOTES ON CONSOLIDATED ASSETS

a. Cash and Central Bank of the Republic of Turkey:

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

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	2,256,662	2,600,766
Central Bank of the Republic of Turkey	4,170,937	31,819,518
Other		74,359
Total	6,427,599	34,494,643

	Prior Period	
	TL	FC
Cash in TL/Foreign Currency	2,009,536	1,332,512
Central Bank of the Republic of Turkey	2,992,871	30,441,457
Other		53,136
Total	5,002,407	31,827,105

a.2. Information on Balances with the CBRT:

	Current Period	
	TL	FC
Unrestricted Demand Deposit		4,170,937
Unrestricted Time Deposit		14,050,734
Restricted Time Deposit		
Other ⁽¹⁾		17,768,784
Total	4,170,937	31,819,518

⁽¹⁾The amount of reserve deposits held at the Central Bank of the Republic of Turkey.

	Prior Period	
	TL	FC
Unrestricted Demand Deposit		2,992,871
Unrestricted Time Deposit		6,432,724
Restricted Time Deposit		
Other ⁽¹⁾		24,008,733
Total	2,992,871	30,441,457

⁽¹⁾The amount of reserve deposits held at the Central Bank of the Republic of Turkey.

a.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. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1.5% - 8% for TL deposits and other liabilities between 8% - 12% for FC deposits and between 4% - 20% for other FC liabilities. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué. CBRT pays interests TL and USD reserves.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as at December 31, 2018 are amounting to TL 37,207 (December 31, 2017: 113,465 TL).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as at December 31, 2018 are amounting to TL 202,590 (December 31, 2017: TL 147,913).

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c. Positive differences on derivative financial assets held for trading:

	Current Period	
	TL	FC
Derivative Financial Assets at Fair Value through Profit and Loss		
Forward Transactions	257,032	467,616
Swap Transactions	411,428	4,968,271
Futures		
Options	6,428	227,200
Other		
Total	674,888	5,663,087
 Derivative Financial Assets Held for Trading		
Forward Transactions	28,355	118,660
Swap Transactions	200,607	2,064,818
Futures		
Options	4,589	107,691
Other		
Total	233,551	2,291,169

d. Banks Account

d.1. Information on Banks:

	Current Period	
	TL	FC
Banks		
Domestic Banks	1,658,080	3,672,159
Foreign Banks	284,414	8,839,424
Foreign Head Office and Branches		
Total	1,942,494	12,511,583
 Prior Period		
	TL	FC
Banks		
Domestic Banks	2,032,385	5,373,630
Foreign Banks	112,276	3,220,711
Foreign Head Office and Branches		
Total	2,144,661	8,594,341

d.2. Information on foreign banks:

	Current Period	
	Unrestricted Amount	Restricted Amount
EU Countries		
USA, Canada	5,131,979	
OECD Countries ⁽¹⁾	2,151,729	41,265
Off-shore Banking Regions		
Other	1,517,721	281,144
Total	8,842,694	281,144

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

	Prior Period	
	Unrestricted Amount	Restricted Amount
EU Countries		
USA, Canada	1,679,460	
OECD Countries ⁽¹⁾	756,380	44,025
Off-shore Banking Regions		
Other	268	
Total	3,011,947	321,040

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

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

e. Information on Financial Assets at Fair Value through Other Comprehensive Income:

e.1. Information on financial assets at fair value through other comprehensive income, which are given as collateral or blocked:

Financial assets at fair value through other comprehensive income, which are given as collateral or blocked amount to TL 9,571,244 as at December 31, 2018.

Financial assets available for sale, which are given as collateral or blocked, amount to TL 14,977,509 as at December 31, 2017.

e.2. Information on financial assets at fair value through other comprehensive income, which are subject to repurchase agreements:

Financial assets at fair value through other comprehensive income which are subject to repurchase agreements amount to TL 6,653,057 as at December 31, 2018.

Financial assets available for sale, which are subject to repurchase agreements amount to TL 14,871,334 as at December 31, 2017.

e.3. Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt Securities	49,646,972
Quoted on a Stock Exchange	34,627,782
Not-Quoted ⁽¹⁾	15,019,190
Share Certificates	411,949
Quoted on a Stock Exchange	29,039
Not-Quoted	382,910
Provision for Impairment Losses (-)	2,577,316
Other	368,097
Total	47,849,702

⁽¹⁾ Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, while quoted, on the Stock Exchange at the end of the related period.

Information on available-for-sale financial assets:

	Prior Period
Debt Securities	56,109,697
Quoted on a Stock Exchange	41,632,798
Not-Quoted ⁽¹⁾	14,476,899
Share Certificates	249,537
Quoted on a Stock Exchange	16,689
Not-Quoted	232,848
Provision for Impairment Losses (-)	1,158,100
Other	670,242
Total	55,871,376

⁽¹⁾ Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, while quoted, on the Stock Exchange at the end of the related period.

f. Information related to loans:

f.1. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period	Non-Cash
	Cash	Non-Cash
Direct Lending to Shareholders		
Corporate Shareholders		
Individual Shareholders		
Indirect Lending to Shareholders		
Loans and Other Receivables to Employees	244,748	374
Total	244,748	374

	Prior Period	Non-Cash
	Cash	Non-Cash
Direct Lending to Shareholders		
Corporate Shareholders		
Individual Shareholders		
Indirect Lending to Shareholders		
Loans and Other Receivables to Employees	231,883	355
Total	231,883	355

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.2. Information about the Standard Loans and Loans Under Close Monitoring and Loans Under Close Monitoring that have been restructured or rescheduled:

	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Refinanced
Cash Loans				
Non-specialized loans	265,255,121	25,311,691	6,608,231	3,903,259
Corporation Loans	114,669,553	16,862,968	4,589,727	2,318,046
Export Loans	16,319,420	951,774	262,180	87,633
Import Loans				
Loans Extended to Financial Sector	7,601,518			
Consumer Loans	42,247,864	2,810,165	197	177,289
Credit Cards	16,040,810	701,203	394,813	
Other	68,375,956	3,985,581	1,361,314	1,320,291
Specialized Loans				
Other Receivables				
Total	265,255,121	25,311,691	6,608,231	3,903,259

The loan amount, that has been granted to a special purpose entity, with a share pledge collateral and classified under loans measured at fair value through profit or loss within the scope of TFRS 9, and the details of which are mentioned in footnote I.r of Section V, is not included in the table above.

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	2,054,722	
Significant Increase in Credit Risk		3,115,431

In the period between January 1, 2018 and December 31, 2018 the increase in the expected credit loss for the Stage 2 loans according to TFRS 9, is due to the increase in the probability of credit default which is effected by the increase in the loan balances and provisions in TL related to fluctuations in foreign currencies, alongside macroeconomic outlook and change in expectations. The increase in the expected loss for the Stage III loans is effected by the growth in the loan balance classified in this group.

	Standard Loans	Loans Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	4,727,468	7,918,063
Extended for 3,4 or 5 Times	389,814	1,431,612
Extended for More than 5 Times	10,470	676,581

	Standard Loans	Loans Under Close Monitoring
The Time Extended via the Amendment on Payment Plan		
0-6 Months	724,264	1,289,131
6 Months - 12 Months	823,627	998,478
1-2 Years	1,074,315	1,352,350
2-5 Years	1,488,553	4,830,843
5 Years and More	1,016,993	1,555,454

f.3. Information on Maturity analysis of cash loans⁽¹⁾:

	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Refinanced
Cash Credit			
Short-term Loans	60,141,567	3,797,958	1,186,832
Medium and Long-term Loans	205,113,554	21,513,733	9,324,658

⁽¹⁾Balance of the loan measured at fair value through profit or loss is not included.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	1,017,663	42,367,395	376,049	43,761,107
Real Estate Loans	19,466	20,249,542	137,018	20,406,026
Vehicle Loans	74,359	700,576	7,193	782,128
General Purpose Consumer Loans	923,838	21,417,277	231,838	22,572,953
Other				
Consumer Loans - FC Indexed		999	14,920	15,919
Real Estate Loans		999	14,920	15,919
Vehicle Loans				
General Purpose Consumer Loans				
Other				
Consumer Loans - FC	2,185	194,946	638	197,769
Real Estate Loans	495	18,013	76	18,584
Vehicle Loans		247	2	249
General Purpose Consumer Loans	1,690	176,686	560	178,936
Other				
Retail Credit Cards-TL	12,411,238	654,594	73,739	13,139,571
With Instalments	4,336,554	654,594		4,991,148
Without Instalments	8,074,684		73,739	8,148,423
Retail Credit Cards-FC	16,408			16,408
With Instalments				
Without Instalments	16,408			16,408
Personnel Loans-TL	15,508	108,689	1,325	125,522
Real Estate Loans		3,644	19	3,663
Vehicle Loans	201	498	3	702
General Purpose Consumer Loans	15,307	104,547	1,303	121,157
Other				
Personnel Loans- FC Indexed				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other				
Personnel Loans-FC	1,534	7,429	31	8,994
Real Estate Loans		1,190	9	1,199
Vehicle Loans		137		137
General Purpose Consumer Loans	1,534	6,102	22	7,658
Other				
Personnel Credit Cards-TL	93,983	3,036	307	97,326
With Instalments	31,824	3,036		34,860
Without Instalments	62,159		307	62,466
Personnel Credit Cards-FC	287			287
With Instalments				
Without Instalments	287			287
Overdraft Accounts - TL (real persons)	1,049,091		19,336	1,068,427
Overdraft Accounts - FC (real persons)	57,777			57,777
Total	14,665,674	43,337,088	486,345	58,489,107

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.5. Information on commercial installments loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Instalments-TL	1,496,498	36,720,257	667,484	38,884,239
Real Estate Loans	4,797	1,281,634	10,865	1,297,296
Vehicle Loans	123,824	2,903,595	32,836	3,060,255
General Purpose Commercial Loans	1,367,877	32,535,028	623,783	34,526,688
Other				
Commercial Loans With Instalments-FC Indexed	6,148	1,689,327	951,755	2,647,230
Real Estate Loans		48,344	33,691	82,035
Vehicle Loans	84	180,953	92,836	273,873
General Purpose Commercial Loans	6,064	1,460,030	825,228	2,291,322
Other				
Commercial Loans With Instalments-FC	160,923	4,913,729	32,187	5,106,839
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans	55,699	4,745,546	30,657	4,831,902
Other	105,224	168,183	1,530	274,937
Corporate Credit Cards-TL	3,848,892	11,750	22,168	3,882,810
With Instalments	1,366,006	11,750		1,377,756
Without Instalments	2,482,886		22,168	2,505,054
Corporate Credit Cards-FC	424			424
With Instalments				
Without Instalments	424			424
Overdraft Accounts - TL (corporate)	1,935,595		43,127	1,978,722
Overdraft Accounts - FC (corporate)	78			78
Total	7,448,558	43,335,063	1,716,721	52,500,342

f.6 Allocation of loan by borrowers:

	Current Period
Public	1,447,728
Private ⁽¹⁾	302,048,161
Total	303,495,889

⁽¹⁾Includes balance of the loan measured at fair value through profit or loss.

	Prior Period
Public	1,755,519
Private ⁽¹⁾	265,346,964
Total	267,102,483

f.7. Domestic and foreign loans:

	Current Period
Domestic Loans ⁽¹⁾	290,731,396
Foreign Loans	12,764,493
Total	303,495,889

⁽¹⁾Includes balance of the loan measured at fair value through profit or loss

	Prior Period
Domestic Loans	259,680,926
Foreign Loans	7,421,557
Total	267,102,483

f.8. Loans granted to subsidiaries and associates:

	Current Period
Direct Loans Granted to Subsidiaries and Associates	
Indirect Loans Granted to Subsidiaries and Associates	
Total	278

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Direct Loans Granted to Subsidiaries and Associates	225
Indirect Loans Granted to Subsidiaries and Associates	225
Total	225

f.9. Information on impairment provisions of Loans (Stage 3):

	Current Period
Loans with Limited Collectability	1,074,128
Loans with Doubtful Collectability	1,439,225
Uncollectible Loans	4,547,488
Total	7,060,841

	Prior Period
Loans and Receivables with Limited Collectability	96,827
Loans and Receivables with Doubtful Collectability	436,798
Uncollectible Loans and Receivables	4,345,063
Total	4,878,688

f.10. Information on non-performing loans (Net):

f.10.1. Information on non-performing loans, which are restructured by the Group:

	Group III	Group IV	Group V	
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans	
Current Period				
(Gross amounts before the provisions)	47,359	54,189	74,445	
Restructured Loans	47,359	54,189	74,445	
Prior Period				
(Gross amounts before the specific provisions)	32,234	52,698	116,619	
Restructured Loans and Other Receivables	32,234	52,698	116,619	
Rescheduled Loans and Other Receivables	32,234	52,698	116,619	

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

.10.2. Movement of total non-performing loans:

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Prior Period Ending Balance	451,767	864,281	4,482,823
Corporate and Commercial Loans	286,046	591,561	3,200,145
Retail Loans	105,153	163,386	666,206
Credit Cards	60,568	109,334	526,786
Other			89,686
Additions (+)	12,882,913	77,810	524,291
Corporate and Commercial Loans	11,824,169	60,235	438,809
Retail Loans	598,117	9,395	3,229
Credit Cards	394,916	5,193	1,732
Other	65,711	2,987	80,521
Transfers from Other NPL Categories (+)	4,519,681	1,711,133	
Corporate and Commercial Loans		3,830,940	1,216,449
Retail Loans		415,539	292,539
Credit Cards		263,410	195,917
Other		9,792	6,228
Transfers to Other NPL Categories (-)	4,519,681	1,711,133	
Corporate and Commercial Loans	3,830,940	1,216,449	
Retail Loans	415,539	292,539	
Credit Cards	263,410	195,917	
Other	9,792	6,228	
Collections (-)	4,831,524	622,343	873,839
Corporate and Commercial Loans	4,591,160	464,721	555,563
Retail Loans	135,982	99,522	203,802
Credit Cards	95,215	57,382	84,358
Other	9,167	718	30,116
Write-Offs (-) ⁽¹⁾	1,092,068	30	74,263
Corporate and Commercial Loans	1,092,027		56,047
Retail Loans	34	25	1,239
Credit Cards	7	5	855
Other			16,122
Debt Sale (-)			
Corporate and Commercial Loans			
Retail Loans			
Credit Cards			
Other			
NPL Accruals (+)	275,422	252,599	57,170
Corporate and Commercial Loans	261,883	231,724	46,484
Retail Loans	6,829	9,576	4,664
Credit Cards	6,671	11,294	5,937
Other	39	5	85
Currency Exchange Effect	5,704	66,143	45,182
Corporate and Commercial Loans	5,200	64,722	39,952
Retail Loans	504	1,421	5,230
Credit Cards			
Other			
Current Period Ending Balance	3,172,533	3,447,008	5,872,497
Corporate and Commercial Loans	2,863,171	3,098,012	4,330,229
Retail Loans	159,048	207,231	766,827
Credit Cards	103,523	135,927	645,159
Other	46,791	5,838	130,282
Specific Provisions (-)	1,074,128	1,439,225	4,547,488
Corporate and Commercial Loans	909,468	1,232,328	3,196,689
Retail Loans	78,760	110,740	649,365
Credit Cards	64,753	92,506	596,066
Other	21,147	3,651	105,368
Net Balance on Balance Sheet	2,098,405	2,007,783	1,325,009

⁽¹⁾ In the current period a portfolio of receivables from non-performing loans amounting to TL 27,095 is sold with a value of TL 10 on December 4, 2018 and TL 36,720 is sold with a value of TL 20 on December 28, 2018 to Emir Varlık Yönetimi A.Ş.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

The Bank has reclassified the loan amounting to TL 3,102,293 from Stage 2 to Stage 3 and wrote-off TL 945,297 subsequently, which was granted to a company performing in the telecommunication sector, within the framework of syndication together with the participation of other financial institutions. Besides the Bank, Türkiye Sinai Kalkınma Bankası A.Ş., one of the creditors and Group companies, also has reclassified the part of loan amounting to TL 146,730 from Stage 2 to Stage 3 and wrote it off subsequently. The details about aforementioned issue are stated in Section Five, footnote I-r.

f.10.3. Information on foreign currency non-performing loans:

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Current Period			
Balance at the End of the Period	1,841,915	1,880,923	1,342,334
Provisions (-)	436,801	636,590	1,077,708
Net Balance on Balance Sheet ⁽¹⁾	1,405,114	1,244,333	264,626

⁽¹⁾ In addition to the loans extended in foreign currency, loans which are monitored in Turkish Lira are included.

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Prior Period			
Balance at the End of the Period	37,307	137,316	1,017,620
Specific Provisions (-)	13,514	72,106	1,017,620
Net Balance on Balance Sheet ⁽¹⁾	23,793	65,210	

⁽¹⁾ In addition to the loans extended in foreign currency, loans which are monitored in Turkish Lira are included.

f.10.4. Information on gross and net non-performing loans as per customer categories:

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net)			
Loans to Individuals and Corporate (Gross)	3,172,533	3,447,008	5,773,424
Provisions (-)	1,074,128	1,439,225	4,463,222
Loans to Individuals and Corporate (Net)	2,098,405	2,007,783	1,310,202
Banks (Gross)			
Provisions (-)			
Banks (Net)			
Other Loans (Gross)			99,073
Provisions (-)			84,266
Other Loans (Net)			14,807

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	451,767	864,281	4,393,137
Specific Provisions (-)	96,827	436,798	4,255,377
Loans to Individuals and Corporate (Net)	354,940	427,483	137,760
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)			89,686
Specific Provisions (-)			89,686
Other Loans and Receivables (Net)			

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

f.10.5. Information on interest accruals, valuation differences and related provisions calculated for non-performing loans:

	Group III Loans with Limited Collectibility	Group IV Loans with Doubtful Collectibility	Group V Uncollectible Loans
Current Period (Net)	188,001	174,307	24,140
Interest accruals and valuation differences	276,637	312,795	57,168
Provisions (-)	88,636	138,488	33,028

f.10.6 Outline of the liquidation policy for uncollectible loans and other receivables

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

f.10.7. Explanations on write-off policy:

The Bank's general policy for write-offs of receivables under follow-up is to write off such receivables that are proven to be uncollectible in legal follow-up process within the instructions of Tax Procedure Law.

g. Financial Assets Measured at Amortised Cost:

g.1. Financial Assets Measured at Amortised Cost given as collateral or blocked:

Financial assets measured at amortised cost given as collateral or blocked amount to TL 2,694,226 as at December 31, 2018.

Held to maturity investments given as collateral or blocked amount to TL 1,571,250 as at December 31, 2017.

g.2. Financial Assets Measured at Amortised Cost subject to repurchase agreements:

Financial assets measured at amortised cost, which are subject to repurchase agreements amount to TL 4,380,775 at December 31, 2018.

Held to maturity investments, which are subject to repurchase agreements amount to TL 3,604,663 as at December 31, 2017.

g.3. Information on government securities measured at amortised cost:

	Current Period
Government Bonds	28,228,130
Treasury Bills	
Other Public Debt Securities	
Total	28,228,130

Information on government securities held to maturity:

	Prior Period
Government Bonds	8,668,651
Treasury Bills	
Other Public Debt Securities	
Total	8,668,651

g.4. Information on financial assets measured at amortized cost:

	Current Period
Debt Securities	29,013,507
Quoted on a Stock Exchange	27,918,919
Not Quoted ⁽¹⁾	1,094,588
Impairment Losses (-)	
Total	29,013,507

⁽¹⁾ Indicates unlisted debt securities, and debt securities that have not been traded at the end of the related periods while they are listed.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Information on held-to-maturity investments:

	Prior Period
Debt Securities	9,195,078
Quoted on a Stock Exchange	8,502,096
Not Quoted ⁽¹⁾	692,982
Impairment Losses (-)	(1,903)
Total	9,193,175

⁽¹⁾ Indicates unlisted debt securities, and debt securities that have not been traded at the end of the related periods while they are listed.

g.5. Movement of financial assets measured at amortized cost within the year:

	Current Period
Beginning Balance	9,193,175
Foreign Exchange Differences Arising on Monetary Assets	668,592
Purchases During the Year ⁽¹⁾	21,501,275
Disposals through Sales and Redemption	(3,737,743)
Impairment Losses (-)	(1,903)
Valuation Effect	1,388,208
Balance at the End of the Period	29,013,507

⁽¹⁾ Within the scope of transition to TFRS 9, securities with a nominal value of TL 15,307,457, which are accounted under Financial Assets Available for Sale, are classified under the category of Financial Assets Measured at Amortized Cost.

Movement of held to maturity investments within the year:

	Prior Period
Beginning Balance	6,757,758
Foreign Exchange Differences Arising on Monetary Assets	55,952
Purchases During the Year ⁽¹⁾	4,688,142
Disposals through Sales and Redemption	(2,676,434)
Impairment Losses (-)	(1,903)
Valuation Effect	369,660
Balance at the End of the Period	9,193,175

⁽¹⁾ The Bank has reclassified the government bonds with a nominal value of TL 1,342,813 and carrying value of TL 1,455,103 in the classification date from Available-for-Sale Financial Assets to Held to Maturity Investments in December 2016 due to the change in intention to hold.

h. Information on Associates (Net):

As per the "Communiqué on Preparation of Consolidated Financial Statements of Banks", credit institutions or financial institutions associates are included in the scope of consolidated financial statements. Within this context, credit institutions and financial associates are accounted in the consolidated financial statements according to TAS 28 - Investments in Associates and Joint Ventures".

On the other hand, in the current period, as detailed in Section Three, footnotes I and III.2, the accounting method of associates, subsidiaries and jointly controlled entities that are not credit financial institutions, have changed to the equity method that is defined in TAS 28 "Investments in Associates and Joint Ventures", within the scope of TAS 27 "Separate Financial Statements".

h.1. Information on credit institution or financial institution associates that are not accounted by the equity method: None.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

h.2. Information on credit institution or financial institution associates that are accounted by the equity method:

Title	Address (City/Country)	Bank's Share Percentage-If Different		Bank's Risk Group
		Voting Percentage (%)	Share Percentage (%)	
Arap Türk Bankası A.Ş.	Istanbul/Turkey	20.58	79.42	

Information on financial statements of associates in the above order:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽¹⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
6,329,604	883,271	121,909	347,848	158	103,243	81,415	

⁽¹⁾ Includes interest income on securities.

h.3. Movement of investments in consolidated associates ⁽¹⁾:

	Current Period
Beginning Balance	163,821
Movements during the period	
Purchases	
Bonus shares acquired	
Dividends received from the current year profit	
Sales	
Revaluation Increase ⁽²⁾	17,920
Impairment	
Balance at the end of the period	181,741
Capital commitments	
Contribution in equity at the end of the period (%)	

⁽¹⁾ Includes the information related to associate which is a credit institution in which the Bank has direct shares.

⁽²⁾ Includes the equity method accounting differences.

	Prior Period
Beginning balance	134,584
Movements during the period	
Purchases	
Bonus shares acquired	
Dividends received from the current year profit	
Sales	
Revaluation Increase ⁽²⁾	29,237
Impairment	
Balance at the end of the period	163,821
Capital commitments	
Contribution in equity at the end of the period (%)	

⁽¹⁾ Includes the information related to associate which is a credit institution in which the Bank has direct shares.

⁽²⁾ Includes the equity method accounting differences.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

h.4. Sectoral information on consolidated associates and the related carrying amounts⁽¹⁾:

	Current Period
Banks	181,741
Insurance Companies	
Factoring Companies	
Leasing Companies	
Finance Companies	
Other Financial Participations	
Total	181,741

⁽¹⁾ Includes the information related to associate which is a credit institution in which the Bank has direct shares.

	Prior Period
Banks	163,821
Insurance Companies	
Factoring Companies	
Leasing Companies	
Finance Companies	
Other Financial Participations	
Total	163,821

⁽¹⁾ Includes the information related to associate which is a credit institution in which the Bank has direct shares.

h.5. Consolidated associates traded on a stock exchange: None.

h.6. Consolidated associates disposed of in the current period: None.

h.7. Consolidated associates acquired in the current period: None.

h.8. Other issues related to associates: None.

i. Information on subsidiaries (Net):

As per the "Communiqué on Preparation of Consolidated Financial Statements of Banks", the Bank includes credit institutions or financial institutions subsidiaries in the scope of consolidated financial statements.

i.1. Information on the significant size of the subsidiaries' equity:

	Türkiye Sınai Kalkınma Bankası A.Ş.	Insurance/ Reinsurance Companies	İş Gayrimenkul Yatırım OrtaklıĞı A.Ş.	İş Finansal Kiralama A.Ş.	İş Yatırım Menkul Değerler A.Ş.
COMMON EQUITY TIER I CAPITAL					
Common Equity Tier I Capital Before Deductions	4,971,025	4,873,736	3,557,323	1,085,085	810,400
Deductions from Common Equity Tier I Capital (-)	815,685	261,823	1,400	5,100	75,531
Total Common Equity Tier I Capital	4,155,340	4,611,913	3,555,923	1,079,985	734,869
ADDITIONAL TIER I CAPITAL					
Additional Tier I Capital before Deductions					
Deductions from Additional Tier I Capital (-)					
Total Capital	4,155,340	4,611,913	3,555,923	1,079,985	734,869
TIER II CAPITAL					
Tier II Capital Before Deductions	1,900,252				
Deduction from Tier II Capital (-)					
Total Additional Tier II Capital	1,900,252				
Total Capital and Tier II Capital	6,055,592	4,611,913	3,555,923	1,079,985	734,869
Deductions from Total Capital and Additional Tier I Capital (-)					
CAPITAL	6,055,592	4,611,913	3,555,923	1,079,985	734,869

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.2. Information on unconsolidated subsidiaries: None.

i.3. Information on consolidated subsidiaries:

No	Title	Address (City/Country)	Bank's Share Percentage-If Different. Voting Rights (%) ⁽¹⁾	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/Turkey	43.92	56.08
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/Turkey	73.44	26.56
3-	Efes Varlık Yönetimi A.Ş.	İstanbul/Turkey	65.78	34.22
4-	İş Faktöring A.Ş.	İstanbul/Turkey	43.51	56.49
5-	İş Finansal Kiralama A.Ş.	İstanbul/Turkey	43.40	56.60
6-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	55.79	44.21
7-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	34.17	65.83
8-	İş Portföy Yönetimi A.Ş.	İstanbul/Turkey	67.51	32.49
9-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	69.34	30.66
10-	İş Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	25.92	74.08
11-	İşbank AG	Frankfurt/Germany	100.00	0.00
12-	JSC İşbank	Moscow/Russia	100.00	0.00
13-	JSC İşbank Georgia	Tbilisi/Georgia	100.00	0.00
14-	Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.	İstanbul/Turkey	69.34	30.66
15-	Maxis Investments Ltd.	London/England	69.34	30.66
16-	Milli Reasürans T.A.Ş.	İstanbul/Turkey	76.64	23.36
17-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	38.24	61.76
18-	Türkiye Sinai Kalkınma Bankası A.Ş.	İstanbul/Turkey	43.94	56.06
19-	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul/Turkey	42.65	57.35

⁽¹⁾Indirect share of the Group is considered as the Parent Bank's share percentage.

Financial statement information related to consolidated subsidiaries in the above order:

	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽¹⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value ⁽²⁾	Additional Shareholders' Equity Required
1-	7,576,988	1,319,162	192,729	313,202	100,895	324,507	201,515	2,065,500	
2-	20,229,978	949,081	211,505	272,853	7,279	254,663	226,592	2,540,010	
3-	213,959	32,221	12,850	49,929		394	(4,350)		
4-	2,770,654	301,123	2,601	489,780	2,716	147,018	49,530		
5-	8,681,660	1,150,580	18,863	982,258	5,391	197,537	123,730	3,208,823	
6-	5,222,333	3,556,939	4,188,318	9,521	610	341,611	179,957	1,032,574	
7-	262,226	259,965	60	8,378	2,849	3,074	946	150,425	
8-	114,256	106,128	2,190	13,567	8,088	26,254	23,925		
9-	6,370,683	1,085,092	102,303	304,925	240,191	234,285	154,852	730,945	
10-	241,840	241,030	8	23,013	14,064	31,366	25,182	145,985	
11-	10,796,298	1,168,358	93,240	324,757	3,478	132,734	10,686		
12-	1,115,371	303,851	58,304	72,755	4,607	10,286	6,044		
13-	524,557	157,912	2,813	27,221		12,994	4,481		
14-	3,601	3,235	21	740		(1,732)	(37)		
15-	118,655	16,950	1,877	3,260		(1,574)	(4,249)		
16-	4,173,951	2,172,009	606,233	215,328	87,764	125,529	203,022		
17-	509,427	258,088	487,814	2,114		(61,889)	(22,673)	246,900	
18-	38,269,440	4,184,076	545,316	3,110,109	10,566	663,263	605,475	2,223,200	
19-	580,870	100,318	2,115	73,162	1,812	11,361	8,296		

⁽¹⁾Includes interest income on securities.

⁽²⁾Fair value is the companies' market value.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.4. Movement of investments in subsidiaries ⁽¹⁾:

	Current Period
Balance at the Beginning of the Period	6,447,697
Movements in the Period	
Purchases ⁽²⁾	157,796
Bonus Shares Acquired	
Dividends Received from the Current Year Profit	
Sales	
Revaluation Surplus ⁽³⁾	1,650,249
Impairment	
Balance at the End of the Period	8,255,742
Capital Commitments	
Contribution in equity at the end of the period (%)	

⁽¹⁾ Reveals the information related to companies subject to consolidation in which Bank directly owns share.

⁽²⁾ Due to the cash capital increase realized by İşbank AG and JSC İşbank Georgia.

⁽³⁾ Consists of Equity method accounting differences.

	Prior Period
Balance at the Beginning of the Period	5,545,367
Movements in the Period	
Purchases ⁽²⁾	226,828
Bonus Shares Acquired	
Dividends Received from the Current Year Profit	
Sales	
Revaluation Surplus ⁽³⁾	675,502
Impairment	
Balance at the End of the Period	6,447,697
Capital Commitments	
Contribution in equity at the end of the period (%)	

⁽¹⁾ Reveals the information related to companies subject to consolidation in which Bank directly owns share.

⁽²⁾ Due to participation in the cash capital increase realized by İşbank AG.

⁽³⁾ Consists of Equity method accounting differences.

i.5. Sectoral information on consolidated subsidiaries and the related carrying amounts ⁽¹⁾:

	Current Period
Banks	3,432,976
Insurance Companies	2,294,172
Factoring Companies	
Leasing Companies	300,038
Finance Companies	
Other Financial Subsidiaries	2,228,556
Total	8,255,742

⁽¹⁾ Reveals the information related to companies subject to consolidation in which Bank directly owns share.

	Prior Period
Banks	2,482,431
Insurance Companies	1,872,784
Factoring Companies	
Leasing Companies	259,442
Finance Companies	
Other Financial Subsidiaries	1,833,040
Total	6,447,697

⁽¹⁾ Reveals the information related to companies subject to consolidation in which Bank directly owns share.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.6. Consolidated subsidiaries traded on stock exchange⁽¹⁾:

	Current Period
Traded on domestic stock exchanges	5,082,435
Traded on foreign stock exchanges	

⁽¹⁾ Reveals the information related to companies subject to consolidation in which Bank directly owns share.

	Prior Period
Traded on domestic stock exchanges	4,148,585
Traded on foreign stock exchanges	

⁽¹⁾ Reveals the information related to companies subject to consolidation in which Bank directly owns share.

i.7. Consolidated subsidiaries disposed of in the current period: None

i.8. Subsidiaries acquired in the current period: None

i.9. Other issues on subsidiaries:

Capital increase that has been occurred at prior period amounting TL 17,500 by Ortopro Tibbi Aletler San.ve Tic. A.Ş., a subsidiary of İş Girişim Sermayesi Yatırım Ortaklığı, which is consolidated to the Parent Bank, paid for the current period amounting to TL 4,750 which is the capital contribution after partial payment made for the corresponding amount. Within the scope of the mentioned capital increase, the amount of the payment made to the company has reached TL 17,500 and there has been no capital commitment remaining.

Nevotek Bilişim Ses ve İletişim Sistemleri San. Ve Tic. A.Ş., who is a subsidiary of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., has increased TL 13,850 of capital in the current period and TL 8,012 of this total is from internal resources whereas the remaining TL 5,838 is in cash. All of the cash capital increase made by İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., by restricting the preemptive rights of other shareholders, therefore its share in the company increased from 89.72% to 93.46%.

Both, Türkiye Sinai Kalkınma Bankası A.Ş. and Yatırım Finansman Menkul Değerler A.Ş. have contributed to the cash capital increase of their subsidiary; TSKB Sürdürülebilirlik Danışmanlığı A.Ş. by paying TL 2,400 and TL 600 respectively, in the current period.

The accounting method for non-financial subsidiaries, associates and jointly controlled associates is changed in accordance with TAS 27 "Individual Financial Statements" to the equity method introduced in TAS 28. The effects of this changed is given in Section Three I and III.2 numbered footnotes in detail.

j. Information on jointly controlled entities (Net):

j.1. Information on jointly controlled entities:

Jointly Controlled Entities	The Parent Bank's Share	The Share of Group	Current Asset	Fixed Asset	Long-term Liability	Income	Expense
Anavarza Otelcilik A.Ş.		50%	3,621	271	718	583	3,561
Adana Otel Projesi Adı Ortaklığı		50%	1,716	7,926		2,198	3,937
Kanyon Yön. İsl. ve Paz. Ltd. Şti.		50%	24,125	1,754	758	130,006	127,384

j.2. As per the "Communiqué on Preparation of Consolidated Financial Statements of Banks", credit institutions or financial institutions jointly controlled entities are included in the scope of consolidated financial statements. There are no jointly controlled entities which are excluded in the scope of the consolidation.

The accounting method for non-financial subsidiaries, associates and jointly controlled associates is changed in accordance with TAS 27 "Individual Financial Statements" to the equity method introduced in TAS 28. The effects of this changed is given in Section Three I and III.2 numbered footnotes in detail.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

k. Information regarding finance lease receivables (Net):

k.1. Presentation of finance lease receivables according to their remaining maturities:

	Current Period	Prior Period
	Gross	Net
Less than 1 Year	2,553,899	2,181,081
1-4 Years	3,186,473	2,827,903
More than 4 Years	392,699	354,005
Total	6,133,071	5,362,989

	Current Period	Prior Period
	Gross	Net
Less than 1 Year	2,106,557	1,788,416
1-4 Years	2,642,652	2,335,065
More than 4 Years	303,832	278,485
Total	5,053,041	4,401,966

k.2. Information regarding net investments made on finance lease:

	Current Period	Prior Period
	Gross	Net
Gross Finance Lease Investment	6,133,071	
Unearned Finance Revenue from Finance Lease (-)	770,082	
Net Finance Lease Investment	5,362,989	

	Prior Period
	Gross
Gross Finance Lease Investment	5,053,041
Unearned Finance Revenue from Finance Lease (-)	651,075
Net Finance Lease Investment	4,401,966

k.3. Presentation of operating lease receivables according to their remaining maturities:

As at December 31, 2018 the remaining maturities of the Group's operating lease receivable is less than 1 year the total amount is TL 16,800 (December 31, 2017: TL 9,800).

I. Explanations on hedging derivative assets

In the current period, there are no hedging derivative financial assets. (December 31, 2017: None).

m. Information on tangible assets:

Current Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period					
Cost	4,950,705	221,647	23,601	2,777,351	7,973,304
Accumulated Depreciation	(77,177)		(15,572)	(1,959,535)	(2,052,284)
Net Book Value	4,873,528	221,647	8,029	817,816	5,921,020
Current Period End:					
Net Book Value at the Beginning of the Period	4,873,528	221,647	8,029	817,816	5,921,020
Change During the Period (Net) ⁽¹⁾	1,255,583	(5,425)	6,219	244,370	1,500,747
Depreciation	(36,813)		(3,433)	(258,014)	(298,260)
Impairment	(35,748)				(35,748)
Net Currency Translation Differences ⁽¹⁾	4,162		(79)	12,199	16,282
Cost at the Period End	6,078,539	216,222	28,073	3,016,341	9,339,175
Accumulated Depreciation at the Period End	(17,827)		(17,337)	(2,199,970)	(2,235,134)
Closing Net Book Value	6,060,712	216,222	10,736	816,371	7,104,041

⁽¹⁾ Includes the movements in cost and accumulated depreciation items.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

n. Information on Intangible Assets:

Explanation regarding consolidation goodwill that is included in intangible assets is given in Section Three under the caption of "XII. Explanations on Goodwill and Other Intangible Assets." The table consisting movements of other intangible assets are presented below.

	Current Period
Net Book Value at the Beginning of the Period	746,079
Change During the Period (Net) ⁽¹⁾	438,027
Depreciation	(361,958)
Impairment	
Currency Translation Differences ⁽¹⁾	25,419
Effects of Subsidiaries subject to Consolidation	
Cost at Period End	2,697,676
Accumulated Depreciation at Period End	(1,850,109)
Net Book Value at the End of the Period	847,567

⁽¹⁾ The balance includes the movements in cost and accumulated depreciation items.

	Prior Period
Net Book Value at the Beginning of the Period	543,509
Change During the Period (Net) ⁽¹⁾	618,111
Depreciation	(430,331)
Impairment	
Currency Translation Differences ⁽¹⁾	14,790
Effects of Subsidiaries subject to Consolidation	
Cost at Period End	2,219,051
Accumulated Depreciation at Period End	(1,472,972)
Net Book Value at the End of the Period	746,079

⁽¹⁾ The balance includes the movements in cost and accumulated depreciation items.

o. Information on investment property:

Investment properties are properties that the Group holds to earn rentals. Explanations on these subjects are given in Section Three Note XIV. Total rental income obtained from investment properties during the period is TL 160,525. (December 31, 2017: TL 142,338)

	Current Period
Net Book Value at the Beginning of the Period	3,454,409
Change During the Period (Net)	73,197
Revaluations Surplus/Deficit	176,975
Net Book Value at the End of the Period	3,704,581
	Prior Period
Net Book Value at the Beginning of the Period	3,373,451
Change During the Period (Net)	25,846
Revaluations Surplus/Deficit	55,112
Net Book Value at the End of the Period	3,454,409

p. Information on deferred tax asset:

As at December 31, 2018, the Parent Bank and the other consolidated Group companies has deferred tax asset amounting to TL 1,570,270. Such deferred tax asset is calculated based on the temporary differences between the book value of assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items.

	Current Period
Tangible Assets Base Differences	371,911
Provisions ⁽¹⁾	(2,187,060)
Finance Lease Income Accruals	8,484
Valuation of Financial Assets	253,845
Other	8,950
Net Deferred Tax Asset	(1,543,870)

⁽¹⁾Comprised of employee termination benefits, actual and technical deficits of the pension fund, insurance technical provisions, the provisions for credit card bonus points, expected credit loss for Stage 1 and Stage 2 loans and other provisions.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Tangible Assets Base Differences	284,245
Provisions ⁽¹⁾	(880,865)
Finance Lease Income Accruals	7,220
Valuation of Financial Assets	39,083
Other	(334)
Net Deferred Tax Asset	(550,651)

⁽¹⁾Comprised of employee termination benefits, actual and technical deficits of the pension fund, insurance technical provisions, the provisions for credit card bonus points, and other provisions.

The movement of deferred tax asset is as follows:

	Current Period
Balance at the Beginning of the Period	469,786
Deferred Tax Income/(Expense) (Net)	141,669
Deferred Tax Recognized under Equity	379,164
Foreign Currency Difference	1,480
Other ⁽¹⁾	471,705
Deferred Tax Asset ⁽²⁾	1,463,804

⁽¹⁾Consists of the opening effect of TFRS 9 and TFRS 15, and the deferred tax amount which are both recognized under prior year's profit or loss.

⁽²⁾In current period's consolidated financial statements, there is TL 1,543,870 of deferred tax asset and TL 80,066 of deferred tax liability which are netted off within the Movement Table. The explanations on deferred tax liability are given in Section V Note II.j.2

	Prior Period
Balance at the Beginning of the Period	547,615
Deferred Tax Income/(Expense) (Net)	112,394
Deferred Tax Recognized under Equity	(191,544)
Foreign Currency Difference	1,321
Deferred Tax Asset ⁽¹⁾	469,786

⁽¹⁾In prior period's consolidated financial statements, there was TL 550,651 of deferred tax asset and TL 80,865 of deferred tax liability which were netted off within the Movement Table. The explanations on deferred tax liability are given in Section V Note II.j.2

r. Information on assets held for sale and discontinued operations:

	Current Period
Net Balance at the Beginning of the Period	184,644
Change during the periods (Net)	96,267
Amortized Cost	(80)
Foreign Currency Difference	2,307
Net Book Value at the End of the Period	283,138

	Prior Period
Net Balance at the Beginning of the Period	106,814
Change during the periods (Net)	76,599
Amortized Cost	(672)
Foreign Currency Difference	1,903
Net Book Value at the End of the Period	184,644

All creditors including the Bank have reached an agreement on restructuring the loans granted to the company which was previously followed under Stage 2. As previously stated, loans of the company had been planning to be restructured based on required permits and necessary approvals within a new special purpose entity which was already incorporated or will be incorporated in the Republic of Turkey and owned by the creditors either directly or indirectly through takeover of the shares, that have been pledged by the company as a guarantee for the credit risk. Above mentioned process have been completed in the current period and, in this context the Bank owns 11.5972% and Türkiye Sinai Kalkınma Bankası A.Ş, a group company owns 1.6172% of the newly formed special purpose entity. This related loan is accounted Loans measured at fair value through profit or loss whereas its investment portion is classified within the scope of "TFRS-5 Assets Held for Sale and Discontinued Operations".

The other assets classified as "Assets Held for Sale" of the Group consist of real estates. Announcements about the real estate's subject to sale are also made by means of newspaper advertisements and similar media. In addition those real estates of the Parent Bank subject to sale are announced on the Parent Bank's web site.

The Group has no discontinued operations.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

s. Information on Other Assets of the Group:

The "other assets" item does not exceed 10% of total assets.

t. Information on Expected Credit Loss:

Expected credit loss for financial assets

	Stage 1	Stage 2	Stage 3
Beginning Term Provision (January 1, 2018)	32,263		
Additional Provisions During the Period	30,306		
Disposal During the Period	(20,610)		
Write-off			
Transfer to Stage 1			
Transfer to Stage 2			
Transfer to Stage 3			
Exchange Rate Differences	2,240		
Period-end Provisions (December 31, 2018)	44,199		

Expected credit loss for loans

	Stage 1	Stage 2	Stage 3
Beginning Term Provision (January 1, 2018)	2,268,504	1,379,766	4,262,696
Additional Provisions During the Period	642,091	2,876,423	2,911,316
Disposal During the Period	(811,360)	(154,866)	(406,385)
Write-off ⁽¹⁾			(1,166,361)
Transfer to Stage 1	58,522	(50,380)	(8,142)
Transfer to Stage 2	(326,884)	331,693	(4,809)
Transfer to Stage 3	(84,310)	(1,350,864)	1,435,174
Exchange Rate Differences	308,159	83,659	37,352
Period-end Provisions (December 31, 2018)	2,054,722	3,115,431	7,060,841

⁽¹⁾ The amount of TL 1,092,027 which has been written off from assets, in which details of the written off amount of the loan mentioned in Section VI-f.10.2, consists of Stage 3 expected credit loss.

II. DISCLOSURES AND FOOTNOTES ON CONSOLIDATED LIABILITIES

a. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	12,472,415		1,873,572	47,480,107	7,676,938	596,930	672,433	9,964	70,782,359
Foreign Currency Deposits	34,049,703		11,558,087	61,291,529	6,362,894	3,522,348	11,262,980	1,324	128,048,865
Residents in Turkey	28,632,603		10,147,637	52,426,146	4,359,441	1,179,939	3,586,575	1,099	100,333,440
Residents Abroad	5,417,100		1,410,450	8,865,383	2,003,453	2,342,409	7,676,405	225	27,715,425
Public Sector Deposits	936,429		2,804	38,128	1,045	1	546		978,953
Commercial Deposits	8,284,634		4,555,061	10,570,388	2,081,922	203,302	1,120,811		26,816,118
Other Institutions Deposits	367,443		81,886	3,750,022	6,353,013	29,923	52,839		10,635,126
Precious Metals Deposits	4,892,580		98,617	142,590		981,989	56,276		6,172,052
Interbank Deposits	652,517		1,067,498	1,550,728	778,507	359,776	1,138,903		5,547,929
The Central Bank of Turkey	126								126
Domestic Banks	10,316		835,454		603,030	2,044	4,165		1,455,009
Foreign Banks	641,975		232,044	1,550,728	175,477	357,732	1,134,738		4,092,694
Participation Banks	100								100
Other									
Total	61,655,721		19,237,525	124,823,492	23,254,319	5,694,269	14,304,788	11,288	248,981,402

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	13,608,953		2,442,700	47,036,800	2,872,422	325,103	387,345	8,724	66,682,047
Foreign Currency Deposits	26,593,004		9,594,158	47,691,350	4,275,934	3,594,444	13,001,915	1,111	104,751,916
Residents in Turkey	23,080,369		8,431,941	40,929,674	2,802,279	1,172,592	2,869,038	891	79,286,784
Residents Abroad	3,512,635		1,162,217	6,761,676	1,473,655	2,421,852	10,132,877	220	25,465,132
Public Sector Deposits	257,789		4,930	38,732	1,507	1	79		303,038
Commercial Deposits	9,859,314		3,060,043	9,028,310	1,140,484	388,416	57,025		23,533,592
Other Institutions Deposits	382,544		115,880	1,452,838	492,516	396,134	2,696		2,842,608
Precious Metals Deposits	3,069,885			80,910		605,549	32,523		3,788,867
Interbank Deposits	953,070		1,713,097	1,894,744	286,292	496,976	634,245		5,978,424
The Central Bank of Turkey	9								9
Domestic Banks	6,589		1,269,822	141,733	4,089				1,422,233
Foreign Banks	946,441		443,275	1,753,011	282,203	496,976	634,245		4,556,151
Participation Banks	31								31
Other									
Total	54,724,559		16,930,808	107,223,684	9,069,155	5,806,623	14,115,828	9,835	207,880,492

a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

	Under the Guarantee of Savings Deposits Insurance Fund	Exceeding the Limit of Deposit Insurance Fund
	Current Period	Current Period
Savings Deposits		
Savings Deposits	31,872,642	38,047,628
Foreign Currency Savings Deposits	21,865,360	56,323,397
Other Deposits in the Form of Savings Deposits	3,254,664	2,616,606
Foreign Branches' Deposits Under Foreign Authorities' Insurance	10,175,089	1,059,409
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance		

	Under the Guarantee of Savings Deposits Insurance Fund	Exceeding the Limit of Deposit Insurance Fund
	Prior Period	Prior Period
Savings Deposits		
Savings Deposits	33,520,069	32,378,884
Foreign Currency Savings Deposits	18,828,521	44,326,699
Other Deposits in the Form of Savings Deposits	2,091,793	1,543,922
Foreign Branches' Deposits Under Foreign Authorities' Insurance	6,775,759	425,758
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance		

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period
Foreign Branches' Saving Deposits and Other Accounts	1,028,605
Deposits and Other Accounts held by Main Shareholders and their Relatives	
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	28,304
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code Numbered 5237 and Dated 26 September 2004	
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey	
Foreign Branches' Saving Deposits and Other Accounts	816,230
Deposits and Other Accounts held by Main Shareholders and their Relatives	
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	18,851
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code Numbered 5237 and Dated 26 September 2004	
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey	

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b. Information on Derivative Financial Liabilities Held for Trading:

Derivative Financial Liabilities at Fair Value through Profit/Loss ⁽¹⁾	Current Period	
	TL	FC
Forward Transactions	394,935	270,107
Swap Transactions	1,303,096	2,154,610
Futures		
Options	2,367	257,359
Other		3,554
Total	1,700,398	2,685,630

⁽¹⁾ Includes negative differences related to derivative financial liabilities held for trading and classified under derivative financial liabilities. Information on derivative financial liabilities for hedging purposes is disclosed in Note II.h of Section Five.

Derivative Financial Liabilities Held for Trading	Prior Period	
	TL	FC
Forward Transactions	68,754	71,790
Swap Transactions	336,445	932,894
Futures		
Options	924	110,579
Other		51,212
Total	406,123	1,166,475

c. Banks and Other Financial Institutions:

c.1. Information on banks and other financial institutions:

	Current Period	
	TL	FC
Funds borrowed from the CBRT		539,698
Domestic banks and institutions	1,159,839	3,883,280
Foreign banks. institutions and funds	2,034,304	64,964,886
Total	3,194,143	69,387,864

	Prior Period	
	TL	FC
Funds borrowed from the CBRT		633,020
Domestic banks and institutions	2,386,853	2,430,815
Foreign banks. institutions and funds	2,678,048	55,329,052
Total	5,064,901	58,392,887

c.2. Maturity analysis of funds borrowed:

	Current Period	
	TL	FC
Short-term	1,110,046	5,492,850
Medium and Long-term	2,084,097	63,895,014
Total	3,194,143	69,387,864

	Prior Period	
	TL	FC
Short-term	3,064,032	4,783,405
Medium and Long-term	2,000,869	53,609,482
Total	5,064,901	58,392,887

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndication loans:

Date of Use	Funds Borrowed	Maturity
March 2018	5,000,000 USD + 96,267,500 EUR	1 year
May 2018	447,000,000 USD + 867,610,000 EUR	1 year
July 2018	25,000,000 USD + 168,500,000 EUR	1 year
October 2018	276,000,000 USD+605,000,000 EUR	1 Year

Securitization deals:

The Parent Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through its consolidated structured entity TIB Diversified Payment Rights Finance Company. The Parent Bank monitors securitization credits under the "Borrowings" on its financial statements as per its nature.

Information on funds received through securitization is given below.

Date	Amount	Final Maturity	Remaining Debt Amount as at December 31, 2018
June 2012	125,000,000 EUR	12 year	71,875,000 EUR
December 2013	50,000,000 EUR	12 year	35,000,000 EUR
December 2014	250,000,000 USD	5-14 year	210,000,000 USD
March 2015	555,000,000 USD	5-15 year	254,000,000 USD
October 2015	221,200,000 USD	10 year	186,637,500 USD
October 2016	240,000,000 USD	5-12 year	224,427,753 USD
December 2016	158,800,000 USD	10-13 year	158,800,000 USD
December 2017	265,000,000 USD	5-7 year	265,000,000 USD
December 2017	125,000,000 EUR	5 year	125,000,000 EUR
December 2017	125,000,000 USD	9 year	125,000,000 USD

Other Transactions:

As of August 2014, in connection with the future cash flows securitization program amounting to USD 500 million on 10 years maturity, the bank has increased the total amount of the financial instrument USD 600 million by obtaining the same structured USD 100 million in September 2017.

d. Information on Debt Securities Issued (Net):

	Current Period	
	TL	FC
Bills	8,370,994	
Bonds	1,267,533	31,003,744
Total	9,638,527	31,003,744

	Prior Period	
	TL	FC
Bills	6,203,449	71,645
Bonds	1,619,858	25,121,791
Total	7,823,307	25,193,437

e. Concentration of the liabilities of the Group:

Group's liabilities 50% are comprised of deposits, 15% are comprised of funds borrowed, 11% are comprised subordinated debt and marketable securities issued and 2% are comprised of debt from money markets. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations.

f. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

g. Information on Lease Payables (Net):

The group does not have any liabilities resulting from finance lease transactions.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

h. Information on Derivative Financial Liabilities Held for Risk Management:

h.1. Fair Value Hedges:

Derivative Financial Liabilities at Fair Value through Profit or Loss	Current Period		
	Contract Amount	Assets	Liabilities
Interest Rate Swap Transactions	18,028,129		172,258
FC	18,028,129		172,258
TL			

The details of derivative transactions for fair value hedge in the current period are given below.

Hedging Instrument	Hedged Financial Item	Type of Risk	Fair Value Difference of Hedging Assets ⁽¹⁾	Net fair value of hedging instrument ⁽¹⁾	Income statement effect (profit/loss from derivative financial transactions)
Interest Rate Swap Transactions	Fixed Interest rate Eurobonds and Greenbonds	Interest rate risk	127,988	(137,854)	(9,866)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest rate risk	20,723	(21,390)	(667)

⁽¹⁾ The fair value of the protected assets and the hedged assets subject to hedge accounting is shown as the net market value excluding the credit risk and the accumulated interest.

Derivative Financial Liabilities at Fair Value through Profit or Loss	Prior Period		
	Contract Amount	Assets	Liabilities
Interest Rate Swap Transactions	10,582,050		78,682
FC	10,582,050		78,682
TL			

The details of derivative transactions made for fair value hedge in the prior period are given below.

Hedging Instrument	Hedged Financial Item	Type of Risk	Fair Value Difference of Hedging Assets ⁽¹⁾	Net fair value of hedging instrument ⁽¹⁾	Income statement effect (profit/loss from derivative financial transactions)
Interest Rate Swap Transactions	Fixed Interest rate Eurobonds and Greenbonds	Interest rate risk	60,540	(71,434)	(10,894)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest rate risk	8,988	(10,600)	(1,612)

⁽¹⁾ The fair value of the protected assets and the hedged assets subject to hedge accounting is shown as the net market value excluding the credit risk and the accumulated interest.

h.2. Cash flow hedges: none

i. Information on Provisions:

i.1. Information on general loan loss provisions:

General Loan Loss Provisions	Prior Period	
		3,096,243
Provision for Group I Loans and Receivables		2,308,342
Provision for Group II Loans and Receivables		375,705
Provision for Non-cash Loans		262,345
Other		149,851

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Parent Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 5,434.42 (exact TL amount as of December, 31 2018), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. A provision for severance pay to allocate that employees need to be paid upon retirement is TL 1,024,853 as of December, 31 2018. (December 31, 2017: TL 823,400).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- Discount rate which is 16% and inflation rate which is 11.30%, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 5,434.42 (full TL amount) salary ceiling, which was effective as at December 31, 2018 was taken into account for the calculations.
- The age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees.

The movements related to provision for employee termination benefits are given below:

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	823,400	641,934
Current Service Cost	64,465	49,208
Interest Cost	92,169	70,266
Benefits paid	(49,784)	(39,411)
Loss/(Gain) due to Settlements/Reductions/Terminations	857	1,310
Prior Year Service Cost	19	
Actuarial loss/(gain)	93,727	100,093
Defined benefit obligation at the end of the period	1,024,853	823,400

In addition to the retirement pay liability, the Bank and the Group companies included in the consolidation reserve provisions for unused vacation. As of December 31, 2018 the unused vacation provision amount is TL 78,084 (December 31, 2017: TL 64,840).

i.3. Provisions for exchange losses in the principal amount of foreign currency indexed loans:

Since foreign currency indexed loans are followed based on the rates on the lending date, the Parent Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As at December 31, 2018 there is no provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans, the provision amount of the prior period (December 31, 2017: TL 10,306) has been accounted under foreign currency indexed loans within the financial statements.

i.4. Specific provisions for non-cash loans, which are not indemnified and not converted into cash:

As at December 31, 2018, TL 366,677 provision (December 31, 2017: TL 178,547) is allocated for the non-cash loans of companies whose loans are followed under non-performing loans accounts.

i.5. Information on other provisions:

i.5.1. Liabilities arising from retirement benefits:

Liabilities of pension funds founded as per the Social Security Institution:

Within the scope of the explanations given in Section Three Note XX.2, in the actuarial report which was prepared as of December 31, 2018 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund) by a licensed actuary, of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act numbered 506, the amount of actuarial and technical deficit stands at TL 2,875,305 (December 31, 2017 TL 2,638,215). According to the actuarial report as at December 31, 2018 of Milli Reasürans T.A.S. besides the Parent Bank, the amount of actuarial and technical deficit was determined to be TL 44,737 (December 31, 2017 TL 39,335). There is a provision on financial statements to compensate the deficit in mentioned period, the mentioned provision is preserved on current year financial statements as well.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of December 31, 2018, in other words, it measures the amount to be paid to the Social Security Institution by the Parent Bank. Actuarial assumptions used in the calculation are given below.

- 9.8 % technical deficit interest rate is used.
- 34.5 % total premium rate is used.
- CSO 1980 woman/man mortality tables are used.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Below table shows the cash values of premium and salary payments of the Parent Bank as of December 31, 2018, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(9,329,382)	(7,895,389)
Net Present Value of Long Term Insurance Line Premiums	3,952,714	3,252,022
Net Present Value of Total Liabilities Other Than Health	(5,376,668)	(4,643,367)
Net Present Value of Health Liabilities	(1,211,775)	(1,014,105)
Net Present Value of Health Premiums ⁽¹⁾	2,865,717	2,357,716
Net Present Value of Health Liabilities	1,653,942	1,343,611
Pension Fund Assets	847,421	661,541
Amount of Actuarial and Technical Deficit	(2,875,305)	(2,638,215)

⁽¹⁾ Short term insurance lines included.

The assets of the pension fund are as follows:

	Current Period	Prior Period
Cash and Cash Equivalents	538,880	318,908
Securities Portfolio	207,462	303,535
Other	101,079	39,098
Total	847,421	661,541

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

i.5.2. Provision of credit cards and promotion of banking services applications: The Bank has recognized provisions amounting to TL 85,673 for the amount which is recognized within the framework of credit card expenses of credit card customers or promotions for banking services as of December 31, 2018. (December 31, 2017: TL 78,420)

i.5.3. As mentioned public disclosures of the Bank on December 31, 2012 and December 19, 2013; an inspection has been made by the inspectors of Tax Inspection Board to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" ("İşbank Supplementary Pension Fund"), which was founded as per the provisions of the Turkish Commercial and Civil Codes, regarding the payments that fulfill İşbank's liabilities within the framework of the Articles of Foundation of the Pension Fund and the relevant legislation. As a result of this investigation, tax audit reports were prepared for the years 2007, 2008, 2009, 2010, 2011 claiming that the aforementioned liabilities should be taxed in terms of wage base, thus, they should be subject to withholding tax and stamp duty. According to this report, the total amount of tax and penalties notified to Bank was TL 74,353 for 2007 and 2008; and as of reporting date TL 151,899 for 2009, 2010 and 2011 and it was stated that the Bank applied to tax courts to cancel these tax notifications and some of the court decisions were determined in favor of the Bank and some others were determined against the Bank.

In this context, for the finalized decisions of Regional Administrative Courts related to the years 2007 and 2008 against the Bank, the Bank applied to the Constitutional Court. According to decisions made by Constitutional Court up to reporting date, there is no predictability in legal conformity for taxing the Bank's contributions to the Pension Fund in terms of wage base and for this reason it was accepted that property right of the Bank has been violated according to the 35th article of Constitution. The Court decided that the amount of tax, penalties and default interest which was paid by the Bank should be paid back to the Bank as for compensation with its legal interest.

Besides of the Bank, an inspection was conducted by Tax Audit Committee Inspectors regarding to the contribution obligations mentioned above for the period 2007-2011 on Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı Mensupları which is founded according to Turkish Commercial Law and Civil Law, owned by "Türkiye Sınai Kalkınma Bankası A.Ş". "Milli Reasürens T.A.Ş", and Anadolu Anonim Türk Sigorta Şirketi. As a result of the issued report that companies a total of TL 33 million (exact amount) tax penalty notices were notified. Assessments made on the subject by the company's application in accordance with the legislation, which was suspended for Tax Administration concluded that the lack of legal basis of assessment and said assessment were filed in court against the various tax. A number of cases concluded in favor of the Bank, another part of lawsuits concluded against the Bank.

According to the decision of the Constitutional Court, it is expected that the cases related to the periods 2007, 2008, 2009, 2010 and 2011 will conclude in favor of the Bank and the litigant Group companies. In this context, the provisions amounting to TL 217,265 which had been allocated for the mentioned periods, reversed at 2015. Within the scope of the legal process, the lawsuits amounting to TL 61,060 with respect to 20 period of 2012-2013 have been concluded against the Bank, is an ongoing process. In addition, at a case file, which was one of the lawsuits regarding the repayment of income tax stoppage and stamp tax which has been paid by reservation statement beginning from December 2013, of which its court decision was rendered in favour of the Bank, has been reversed by the majority of the votes of the Assembly after it was submitted to the General Assembly of Tax Courts. Regarding the mentioned issue, the legal process is ongoing.

In this process, the Group companies are acting together with the Parent Bank and in this period the Bank have been transferred to the provision account for the current period amounting to TL 63,337 (December 31, 2017: TL 50,712).

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

i.5.4. In 1993, Dışbank A.Ş. shares which were owned by the Bank were sold to Lapis Holding A.Ş. In 2008, it was claimed that USD 52,6 million of the amount, which was paid upfront within the context of the sale agreement, had been provided from the funds of the insolvent TYT Bank A.Ş. by the buyer and payment of USD 52,6 million as well as the interest to be calculated to the Savings Deposit Insurance Fund (SDIF) was demanded.

The administrative actions initiated by the SDIF in 2008 were revoked by Council of State Administrative Law Chambers 13th upon the application of the Bank. The decisions which were in favour of the Bank were reversed by Plenary Session of the Law Chamber upon the appeal of the SDIF, Council of State Administrative Law Chambers 13th decided to reject the applications of the Bank in January 2016 due to their obligation to obey the decisions of reversal.

After the aforementioned court decisions, while the legal process was still in progress, the collection procedures were carried out within the context of Law No. 6183 and TL 298,466 including the default interest, was collected from the Bank by the SDIF at prior period and made provision for the whole amount.

As a part of the legal process, individual application to the Constitutional Court of Republic of Turkey has been made by the Bank was not concluded positively. On the other hand the legal process is continued within the framework of the ongoing lawsuits and other available legal options.

i.5.5. Except the other provisions indicated above, other provisions consist of a free provision amounting to TL 1,200,000, (of which TL 1,740,000 thousands was provided in prior years and TL 350,000 thousands reversed in the current period and TL 190,000 thousands reversed under retain earnings), in accordance with the precautionary principle by the Group management by taking into consideration the possible changes in the economy and market conditions, provisions allocated for expenses and provisions allocated for ongoing lawsuits and other provisions set aside for miscellaneous reasons.

j. Information on Tax Liability:

j.1. Information on current tax liability:

j.1.1. Information on tax provision:

Explanations on taxation and calculations are explained in Note XXI of Section Three. As of December 31, 2018, as a result of the clarification of the Group's corporate tax liability and temporary taxes paid, the remaining corporate tax liability amounts to TL 1,126,004 and as a result of the separate clarification process of each partnership and tax authority, current tax asset amounting to TL 170,828 occurs.

j.1.2. Information on taxes payable:

	Current Period
Corporate Tax Payable	1,126,004
Tax on Securities Income	212,204
Tax on Real Estate Income	5,037
Banking Insurance Transaction Tax	270,761
Foreign Exchange Transaction Tax	122
Value Added Tax Payable	22,431
Other	76,970
Total	1,713,529
<hr/>	
	Prior Period
Corporate Tax Payable	495,078
Tax on Securities Income	178,263
Tax on Real Estate Income	4,422
Banking Insurance Transaction Tax	187,415
Foreign Exchange Transaction Tax	117
Value Added Tax Payable	12,410
Other	74,112
Total	951,817

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

j.1.3. Information on premiums:

	Current Period
Social Security Premiums - Employees	2,525
Social Security Premiums - Employer	2,999
Bank Pension Fund Premiums - Employees	
Bank Pension Fund Premiums - Employer	
Pension Fund Membership Fees and Provisions-Employees	3,789
Pension Fund Membership Fees and Provisions-Employer	1
Unemployment Insurance - Employees	1,928
Unemployment Insurance - Employer	3,756
Other	4
Total	15,002
	Prior Period
Social Security Premiums - Employees	2,515
Social Security Premiums - Employer	3,062
Bank Pension Fund Premiums - Employees	
Bank Pension Fund Premiums - Employer	
Pension Fund Membership Fees and Provisions-Employees	3,208
Pension Fund Membership Fees and Provisions-Employer	
Unemployment Insurance - Employees	3,161
Unemployment Insurance - Employer	6,287
Other	18
Total	18,251

j.2. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 80,066 deferred tax liability as at December 31, 2018. The related deferred tax liability is calculated over the temporary differences between the book values of assets and liabilities in the records and their tax base values calculated according to tax.

	Current Period
Tangible Assets Base Differences	84,800
Provisions	(26,823)
Valuation of Financial Assets	23,676
Other	(1,587)
Deferred Tax Liability	80,066
	Prior Period
Tangible Assets Base Differences	73,629
Provisions	(46,351)
Valuation of Financial Assets	28,318
Other	25,269
Deferred Tax Liability	80,865

k. Information on Payables for Assets Held for Sale and Discontinued Operations

The Bank does not have any payables for assets held for sale and discontinued operations.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

I. Information on subordinated loans

The Bank:

- As of October 24, 2012, issued 10 year-term bond with a nominal value of USD 1,000,000,000; as of December 10, 2013 issued 10 year-term bond with a nominal value USD 400,000,000 and as of June 29, 2017 issued 11 year-term bond with a nominal value USD 500,000,000 which all have the characteristic of subordinated loans for the purpose of making available to the individuals and legal persons who are resident abroad. Interest rates of aforementioned bonds are 6.00%, 7.85% and 7% respectively.
- As of August 8, 2017, the Bank has issued TL 1,100,000,000 (full TL amount) with floating interest rates for qualified investors without being offered to the public in Turkey.

The bonds mentioned are amounting to TL 11,158,801 as of December 31, 2018 (December 31, 2017: TL 8,287,981).

As of March 28, 2017, TSKB, the subsidiary of the Parent Bank, included in the consolidation, issued a bond with a maturity of 10 years and a nominal value of USD 300 million with an interest rate of 7.625% with an interest payment of six months and a quasi-subordinated loan. The balance sheet value of the mentioned borrowing instrument at the end of the period is TL1,549,774. (December 31, 2017: 1,146,236.)

	Current Period	
	TL	FC
Debt Instruments To Be Included In Additional Capital Calculation		
Subordinated Loans		
Subordinated Debt Instrument		
Debt Instruments To Be Included In Contribution Capital Calculation	1,136,214	11,572,361
Subordinated Loans	1,136,214	11,572,361
Subordinated Debt Instrument		
Total	1,136,214	11,572,361

	Prior Period	
	TL	FC
Debt Instruments To Be Included In Additional Capital Calculation		
Subordinated Loans		
Subordinated Debt Instrument		
Debt Instruments To Be Included In Contribution Capital Calculation	1,124,891	8,309,326
Subordinated Loans	1,124,891	8,309,326
Subordinated Debt Instrument		
Total	1,124,891	8,309,326

m. Information on consolidated shareholders' equity:

m.1. Presentation of paid-in capital:

	Current Period	
	TL	FC
Common shares		4,499,970
Preferred shares		30
Total	4,500,000	

	Prior Period	
	TL	FC
Common shares		4,499,970
Preferred shares		30
Total	4,500,000	

m.2. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

m.3. The capital increase made in current period: None.

m.4. Capital increase through transfer from capital reserves during the current period: None.

m.5. Significant commitments of the Parent Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: None

m.6. Information on shares acquired by the Company: The Parent Bank has repurchased shares amounting to TL 530,307 in accordance with the Board of Directors Decision dated August 17, 2018.

m.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Group's equity: The Parent Bank's and the Group companies' balance sheets are managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

m.8. Privileges Granted to Shares:

Turkish Commercial Law and related registration are kept conditionally;

Group (A) shares each with a nominal value of 1 Kurus have the privileges of:

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation),
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation) and

despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kurus, have the same rights with the Group (C) shares having a nominal value of 4 Kurus each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kurus are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

m.9. Information on marketable securities value increase fund:

	Current Period	
	TL	FC
Financial Assets At Fair Value Through Other Comprehensive Income		
Valuation Difference	(725,182)	(1,198,836)
Deferred Tax Effect on Valuation	(955,967)	(1,488,540)
Foreign Exchange Differences	223,887	289,704
Total	(725,182)	(1,198,836)
<hr/>		
	Prior Period	
	TL	FC
Financial Assets Available for Sale		
Valuation Difference	(1,198,312)	(99,105)
Deferred Tax Effect on Valuation	(1,539,603)	(123,278)
Foreign Exchange Differences	337,916	24,173
Total	(1,198,312)	(99,105)

n. Information on minority interest

	Current Period
Balance at the beginning of the period	5,208,212
Effect due to the Change in Accounting Policies	(1,278)
Distributed Dividend	(213,180)
Subsidiaries Profit/Loss on minority interest	899,561
Effect of change in subsidiaries equity	121,316
Effect of change in Group's minority interest	8,364
Period Ending Balance	6,022,995
<hr/>	
	Prior Period
Balance at the beginning of the period	5,070,088
Effect due to the Change in Accounting Policies	(352,136)
Distributed Dividend	(155,222)
Subsidiaries Profit/Loss on minority interest	638,021
Effect of change in subsidiaries equity	(1,263)
Effect of change in Group's minority interest	8,724
Period Ending Balance	5,208,212

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

III. DISCLOSURES AND FOOTNOTES ON CONSOLIDATED OFF-BALANCE SHEET ITEMS

a. Explanations to Liabilities Related to Off-Balance Sheet Items:

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 27,477,673 and commitment to pay for cheque leaves amounts to TL 2,600,948. The amount of commitment for the forward purchase of assets is TL 2,558,111 and for the forward sale of assets is TL 2,485,877.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

The Group's provisions for indemnified non-cash loans balance is TL 366,677 as of December 31, 2018 (December 31, 2017: TL 178,547) which is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts. Commitments are shown in the table of "Off-balance sheet items".

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period
Bank Acceptances	3,622,582
Letters of Credit	16,206,945
Other Guarantees	2,366,043
Total	22,195,570
	Prior Period
Bank Acceptances	3,356,576
Letters of Credit	17,905,531
Other Guarantees	1,774,423
Total	23,036,530

a.4. Certain guarantee, provisional guarantees, suretyships and similar transactions:

	Current Period
Letters of Tentative Guarantees	730,285
Letters of Certain Guarantees	40,427,889
Letters of Advance Guarantees	12,341,170
Letters of Guarantee Given to Customs Offices	3,004,272
Other Letters of Guarantee	14,854,294
Total	71,357,910
	Prior Period
Letters of Tentative Guarantees	1,404,867
Letters of Certain Guarantees	35,565,883
Letters of Advance Guarantees	10,970,808
Letters of Guarantee Given to Customs Offices	3,026,997
Other Letters of Guarantee	10,382,276
Total	61,350,831

a.5. Total Non-cash Loans:

	Current Period
Non-cash Loans against Cash Risks	16,516,174
With Original Maturity of 1 Year or Less	5,275,408
With Original Maturity More Than 1 Year	11,240,766
Other Non-cash Loans	77,037,306
Total	93,553,480
	Prior Period
Non-cash Loans against Cash Risks	11,142,206
With Original Maturity of 1 Year or Less	3,368,383
With Original Maturity More Than 1 Year	7,773,823
Other Non-cash Loans	73,245,155
Total	84,387,361

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a. 6. Sectoral Risk Concentration of Non-cash Loans:

	Current Period			
	TL	(%)	FC	(%)
Agriculture	138,435	0.42	67,949	0.11
Farming and Stockbreeding	101,744	0.31	32,833	0.05
Forestry	30,549	0.09	17	0.00
Fishery	6,142	0.02	35,099	0.06
Industry	10,545,222	31.98	32,826,928	54.19
Mining and Quarrying	220,160	0.67	263,049	0.43
Manufacturing	5,801,063	17.59	28,249,553	46.63
Electricity, Gas, Water	4,523,999	13.72	4,314,326	7.13
Construction	4,193,450	12.72	10,096,862	16.67
Services	17,924,103	54.35	17,087,056	28.21
Wholesale and Retail Trade	9,778,187	29.65	8,839,963	14.59
Hotel and Restaurant Services	278,028	0.84	562,036	0.93
Transportation and Communication	1,416,160	4.29	3,157,976	5.21
Financial Institutions	4,392,196	13.32	2,559,582	4.23
Real Estate and Rental Services	1,482,924	4.50	1,221,193	2.02
Self-Employed Services	314,960	0.96	256,185	0.42
Educational Services	67,124	0.20	2,846	0.00
Health and Social Services	194,524	0.59	487,275	0.81
Others	176,233	0.53	497,242	0.82
Total	32,977,443	100	60,576,037	100

	Prior Period			
	TL	(%)	FC	(%)
Agriculture	90,650	0.29	29,735	0.06
Farming and Stockbreeding	71,779	0.23	25,008	0.05
Forestry	16,278	0.05	0	0.00
Fishery	2,593	0.01	4,727	0.01
Industry	9,881,195	31.88	27,375,423	51.27
Mining and Quarrying	142,915	0.46	385,348	0.72
Manufacturing	5,199,297	16.78	24,004,638	44.96
Electricity, Gas, Water	4,538,983	14.64	2,985,437	5.59
Construction	4,400,455	14.19	7,227,297	13.54
Services	16,463,298	53.11	18,364,802	34.40
Wholesale and Retail Trade	9,448,801	30.48	10,444,297	19.56
Hotel and Restaurant Services	243,872	0.79	267,003	0.50
Transportation and Communication	1,467,737	4.73	1,696,698	3.18
Financial Institutions	3,392,500	10.94	3,075,937	5.76
Real Estate and Rental Services	1,517,886	4.90	2,310,504	4.33
Self-Employed Services	190,291	0.61	228,975	0.43
Educational Services	51,471	0.17	5,327	0.01
Health and Social Services	150,740	0.49	336,061	0.63
Others	164,757	0.53	389,749	0.73
Total	31,000,355	100	53,387,006	100

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.7. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	31,510,543	58,799,309	1,466,900	1,776,728
Letters of Guarantee	31,354,206	36,928,615	1,464,856	1,610,233
Bank Acceptances		3,616,557		6,025
Letters of Credit	82,449	16,014,134	2,044	108,318
Endorsements				
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees	17,395			
Other Guaranties and Warranties	56,493	2,240,003		52,152

b. Information on Derivative Financial Instruments:

Majority of the Group's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, and currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, the Group does not have any derivative transaction recognized as held for trading purposes. Derivatives, which are designed to hedge changes in fair values of financial instruments and meet required criterion are classified as derivatives held for hedge accounting purposes.

c. Explanations Related to Contingencies and Commitments:

The balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Parent Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 13,311,521.

The cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 2,600,948 in case the cheques presented for payment to beneficiaries are not covered, the Parent Bank will be obliged to pay the uncovered amount up to TL 940 (exact amount expressed) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", and up to TL 1,600 (exact amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

d. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note X under Section Four

IV. DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED INCOME STATEMENT

a. Interest Income

a.1. Information on interest income on loans:

	Current Period	
	TL	FC
Interest Income on Loans ⁽¹⁾		
Short-term Loans	7,342,647	788,227
Medium and Long-term Loans	16,007,634	8,186,255
Interest on Non-performing Loans	803,263	44,137
Premiums Received from State Resource Utilization Support Fund		
Total	24,153,544	9,018,619

⁽¹⁾Includes fee and commission income on cash loans.

	Prior Period	
	TL	FC
Interest Income on Loans ⁽¹⁾		
Short-term Loans	4,644,842	405,920
Medium and Long-term Loans	13,078,392	5,492,004
Interest on Non-performing Loans	232,487	1,391
Premiums Received from State Resource Utilization Support Fund		
Total	17,955,721	5,899,315

⁽¹⁾Includes fee and commission income on cash loans.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.2. Information on interest income on banks:

	Current Period	
	TL	FC
The Central Bank of Turkey		1,481
Domestic Banks	422,946	150,020
Foreign Banks	44,042	47,829
Foreign Head Offices and Branches		
Total	466,988	199,330
<hr/>		
	Prior Period	
	TL	FC
The Central Bank of Turkey		2,632
Domestic Banks	359,219	134,199
Foreign Banks	12,786	12,456
Foreign Head Offices and Branches		
Total	372,005	149,287

a.3. Information on interest income from securities:

	Current Period	
	TL	FC
Financial Assets at Fair Value through Profit and Loss	85,957	9,587
Financial Assets at Fair Value through Other Comprehensive Income	4,507,308	788,598
Financial Assets Measured at Amortized Cost	3,108,475	73,552
Total	7,701,740	871,737
<hr/>		
	Prior Period	
	TL	FC
Interest Income on Financial Assets Held for Trading	77,316	2,116
Interest Income on Financial Assets at Fair Value through Profit and Loss		
Interest Income on Financial Assets Available for Sale	4,048,403	607,765
Held to Maturity Investments	886,131	15,596
Total	5,011,850	625,477

a.4. Information on interest income received from associates and subsidiaries:

	Current Period	
	TL	FC
Interest Income from Associates and Subsidiaries		130
Total	130	
<hr/>		
	Prior Period	
	TL	FC
Interest Income from Associates and Subsidiaries		42
Total	42	

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

	Current Period	
	TL	FC
Banks	576,137	1,310,255
Central Bank of Turkey		2,481
Domestic Banks	246,954	92,823
Foreign Banks	329,183	1,214,951
Foreign Head Offices and Branches		
Other Institutions	2,794	810,558
Total ⁽¹⁾	578,931	2,120,813

⁽¹⁾Includes fee and commission expenses from cash loans.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period	
	TL	FC
Banks	460,504	684,947
Central Bank of Turkey		8,353
Domestic Banks	175,954	50,499
Foreign Banks	284,550	626,095
Foreign Head Offices and Branches		
Other Institutions	2,794	445,571
Total ⁽¹⁾	463,298	1,130,518

⁽¹⁾Includes fee and commission expenses from cash loans.

b.2. Information on interest paid to associates and subsidiaries:

	Current Period	
	TL	FC
Interest Paid to Associates and Subsidiaries		63,790
Interest Paid to Associates and Subsidiaries		53,096

b.3. Information on interest paid on marketable securities issued:

	Current Period	
	TL	FC
Interest on Securities Issued	1,569,764	2,532,885
Prior Period		
Interest on Securities Issued	TL	FC
	928,510	1,656,257

b.4. Information on Interest Expense on Deposits According to Maturity Structure:

Current Period	Demand Deposits	Time Deposits							Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits		
TL									
Bank Deposits	1	261,787	78,816	8,523	194	165			349,486
Savings Deposits	1	244,865	7,076,423	513,587	44,014	48,605	816		7,928,311
Public Sector Deposits		160	6,707	113		24			7,004
Commercial Deposits	7	606,941	1,639,678	133,902	31,581	71,937			2,484,046
Other Institutions Deposits		38,286	329,788	191,843	2,590	229			562,736
Deposits with 7 Days Notice									
Total	9	1,152,039	9,131,412	847,968	78,379	120,960	816		11,331,583
FC									
Foreign Currency Deposits	777	180,548	1,209,076	106,252	67,439	376,101	20		1,940,213
Bank Deposits	3,226	5,753	20,393	3,273	6,762	5,583			44,990
Deposits with 7 Days Notice									
Precious Metals Deposits		1,278	1,267	40	6,510	489			9,584
Total	4,003	187,579	1,230,736	109,565	80,711	382,173	20		1,994,787
Grand Total	4,012	1,339,618	10,362,148	957,533	159,090	503,133	836		13,326,370

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Prior Period	Demand Deposits	Time Deposits						Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year	Accumulated Deposits	
TL								
Bank Deposits	8	257,921	25,923		89	48		283,989
Savings Deposits		199,341	4,679,364	254,420	44,159	37,679	617	5,215,580
Public Sector Deposits		2,986	6,718	305		3		10,012
Commercial Deposits	3	439,851	1,193,943	93,929	39,277	4,618		1,771,621
Other Institutions Deposits		18,126	205,013	96,399	101,534	225		421,297
Deposits with 7 Days Notice								
Total	11	918,225	6,110,961	445,053	185,059	42,573	617	7,702,499
FC								
Foreign Currency Deposits	1,341	145,740	796,608	63,884	64,899	248,556	16	1,321,044
Bank Deposits	2,335	20,397	21,880	3,955	4,957	6,765		60,289
Deposits with 7 Days Notice								
Precious Metals Deposits			752		3,703	241		4,696
Total	3,676	166,137	819,240	67,839	73,559	255,562	16	1,386,029
Grand Total	3,687	1,084,362	6,930,201	512,892	258,618	298,135	633	9,088,528

c. Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit and Loss	12,976
Financial Assets at Fair Value Through Other Comprehensive Income	5,501
Other	1,178
Total	19,655

	Prior Period
Financial Assets Held for Trading	8,542
Financial Assets at Fair Value Through Profit and Loss	
Financial Assets Available for Sale	7,817
Other	1,899
Total	18,258

d. Information on trading income/losses (Net):

	Current Period
Income	746,676,800
Securities Trading Gains	9,699,144
Gains on Derivative Financial Instruments ⁽¹⁾	20,732,885
Foreign Exchange Gains	716,254,771
Losses (-)	748,970,486
Securities Trading Losses	9,491,588
Losses on Derivative Financial Instruments ⁽¹⁾	23,334,048
Foreign Exchange Losses	716,144,850
Trading Income/Losses (Net)	(2,293,686)

⁽¹⁾ Income arising from foreign currency changes related to derivative transactions amounting TL 17,401,443 and the losses amounting TL 20,842,723 and the amount of net loss is TL 3,441,280.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Prior Period
Income	253,305,893
Securities Trading Gains	6,198,767
Gains on Derivative Financial Instruments ⁽¹⁾	8,500,891
Foreign Exchange Gains	238,606,235
Losses (-)	254,252,146
Securities Trading Losses	5,894,642
Losses on Derivative Financial Instruments ⁽¹⁾	10,126,130
Foreign Exchange Losses	238,231,374
Trading Income/Losses (Net)	(946,253)

⁽¹⁾ Income arising from foreign currency changes related to derivative transactions amounting TL 5,958,885 and the losses amounting TL 7,685,942 and the amount of net income is TL 1,727,057.

e. Information on other operating income:

As at reporting period, TL 5,800,208 of other operating income sources from inclusion and classification of operations of insurance and reinsurance companies; 90 % of which is from insurance premiums. (December 31, 2017: 5,092,904 TL, 93 %).The remaining amount, mainly consists of non-performing loans in regard to various reasons, the provisions of the amounts of the collections from loans classified as stage 3 or cancellations from expected credit loss, the remaining portion of the range of banking services customers in return derived from fee income and fixed asset sales revenues.

f. Information on provision expenses on loans and other receivables:

	Current Period
Expected Credit Loss	6,896,351
Expected Credit Loss for 12 Months (Stage 1)	445,263
Significant Increase in Credit Risk (Stage 2)	2,237,703
Non-Performing Loans (Stage 3)	4,213,385
Impairment Losses on Marketable Securities	12,687
Financial Assets at Fair Value through Profit and Loss	5,080
Financial Assets at Fair Value Through Other Comprehensive Income	7,607
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	4,524
Associates	—
Subsidiaries	4,524
Jointly Controlled Entities	—
Other	99,291
Total	7,012,853

	Prior Period
Specific Provisions for Loans and Other Receivables	2,034,044
Group III Loans and Receivables	159,640
Group IV Loans and Receivables	435,221
Group V Loans and Receivables	1,439,183
General Loan Provision Expenses	530,216
Provision Expenses for Potential Risks	300,000
Impairment Losses on Marketable Securities	11,412
Financial Assets at Fair Value through Profit and Loss	7,325
Financial Assets Available for Sale	4,087
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	11,372
Associates	998
Subsidiaries	8,471
Jointly Controlled Entities	—
Investments Held to Maturity	1,903
Other	129,373
Total	3,016,417

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

g. Other operating expenses:

	Current Period
Personnel Expenses ⁽¹⁾	4,501,780
Reserve for Employee Termination Benefits	113,971
Bank Pension Fund Deficit Provisions	242,492
Impairment Losses on Tangible Assets	49,927
Depreciation Expenses of Tangible Assets	298,340
Impairment Losses on Intangible Assets	
Impairment Losses on Goodwill	
Amortization Expenses of Intangible Assets	361,958
Impairment Losses on Investments Accounted Under Equity Method	
Impairment Losses on Assets to be Disposed	
Depreciation Expenses of Assets to be Disposed	
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations	4,436
Other Operating Expenses	2,965,690
Operational Lease Related Expenses	418,811
Repair and Maintenance Expenses	191,342
Advertisement Expenses ⁽²⁾	235,361
Other Expenses ⁽²⁾	2,120,176
Loss on Sale of Assets	5,579
Other	6,111,953
Total	14,656,126

⁽¹⁾ In the current period, different from prior year, Personnel Expenses are shown as a separate item in income statement. Unlike prior period, Other Operating Expense does not include personnel expenses.

⁽²⁾ Expense amount of the Bank's donation, aid and social responsibility projects is TL 54,244 in the current period.

In the table above, TL 5,652,737 of the operating expenses in the "Other" group arises from the related sector companies due to the expense related to the activities of insurance and reinsurance companies in this item, and significant portion of the related expenses constitute paid compensation expenses. In the current period, TL 5,310 of the related item is due to the expenses incurred as a result of fee rebates which were recognized as other expenses in prior years and TL 374,726 consists of the fees, taxes, duties and funds.

	Prior Period
Personnel Expenses ⁽¹⁾	4,112,633
Reserve for Employee Termination Benefits	87,060
Bank Pension Fund Deficit Provisions	258,852
Impairment Losses on Tangible Assets	8,005
Depreciation Expenses of Tangible Assets	287,117
Impairment Losses on Intangible Assets	
Impairment Losses on Goodwill	
Amortization Expenses of Intangible Assets	430,331
Impairment Losses on Investments Accounted Under Equity Method	
Impairment Losses on Assets to be Disposed	18
Depreciation Expenses of Assets to be Disposed	
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations	
Other Operating Expenses	2,641,070
Operational Lease Related Expenses	381,558
Repair and Maintenance Expenses	155,450
Advertisement Expenses ⁽²⁾	277,162
Other Expenses ⁽²⁾	1,826,900
Loss on Sale of Assets	3,656
Other	5,033,369
Total	12,862,111

⁽¹⁾ According to "TAS 19-Employee Benefits", it includes provision for the payments that will be made to employees such as dividend distribution etc.

⁽²⁾ Expense amount of the Bank's donation, aid and social responsibility projects is TL 45,301 in the prior period.

On the table above, TL 4,556,418 of other operating expense includes insurance and reinsurance companies' expenses which are related with their operations, the paid claims comprise almost this entire amount. TL 16,999 of the related item is due to the expenses incurred as a result of fee rebates which were recognized as income in prior years and TL 303,147 consists of the fees, taxes, duties and funds.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

h. Information on profit/loss before tax from continuing and discontinued operations

The Group's pre-tax profit stems from ongoing activities. Profit before tax consists of net interest income of TL 19,586,272, net fees and commission income of TL 3,756,035 and total of other operating expenses is TL 14,656,126.

i. Information on Provision for taxes including taxes from continuing and discontinued operations

As of December 31, 2018 the amount of the Group's tax provision is TL 1,517,912 and the amount consists of current tax expense amounting to TL 1,659,581 and consists of deferred tax income amounting TL 141,669. Group has no discontinued operations.

j. Information on net operating profit/loss from continuing and discontinued operations:

The Group's net profit generated from its continuing operations amounts to TL 7,571,384.

k. Information on net period profit/loss:

k.1. Income and expenses resulting from ordinary banking activities: There is no specific issue required to be disclosed for the Group's performance for January 1, 2018-December 31, 2018.

k.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

k.3. "The Other" item which is located at the bottom "Fees and Commissions Received" in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions and insurance-reinsurance transactions.

k.4. Net profit/loss of Minority Interest:

	Current Period	Prior Period
Net Profit/Loss of Non-controlling Interest	899,561	638,021

l. Information on other items in income statement

Other items do not exceed 10% of the total amount of the income statement.

V. DISCLOSURES AND FOOTNOTES ON CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 4,487,970, the balance of extraordinary reserves is TL 112,204 and the balance of statutory reserves is TL 24,436,994.

In the current period, the effect of revaluation surplus amounting to TL 1,203,375 resulting from the revaluation of real estates held for usage purposes, on the Group's Equity, is accounted under 'Tangible Assets Revaluation Surplus' by netting off with deferred tax effect amounting to TL 71,625.

The change in prior period's profit is due to the part of cancelled free provision related to prior year's profit, due to the revaluation surplus under equity that was related to the real estate sold in the current period but transferred to prior year's profit within the scope of TMS 16 and due to the change in Group's shares.

The details of revaluation surplus account of securities are shared in the Note Section V-II-I-9. TL 513,591 of this amount is the deferred tax effect on available for sale securities (December 31, 2017: TL 362,043).

VI. DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED STATEMENTS OF CASH-FLOWS

The consolidated operating profit of TL 16,900,414 before the changes in operating assets and liabilities mostly comprised of TL 40,514,718 of interest received from loans and securities, and TL 23,599,120 of interest paid on deposits, money market transactions and funds borrowed by the Bank. An important part of other revenues, TL 5,273,483 consists of premium collections of insurance companies. The account "Other" classified under operating profit other than fees and commissions paid, cash payments to personnel and service suppliers and taxes paid consists of other operating expenses and foreign exchange gains/losses accounts is TL (3,151,196) (December 31, 2017: (5,257,677)).

Net Increase (Decrease) in Other Liabilities account classified in changes of assets and liabilities resulting from the changes in Funds Provided Under Repurchase Agreements, miscellaneous payables, other liabilities and taxes, duties, charges, and premiums is decreased by TL 8,870,657 (December 31, 2017: TL 5,246,518 increase).

The Net Cash Provided from Other Investing Activities account includes net cash flows from the sale of intangible assets and declined by TL 438,831 (December 31, 2017: TL 618,450 decrease).

The effect of changes in foreign exchange rates on cash and cash equivalents is on the positive side TL 84,514 as of December 31, 2018. Due to the high rate of turnover of related foreign currency assets, the difference between the last 30 days' arithmetic average of currency exchange rates and the year-end currency exchange rate is used to calculate the effect of change in foreign exchange rate. Under the same assumption, the effect of change in foreign exchange rate on cash and cash equivalents is calculated.

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Cash and cash equivalents at beginning of period:

	December 31, 2017	December 31, 2016
Cash	12,794,015	12,281,594
Cash in TL and Foreign Currency	3,342,048	3,410,427
Central Bank of Turkey and Other	9,451,967	8,871,167
Cash Equivalents	8,494,826	7,687,535
Receivables from Money Market Operations	464,818	466,805
Banks' Demand Deposits and Time Deposits Up to 3 Months	8,030,008	7,220,730
Total Cash and Cash Equivalents	21,288,841	19,969,129

The total amount resulting from the transactions made in the previous period shows the total cash and cash equivalents as of the beginning of the current period.

Cash and Cash equivalents as of end of the period:

	December 31, 2018	December 31, 2017
Cash	23,065,119	12,794,015
Cash in TL and Foreign Currency	4,857,428	3,342,048
Central Bank of Turkey and Other	18,207,691	9,451,967
Cash Equivalents	11,574,069	8,494,826
Receivables from Money Market Operations	753,146	464,818
Banks' Demand Deposits and Time Deposits Up to 3 Months	10,820,923	8,030,008
Total Cash and Cash Equivalents	34,639,188	21,288,841

VII. DISCLOSURES AND FOOTNOTES ON THE GROUP'S RISK GROUP

a. Information on the volume of transactions relating to the Group's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	225	3,936,058			239,279	464,648
Balance at the end of the period	278	5,830,957			447,270	530,059
Interest and commission income received	130	314			35,557	1,805

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	25,018	2,479,336			196,213	569,518
Balance at the end of the period	225	3,936,058			239,279	464,648
Interest and commission income received	42	128			21,196	1,939

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

a.2. Information on deposits held by the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group
		Current Period	Current Period	
Deposits				
Balance at the beginning of the period	852,148	148,163		2,634,406
Balance at the end of the period	581,002	178,624		2,597,067
Interest expense on deposits	61,933	38,950		146,667

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group
		Prior Period	Prior Period	
Deposits				
Balance at the beginning of the period	536,894	242,924		3,101,929
Balance at the end of the period	852,148	148,163		2,634,406
Interest expense on deposits	49,461	36,199		155,719

a.3. Information on forward and option and other similar agreements made with the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group
		Prior Period	Prior Period	
Transactions at Fair Value Through Profit and Loss				
Beginning of the period				
End of the period	102,582			20,898
Total Profit/Loss				(94)
Transactions for hedging purposes				
Beginning of the period				
End of the period				
Total Profit/Loss				

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group
		Prior Period	Prior Period	
Transactions at Fair Value Through Profit and Loss				
Beginning of the period				26,465
End of the period				
Total Profit/Loss	(374)			1,606
Transactions for hedging purposes				
Beginning of the period				
End of the period				
Total Profit/Loss				

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
 (Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

b. Disclosures for the Group's risk group:

In accordance with the relevant decision of the Banking Regulation and Supervision Agency, the special purpose entity and the mentioned company's subsidiary Türk Telekom A.Ş, are not included in the Bank's risk group, where details are disclosed in Section V, footnote I.f.2 and footnote I.r.

b.1. The relations of the Group with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions, The ratio of loans extended to the risk group to the overall loans is 0.15%, while the ratio to the overall assets is 0.09% the ratio of deposits of the risk group corporations to the overall deposits is 1.35%, while the ratio to overall liabilities is 0.67%, The comparable pricing policy is used for the transactions.

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals and management agreements:

The Parent Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş, and İş Portföy Yönetimi A.Ş, 17 mutual funds which are founded by the Anadolu Hayat Emeklilik A.Ş, are managed by İş Portföy Yönetimi A.Ş, throughout the requirements, the Bank acquires its properties through its associate, İş Finansal Kiralama A.Ş. If requested, the cash and non-cash loan needs of the risk group companies are met in accordance with the limits imposed by Banking Law and the prevailing market conditions.

c. Total salaries and similar benefits paid to the (executive members and senior executives)

In the current period, the net payment provided to the key management of Group amounts TL 102,382. (December 31, 2017: TL 90,095).

VIII. DISCLOSURES ON THE GROUP'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR PARTICIPATIONS AND REPRESENTATIVE OFFICES

The Parent Bank - Türkiye İş Bankası A.Ş.

	Number	Employees	Country of Incorporation	Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	1,333	24,267			
Foreign Representative Offices	1	3	China		
	1	2	Egypt		
Foreign Branches	2	40	England	19,143,790	665
	15	188	TRNC	5,438,733	80,000
	2	36	Iraq	1,224,985	260,277
	2	28	Kosovo	833,247	59,998
Off-Shore Branches	1	6	Bahrain	5,032,892	

⁽¹⁾The Branches located in Free Trade Zones in Turkey are included among domestic branches.

İşbank AG

	Number	Employees	Country of Incorporation	Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	10	164			
Foreign Representative Offices					
Foreign Branches	1	7	Netherlands	785,898	
	1	1	France	31,333	
Off-Shore Branches					

⁽¹⁾The branches of the company, which is headquartered in Germany, in Germany are shown as domestic branches

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Milli Reasürans T.A.Ş.

	Number	Employees	Country of Incorporation	Total Assets	Legal Capital
Domestic Branches	1	200			
Foreign Representative Offices					
Foreign Branches					
Off-Shore Branches	1	12	Singapore	262,619	157,827

JSC İşbank

	Number	Employees	Country of Incorporation	Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	3	127			
Foreign Representative Offices					
Foreign Branches					
Off-Shore Branches					

⁽¹⁾ The branches of the company, which is headquartered in Moscow, in Russia are shown as domestic branches.

JSC İşbank Georgia

	Number	Employees	Country of Incorporation	Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	3	67			
Foreign Representative Offices					
Foreign Branches					
Off-Shore Branches					

⁽¹⁾ The branches of the company, which is headquartered in Tiflis, in Georgia are shown as domestic branches.

Number of employees of consolidated companies that does not have agencies and branches abroad:

	Employees
Anadolu Anonim Türk Sigorta Şirketi	1,288
Anadolu Hayat Emeklilik A.Ş.	1,064
Efes Varlık Yönetimi A.Ş.	81
İş Faktöring A.Ş.	124
İş Finansal Kiralama A.Ş.	144
İş Gayrimenkul Yatırım Ortaklıği A.Ş.	79
İş Girişim Sermayesi Yatırım Ortaklıği A.Ş.	13
İş Portföy Yönetimi A.Ş.	69
İş Yatırım Menkul Değerler A.Ş.	342
İş Yatırım Ortaklıği A.Ş.	6
Maxis Girişim Sermayesi Yatırım Ortaklıği A.Ş	5
Maxis Investments Ltd ⁽¹⁾	12
TSKB Gayrimenkul Yatırım Ortaklıği A.Ş.	12
Türkiye Sınai Kalkınma Bankası A.Ş.	371
Yatırım Finansman Menkul Değerler A.Ş.	122

⁽¹⁾ The Company, which is headquartered in London, does not have any branch or representative office beside its head office.

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

IX. SUBSEQUENT EVENTS

Within the framework of the resolution of the Bank's Board of Directors dated September 20, 2018 regarding issuance of securities, the Bank has issued commercial paper and discounted bond with total nominal value of TL 1,614.8 million which contains a nominal value of TL 150 million issued to accredited investors, and a nominal value of TL 1,464.8 million issued by public offering, after December 31, 2018.

Within the framework of the resolution of the Bank's Board of Directors dated December 26, 2018 regarding issuance of securities abroad, 3 million GBP has been issued abroad after December 31, 2018.

As of 31.12.2018, İş Faktoring has issued bonds with a nominal value of TL 119.9 million, İş Yatırım Menkul Değerler A.Ş. with a nominal value of TL 2,211.9 million, İş Finansal Kiralama A.Ş. with a nominal value of TL 776.5 million and İş Gayrimenkul Yatırım Ortaklığı A.Ş. with a nominal value of TL 100 million.

SECTION SIX: OTHER EXPLANATIONS

I. EXPLANATIONS ON THE GROUP'S CREDIT RATINGS:

	Rating	Outlook (*)
MOODY'S		
Long-term Foreign Currency Deposit	B2	Negative
Long-term Local Currency Deposit	B2	Negative
Long-term Foreign Currency Senior Debt	B2	Negative
Short-term Foreign Currency Deposit	Not-Prime	-
Short-term Local Currency Deposit	Not-Prime	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB-	Negative
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
National Long-term Rating	A+ (tur)	Stable
Viability Rating	b+	-
Support Rating	4	-
STANDARD & POOR'S		
Long-term Counterparty Credit Rating	B+	Negative
Short-term Counterparty Credit Rating	B	-
Long-term National Scale Rating	trA+	-
Short-term National Scale Rating	trA-1	-

İş Finansal Kiralama A.Ş.

	Rating	Outlook
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB-	Negative
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
National Long-term Rating	A+(tur)	Stable
Support Rating	4	-

Türkiye İş Bankası A.Ş.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

Türkiye Sınai Kalkınma Bankası A.Ş.

	Rating	Outlook ^(*)
MOODY'S		
Baseline Credit Assessment	b3	-
Long-term Foreign Currency Issuer Rating	B2	Negative
Short-term Foreign Currency Issuer Rating	Not-Prime	-
Long-term Local Currency Issuer Rating	B2	Negative
Short-term Local Currency Issuer Rating	Not-Prime	-
Senior Unsecured Debt Foreign Currency Issuer Rating	B2	Negative
Foreign Currency GMTN Program Rating	(P)B2	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB	Negative
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
Long-term National Rating	AA	Stable
Support Rating	4	-
Support Rating	B+	-
Subordinated Debt Rating	B	-
Financial Capacity Rating	b+	-

(*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

The dates below given are on which the credit ratings were last updated:

Moody's: 28.08.2018 Fitch Ratings: October 01, 2018. Standard&Poor's: August 17, 2018.

II. Explanations on Special Purpose Audit and Public Audit

According to the Turkish Commercial Code 207, 438 and 439, there has not been the scope of the special audit to the Bank in the current period. At Bank BRSA, CBRT, the Capital Markets Board, the Competition Authority is subject to public scrutiny, including public institutions such as, in relation to these inspections of public institutions, if there is a point where disclosure to be necessary, the Bank shares the issues with the public through disclosures.

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:

The consolidated financial statements and disclosures for the period ended December 31, 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst&Young Global Limited) and the independent auditor's report dated February 8, 2019, is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND FOOTNOTES OF THE INDEPENDENT AUDITORS REPORT

There are no significant issues or necessary disclosures or notes in relation to the Group's operations other than those mentioned above.

Financial Highlights and Key Ratios for the Five-Year Period

UNCONSOLIDATED					
ASSETS (TL thousand)	2014/12	2015/12	2016/12	2017/12 ⁽¹⁾	2018/12
Cash and Equivalents	2,557,158	2,844,408	3,742,497	3,363,250	4,888,627
Banks and Receivables from Interbank Money Markets ⁽¹⁾	23,442,769	30,325,618	30,913,211	35,060,422	43,630,394
Securities (Net)	40,856,011	44,780,864	51,309,768	57,351,543	68,133,659
Loans ⁽²⁾	155,315,498	177,036,620	203,143,845	239,408,795	260,316,291
Associates and Subsidiaries (Net)	9,624,972	9,393,597	10,442,397	13,802,243	17,638,720
Fixed Assets (Net)	2,236,258	4,747,116	4,838,475	5,162,561	5,996,958
Other Assets ⁽³⁾	3,739,309	6,589,361	7,235,720	8,094,719	15,782,955
Total Assets	237,771,975	275,717,584	311,625,913	362,243,533	416,387,604
LIABILITIES (TL thousand)	2014/12	2015/12	2016/12	2017/12 ⁽¹⁾	2018/12
Deposits	133,551,191	153,802,426	177,359,976	203,752,032	245,268,846
Funds Borrowed and Interbank Money Market Placements ⁽⁴⁾	58,787,820	72,305,908	78,872,749	92,457,257	94,468,343
Provisions ⁽⁵⁾	6,450,399	7,093,746	7,544,609	8,808,734	6,256,462
Other Liabilities	9,671,498	10,480,514	11,887,598	14,241,243	20,673,329
Shareholders' Equity	29,311,067	32,034,990	35,960,981	42,984,267	49,720,624
Total Liabilities	237,771,975	275,717,584	311,625,913	362,243,533	416,387,604
INCOME STATEMENT (TL thousand)	2014/12	2015/12	2016/12	2017/12 ⁽¹⁾	2018/12
Interest Income ⁽⁶⁾	16,085,908	19,200,361	22,327,585	27,655,465	38,840,381
Interest Expenses ⁽⁶⁾	8,631,691	10,214,805	11,490,304	14,447,809	21,788,130
Net Interest Income	7,454,217	8,985,556	10,837,281	13,207,656	17,052,251
Net Trading Income	184,866	-868,620	-816,736	-1,878,444	-4,071,660
Net Fees and Commissions Income	2,003,778	2,388,802	2,840,357	3,373,715	4,405,201
Dividend Income	594,982	554,940	682,673	11,072	6,425
Other Operating Income	1,011,812	1,108,588	1,313,972	1,146,647	1,912,307
Total Operating Income	11,249,655	12,169,266	14,857,547	15,860,646	19,304,524
Operating Expenses ⁽⁷⁾	5,695,413	6,327,389	6,506,124	7,395,787	8,039,721
NET OPERATING PROFIT/LOSS ⁽⁸⁾	5,554,242	5,841,877	8,351,423	8,464,859	11,264,803
Provision for Losses on Loans and Other Receivables ⁽⁹⁾	1,323,174	2,058,180	2,597,641	2,633,246	6,343,674
Profit/Loss from subsidiaries Based on Equity Method	-	-	-	1,610,386	2,808,736
PROFIT/(LOSS) BEFORE TAXES	4,231,068	3,783,697	5,753,782	7,441,999	7,729,865
Provision for Taxes	848,626	701,006	1,052,576	1,240,720	960,780
NET PERIOD PROFIT/(LOSS)	3,382,442	3,082,691	4,701,206	6,201,279	6,769,085
KEY RATIOS	2014/12	2015/12	2016/12	2017/12 ⁽¹⁾	2018/12
Interest Earning Assets ⁽¹⁰⁾ / Total Assets	92.3%	91.3%	91.5%	91.5%	89.3%
Interest Earning Assets ⁽¹⁰⁾ / Interest Bearing Liabilities	114.2%	111.4%	111.3%	111.9%	109.4%
Securities / Total Assets	17.2%	16.2%	16.5%	15.8%	16.4%
Loans / Total Assets	65.3%	64.2%	65.2%	66.1%	62.5%
Loans / Deposits	116.3%	115.1%	114.5%	117.5%	106.1%
Retail Loans / Total Loans	27.3%	26.4%	24.9%	23.8%	22.4%
NPL Ratio	1.5%	2.0%	2.4%	2.2%	4.1%
Coverage Ratio	76.9%	75.1%	77.5%	86.0%	58.7%
Demand Deposits / Total Deposits	22.0%	22.6%	24.6%	26.3%	24.4%
Shareholders' Equity / Total Liabilities	12.3%	11.6%	11.5%	11.9%	11.9%
Capital Adequacy Standard Ratio	16.0%	15.6%	15.2%	16.7%	16.5%
Return on Average Assets ⁽¹¹⁾	1.5%	1.2%	1.6%	1.8%	1.7%
Return on Average Equity ⁽¹¹⁾	13.1%	10.4%	13.7%	15.4%	14.8%
Cost / Income ⁽¹²⁾	50.6%	52.0%	43.8%	42.3%	36.4%
OTHER INFORMATION (TL thousand)	2014/12	2015/12	2016/12	2017/12 ⁽¹⁾	2018/12
Regulatory Capital	35,255,300	37,766,807	40,996,321	50,559,960	58,950,530
Core Capital	29,929,906	32,380,827	35,505,450	42,474,633	49,052,634
Free Capital ⁽¹³⁾	21,137,787	21,723,275	24,295,964	29,874,011	29,896,338
Demand Deposits	29,431,107	34,683,265	43,598,933	53,501,377	59,961,577

^(*)Changes in accounting policy have been applied retrospectively; accordingly, the financial statements of the year 2017 were corrected and restated due to changes in valuation methodology of associates and subsidiaries.

⁽¹⁾Includes balances at the Central Bank and required reserves.

⁽²⁾Non-performing loans are excluded.

⁽³⁾Includes general provisions after 2017/12 period.

⁽⁴⁾Includes Turkish Lira and foreign currency debt securities and subordinated loans.

⁽⁵⁾Due to the change in accounting policy, general provisions after 2017/12 period are not classified in this item.

⁽⁶⁾Fees and Commissions Received from Cash Loans are shown in Interest Income, Fees and Commissions Given to Cash Loans are shown in Interest Expenses.

⁽⁷⁾Personnel Expenses are included.

⁽⁸⁾Net Operating Profit / Loss = Total Operating Income - Operating Expenses

⁽⁹⁾Prior to the 2018/12 period, was called "Provision for Losses on Loans and Other Receivables"

⁽¹⁰⁾Interest-bearing assets include TL and FC Reserve Deposits.

⁽¹¹⁾Estimated year-end balances for the 2017/12 period were calculated based on the quarterly balances for other periods.

⁽¹²⁾Operating Income is considered the sum of "Total Operating Income" and "Profit/Loss from Subsidiaries Based on Equity Method"

⁽¹³⁾Free Capital = Shareholders' Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Net Non-performing Loans)

CONSOLIDATED					
ASSETS (TL thousand)	2014/12	2015/12	2016/12	2017/12*	2018/12
Cash and Equivalents	2,586,183	2,870,757	3,770,953	3,395,184	4,931,787
Banks and Receivables from Interbank Money Markets ⁽¹⁾	28,827,380	37,303,516	39,186,809	44,638,342	51,202,701
Securities (Net)	48,248,088	52,558,209	59,622,108	66,218,177	77,942,727
Loans ⁽²⁾	169,066,501	194,860,737	227,021,840	271,309,818	298,116,100
Associates and Subsidiaries (Net)	5,611,155	4,948,894	6,010,149	7,387,455	9,418,560
Receivables from Finance Lease (Net)	2,746,199	3,199,311	3,802,242	4,411,766	5,379,789
Fixed Assets (Net)	5,529,490	9,405,417	9,921,047	10,342,126	11,975,301
Other Assets ⁽³⁾	14,458,236	20,352,131	24,485,116	30,054,547	40,940,392
Total Assets	277,073,232	325,498,972	373,820,264	437,757,415	499,907,357
LIABILITIES (TL thousand)	2014/12	2015/12	2016/12	2017/12*	2018/12
Deposits	134,501,226	154,201,290	179,159,438	207,880,492	248,981,402
Funds Borrowed and Interbank Money Market Placements ⁽⁴⁾	78,385,798	98,396,171	110,736,096	130,496,873	137,913,440
Provisions ⁽⁵⁾	12,083,515	13,562,294	14,813,554	17,044,695	15,161,685
Other Liabilities	19,098,127	22,655,691	27,300,009	34,210,740	42,235,937
Shareholders' Equity	33,004,566	36,683,526	41,811,167	48,124,615	55,614,893
Total Liabilities	277,073,232	325,498,972	373,820,264	437,757,415	499,907,357
INCOME STATEMENT (TL thousand)	2014/12	2015/12	2016/12	2017/12*	2018/12
Interest Income ⁽⁶⁾	17,752,690	21,406,966	25,061,299	31,108,967	44,078,656
Interest Expenses ⁽⁶⁾	9,282,281	11,211,101	12,639,534	16,277,297	24,492,384
Net Interest Income	8,470,409	10,195,865	12,421,765	14,831,670	19,586,272
Net Trading Income	664,128	-325,160	-417,002	-946,253	-2,293,686
Net Fees and Commissions Income	1,505,183	1,807,881	2,148,533	2,733,423	3,756,035
Dividend Income	292,047	256,696	318,223	18,258	19,655
Other Operating Income	5,109,980	5,869,814	6,716,704	6,765,642	8,120,963
Total Operating Income	16,056,525	17,819,914	21,201,094	23,402,740	29,189,239
Operating Expenses ⁽⁷⁾	9,499,378	10,940,293	11,314,488	12,862,111	14,656,126
NET OPERATING PROFIT/LOSS ⁽⁸⁾	6,557,147	6,879,621	9,886,606	10,540,629	14,533,113
Provision for Losses on Loans and Other Receivables ⁽⁹⁾	1,530,113	2,289,722	2,835,495	3,016,417	7,012,853
Profit/Loss from subsidiaries Based on Equity Method	14,778	14,818	12,871	842,068	1,569,036
PROFIT/(LOSS) BEFORE TAXES	5,027,034	4,589,899	7,051,111	8,366,280	9,089,296
Provision for Taxes	1,006,617	850,228	1,353,214	1,660,614	1,517,912
NET PERIOD PROFIT/(LOSS)	4,020,417	3,739,671	5,697,897	6,705,666	7,571,384
KEY RATIOS	2014/12	2015/12	2016/12	2017/12*	2018/12
Interest Earning Assets ⁽¹⁰⁾ / Total Assets	89.8%	88.3%	88.1%	88.2%	86.4%
Interest Earning Assets ⁽¹⁰⁾ / Interest Bearing Liabilities	116.8%	113.8%	113.6%	114.1%	111.7%
Securities / Total Assets	17.4%	16.1%	15.9%	15.1%	15.6%
Loans / Total Assets	60.5%	59.3%	59.9%	61.0%	59.1%
Loans / Deposits	124.6%	125.1%	125.0%	128.5%	118.6%
Retail Loans / Total Loans	25.5%	24.4%	22.7%	21.4%	19.8%
NPL Ratio	1.6%	2.0%	2.3%	2.1%	4.1%
Coverage Ratio	74.3%	73.8%	76.1%	84.1%	56.5%
Demand Deposits / Total Deposits	22.4%	22.9%	24.9%	26.3%	24.8%
Shareholders' Equity / Total Liabilities	11.9%	11.3%	11.2%	11.0%	11.1%
Capital Adequacy Standard Ratio	15.7%	15.1%	14.3%	15.2%	15.3%
Return on Average Assets ⁽¹¹⁾	1.5%	1.2%	1.7%	1.6%	1.6%
Return on Average Equity ⁽¹¹⁾	13.4%	10.7%	14.5%	14.9%	14.8%
Cost / Income ⁽¹²⁾	50.1%	51.6%	42.2%	42.2%	35.9%
OTHER INFORMATION (TL thousand)	2014/12	2015/12	2016/12	2017/12*	2018/12
Regulatory Capital	38,653,387	41,654,637	45,092,524	54,979,844	64,189,820
Core Capital	32,704,560	35,428,502	38,967,938	45,054,873	51,413,549
Free Capital ⁽¹³⁾	21,280,547	21,427,087	24,755,176	29,638,672	28,971,576
Demand Deposits	30,101,859	35,239,348	44,601,611	54,724,559	61,655,721

(*) Accounting policy changes made in 2015, 2017 and 2018 are applied retrospectively; accordingly, the financial statements of 2014, 2016 and 2017 have been corrected and restated.

- The financial statements of the Group, whose financial statements are followed under tangible assets, are accounted for under the accounting policy for the valuation of investment properties, has been corrected due to the change.
- The financial statements of the insurance and reinsurance companies in the scope of consolidation for the year 2016 are restated due to the change in the calculation policy of the outstanding claims have been corrected.
- The financial statements for 2017 have been restated by restating the valuation policy of associates and subsidiaries.

⁽¹⁾Includes balances at the Central Bank and required reserves.

⁽²⁾Non-performing loans are excluded.

⁽³⁾Includes general provisions after 2017/12 period.

⁽⁴⁾Turkish Lira and foreign currency debt securities and subordinated loans.

⁽⁵⁾Due to the change in accounting policy, general provisions after 2017/12 period are not classified in this item.

⁽⁶⁾Fees and Commissions Received from Cash Loans are shown in "Interest Income", Fees and Commissions Given to Cash Loans are shown in "Interest Expenses".

⁽⁷⁾Personnel Expenses are included.

⁽⁸⁾Net Operating Profit / Loss = Total Operating Income - Operating Expenses

⁽⁹⁾Prior to the 2018/12 period, was called "Provision for Losses on Loans and Other Receivables"

⁽¹⁰⁾Interest-bearing assets include TL and FC Reserve Deposits.

⁽¹¹⁾Averages are calculated over quarterly balances. Return on Assets is calculated based on Return on Equity for the periods 2014/12, 2015/12 and 2017/12, whereas for periods except 2018/12, it is calculated based on the adjusted year-end balances.

⁽¹²⁾Calculation is done by offsetting the balances of "Operating Income / Expense" and "Insurance Technical Income / Expense" items. Operating Income is considered the sum of "Total Operating Income" and "Profit/Loss from subsidiaries Based on Equity Method"

⁽¹³⁾Free Capital = Shareholders' Equity - (Fixed Assets + Non-Financial Subsidiaries and Subsidiaries + Net Non-performing Loans)

Direct and Indirect Subsidiaries

DIRECT SUBSIDIARIES		31.12.2018	
Name		Direct Share	Bank's Risk Group Share Percentage
Anadolu Hayat Emeklilik A.Ş.		62.00%	83.00%
Arap Türk Bankası A.Ş.		20.58%	20.58%
Bankalararası Kart Merkezi A.Ş.		9.98%	9.98%
İş Finansal Kiralama A.Ş.		27.79%	58.29%
İş Gayrimenkul Yatırım Ortaklığı A.Ş.		47.44%	63.24%
İş Merkezleri Yönetim ve İşletim A.Ş.		86.33%	100.00%
İş Net Elektronik Bilgi Üret. Dağ. Tic. ve İlet. Hizm. A.Ş.		94.65%	100.00%
İş Yatırım Menkul Değerler A.Ş.		65.65%	70.69%
İşbank AG		100.00%	100.00%
JSC İşbank		100.00%	100.00%
JSC İşbank Georgia		100.00%	100.00%
Kredi Kayıt Bürosu A.Ş.		9.09%	9.09%
Kültür Yayınları İş Türk A.Ş.		99.17%	100.00%
Millî Reasürans T.A.Ş.		76.64%	77.06%
Trakya Yatırım Holding A.Ş.		100.00%	100.00%
Türkiye Sinai Kalkınma Bankası A.Ş.		41.44%	50.92%
Türkiye Şişe ve Cam Fabrikaları A.Ş.		66.30%	74.58%

INDIRECT SUBSIDIARIES		31.12.2018	
Name		Direct Share	Bank's Risk Group Share Percentage
AC Glass Holding B.V.		0.00%	100.00%
Anadolu Anonim Türk Sigorta Şirketi		0.00%	64.31%
Anadolu Cam Investment BV		0.00%	100.00%
Anadolu Cam Sanayii A.Ş.		0.00%	77.10%
Anavarza Otelcilik A.Ş.		0.00%	50.00%
Automotive Glass Alliance Rus AO		0.00%	100.00%
Automotive Glass Alliance Rus Trading OOO		0.00%	100.00%
Balsand B.V.		0.00%	100.00%
Batı Karadeniz Elektrik Dağıtım ve Tic. A.Ş.		0.00%	65.00%
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.		0.00%	99.77%
Bilici Yatırım TSKB GYO Adana Oteli Projesi Adı Ortaklığı Ticari İşletmesi		0.00%	50.00%
Cam Elyaf Sanayii A.Ş.		0.00%	100.00%
Camiş Ambalaj Sanayii A.Ş.		0.00%	100.00%
Camiş Egypt Mining Ltd. Co.		0.00%	99.70%
Camiş Elektrik Üretim A.Ş.		0.00%	100.00%
Camiş Limited		0.00%	100.00%
Camiş Madencilik A.Ş.		0.00%	100.00%
Casaba Yönetim İsl. İmal. İth. Ihr. Paz. Sağ. Tem. Güv. Ulş. Tic. ve San. A.Ş.		0.00%	50.00%
CJSC Brewery Pivdenna		0.00%	100.00%
Convera Uluslararası Yazılım Arge Teknoloji Yatırımları A.Ş.		0.00%	100.00%
Covision Medical Technologies Limited		0.00%	100.00%

INDIRECT SUBSIDIARIES		31.12.2018	Bank's Risk Group Share Percentage
Name	Direct Share		
Cromital SPA	0.00%		100.00%
Çayırova Cam Sanayii A.Ş.	0.00%		100.00%
Denizli Cam Sanayii ve Ticaret A.Ş.	0.00%		51.00%
Efes Varlık Yönetim A.Ş.	0.00%		100.00%
Erişim Müşteri Hizmetleri A.Ş.	0.00%		100.00%
Glasscorp S.A.	0.00%		100.00%
Şişecam Flat Glass Limited	0.00%		100.00%
İstanbul Investment B.V.	0.00%		100.00%
İŞ Altıñas İnşaat Taahhüt ve Tic. A.Ş.	0.00%		50.00%
İş Faktoring A.Ş.	0.00%		100.00%
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	0.00%		57.67%
İş Portföy Yönetimi A.Ş.	0.00%		100.00%
İş Yatırım Ortaklığı A.Ş.	0.00%		38.66%
JSC Mina	0.00%		100.00%
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	0.00%		50.00%
Koridor Incorporated	0.00%		64.29%
M4 Otelcilik ve Turizm A.Ş.	0.00%		20.00%
Madencilik Sanayii ve Ticaret A.Ş.	0.00%		100.00%
Maxis Girişim Sermayesi Portföy Yönetimi AŞ	0.00%		100.00%
Maxis Investments Ltd.	0.00%		100.00%
Maxitech Inc.	0.00%		100.00%
Merefa Glass Company Ltd.	0.00%		100.00%
Miltaş Turizm İnşaat Ticaret A.Ş.	0.00%		88.00%
Nevotek Bilişim Ses ve İletişim Sistemleri San. ve Tic. A.Ş.	0.00%		93.46%
Nevotek Intercorporation	0.00%		100.00%
Nevotek Middle East FZ Limited Liability Company	0.00%		100.00%
Nude Design Investment B.V.	0.00%		100.00%
Nude Glass Investment B.V.	0.00%		100.00%
Num Num Yiyecek ve İçecek A.Ş.	0.00%		83.57%
OOO Energosystems	0.00%		100.00%
OOO Posuda	0.00%		100.00%
OOO Ruscum Glass Packaging Holding	0.00%		100.00%
OOO Ruscum Management Company	0.00%		100.00%
Ortopro Tibbi Aletler San. Tic. A.Ş.	0.00%		90.63%
Oxyvit Kimya Sanayii ve Ticaret A.Ş.	0.00%		100.00%
Pasabahçe Bulgaria EAD	0.00%		100.00%
Paşabahçe (Shanghai) Trading Co. Ltd	0.00%		100.00%
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	0.00%		84.62%
Paşabahçe EGYPT Glass Manufacturing SAE	0.00%		100.00%
Paşabahçe Glass GmbH	0.00%		100.00%
Paşabahçe Investment B.V	0.00%		100.00%
Paşabahçe Mağazaları A.Ş.	0.00%		100.00%
Paşabahçe S.R.L.	0.00%		100.00%
Paşabahçe Spain SL	0.00%		100.00%
Paşabahçe USA Inc.	0.00%		100.00%
Radore İnternet Hizmetleri A.Ş.	0.00%		25.50%
Radore Veri Merkezi Hizmetleri A.Ş.	0.00%		25.50%
Richard Fritz Holding GmbH	0.00%		100.00%

Direct and Indirect Subsidiaries

INDIRECT SUBSIDIARIES		31.12.2018	Bank's Risk Group Share Percentage
Name		Direct Share	
Richard Fritz Kft		0.00%	100.00%
Richard Fritz Prototype Spare Parts GmbH		0.00%	100.00%
Richard Fritz Spol S.R.O.		0.00%	100.00%
Rudnik Krečnjaka "Viđenac" D.O.O		0.00%	50.00%
SC Glass Trading B.V		0.00%	100.00%
Soda Sanayii A.Ş.		0.00%	60.67%
Softtech Yazılım Teknolojileri Araştırma Gel. ve Paz. Tic. A.Ş.		0.00%	100.00%
Softtech (Shanghai) Technology Co. Ltd.		0.00%	100.00%
Şişecam Automotive Bulgaria EAD		0.00%	100.00%
Şişecam (Shangai) Trade Co. Ltd.		0.00%	100.00%
Şişecam Bulgaria EOOD		0.00%	100.00%
Şişecam Chem Investment B.V		0.00%	100.00%
Şişecam Çevre Sistemleri A.Ş.		0.00%	90.00%
Şişecam Dış Ticaret A.Ş.		0.00%	100.00%
Şişecam Elyaf Sanayii A.Ş.		0.00%	100.00%
Şişecam Enerji A.Ş.		0.00%	100.00%
Şişecam Flat Glass Holding B.V.		0.00%	100.00%
Şişecam Flat Glass Italy S.R.L.		0.00%	100.00%
Şişecam Flat Glass South Italy SRL		0.00%	100.00%
Şişecam Sigorta Aracılık Hizmetleri A.Ş.		0.00%	100.00%
Şişecam Soda Lukavac DOO		0.00%	100.00%
Şişecam Otomotiv A.Ş.		0.00%	100.00%
Tatilburdur Kurumsal Hizmetler Turizm A.Ş.		0.00%	20.00%
Tatilburdur Seyahat Acenteliği ve Turizm A.Ş.		0.00%	20.00%
Toksöz Spor Malzemeleri Tic. A.Ş.		0.00%	88.27%
Topkapı Yatırım Holding A.Ş.		0.00%	100.00%
Trakya Cam Sanayii A.Ş.		0.00%	69.45%
Trakya Glass Bulgaria EAD		0.00%	100.00%
Trakya Glass Rus AO		0.00%	100.00%
Trakya Glass Rus Trading OOO		0.00%	100.00%
Trakya Investment B.V.		0.00%	100.00%
Trakya Polatlı Cam Sanayii A.Ş.		0.00%	100.00%
Trakya Yenişehir Cam Sanayii A.Ş.		0.00%	100.00%
TRSG Glass Holding B.V.		0.00%	70.00%
TSKB Gayrimenkul Değerleme A.Ş.		0.00%	100.00%
TSKB Gayrimenkul Yatırım Ortaklıği A.Ş.		0.00%	86.23%
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.		0.00%	99.85%
Yatırım Finansman Menkul Değerler A.Ş.		0.00%	98.42%

Changes in Share Percentages in Subsidiaries (*)

Companies	Direct Share (%) December 2017	Direct Share (%) December 2018	Difference	Bank's Risk Group Share Percentage (%) December 2017	Bank's Risk Group Share Percentage (%) December 2018	Difference	Reason
Direct and Indirect Subsidiaries							
Firms that entered Bank's Risk Group in 2018							
Sisecam Flat Glass South Italy SRL	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	Establishment
Softtech (Shanghai) Technology Co. Ltd.	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	Establishment
Firms that entered Bank's Risk Group in 2018							
İş Finansal Kiralama A.Ş.	27.79%	27.79%	0.00%	57.39%	58.29%	0.90%	Due to the change in accounting policy, TSKB has transferred the shares which are classified under the "Available for Sale Securities" to the "Participation account".
İş Gayrimenkul Yatırım Ortaklıği A.Ş.	42.23%	47.44%	5.21%	58.04%	63.24%	5.20%	Due to the change accounting practise, the shares under the account "Fair Value of Financial Assets through Other Comprehensive Income" were classified as "Subsidiaries" account; as at 31.12.2018
Türkiye Sınai Kalkınma Bankası A.Ş.	40.52%	41.44%	0.92%	50.00%	50.92%	0.92%	Due to the change in accounting practise, the shares under the account "Fair Value of Financial Assets through Other Comprehensive Income" were classified as "Subsidiaries" account; as at 31.12.2018
Türkiye Şişe ve Cam Fabrikaları A.Ş.	65.47%	66.30%	0.83%	73.75%	74.58%	0.83%	Due to the change in accounting practise, the shares under the account "Fair Value of Financial Assets through Other Comprehensive Income" were classified as "Subsidiaries" account; as at 31.12.2018
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	0.00%	0.00%	0.00%	99.13%	99.77%	0.64%	Increase in our Bank's share percentage is resulted from using the preemptive rights by Trakya Yatırım Holding A.Ş which is not used by shareholders outside the Bank's Risk group, in the cash capital increase which occurred in 2018
Şişecam Flat Glass India Limited (Previously known as "HNG Float Glass Limited")	0.00%	0.00%	0.00%	50.00%	100.00%	50.00%	49.8% of company share is purchased by Trakya Cam Sanayii A.Ş., from Hindustan National Glass and Industries Ltd.

Changes in Share Percentages in Subsidiaries (*)

Companies	Direct Share (%) December 2017	Direct Share (%) December 2018	Difference	Bank's Risk Group Share Percentage (%) December 2017	Bank's Risk Group Share Percentage (%) December 2018	Difference	Reason
Firms that entered Bank's Risk Group in 2018							
Nevotek Bilişim Ses ve İletişim Sistemleri San. ve Tic. A.Ş.	0,00%	0,00%	0,00%	89,72%	93,46%	3,74%	The increase in share percentage is due to November 2018 capital increase of Nevotek, which is the subsidiary of İş Girişim, by restricting the preemptive rights of shareholders except İş Girişim.
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	0,00%	0,00%	0,00%	84,01%	84,62%	0,61%	As a result of other shareholders' absence in the capital increase, the share percentage of Türkiye Şişe Ve Cam Fabrikaları A.Ş has increased.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	0,00%	0,00%	0,00%	60,63%	86,23%	25,60%	Due to change in accounting practice, TSKB, has classified the shares under the "Subsidiaries" account which was used to classify under "Fair Value of Financial Assets through Other Comprehensive Income" account; in addition to that, it participated November 2018 cash capital increase through right issue amounting TL 150 billion by using the preemptive rights which is not used by the Bank's other partners.
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	0,00%	0,00%	0,00%	99,42%	99,85%	0,43%	Due to the absence of TSKB Members' Supplementary Pension Fund, which is not part of our Bank's risk group, in the capital increase through right issues, our risk group share percentage has increased.

(*) Includes the direct and indirect subsidiaries and participations in which Bank's direct or indirect share is equal to or exceeds five percentage points.

Additional Information Regarding the Related Legislation

Duties İşbank Board of Directors' members perform outside the Bank

Name-Surname	Position in Bank	Duties outside the bank
H. Ersin Özince	Chairman	Chairman of İşbank Personnel Supplementary Pension Fund, Chairman of TSKB A.Ş., Member of board of trustees of TEMA Foundation
Füsun Tümsavaş	Vice Chairman	Vice Chairman of İşbank Personnel Supplementary Pension Fund
Adnan Bali	Member of Board	Chairman of T.Şişecam Fabrikaları A.Ş., Member of Board of Directors in Vehbi Koç Foundation, Member of the High Advisory Board of Darüşşafaka Society, TÜSİAD Member, Board Member of Global Relations Forum, Member of Institute of International Finance (IIF), Member of Institut International d'Etudes Bancaires (IEB), and Member of Board of Directors of The Banks Association of Turkey
Turkay Berksoy	Member of Board	None
Feray Demir	Member of Board	Member of the Board of Directors of İşbank Personnel Supplementary Pension Fund.
Ertuğrul Bozgedik	Member of Board	None
Ersin Önder Çiftçioğlu	Member of Board	None
Murat Karayalçın	Member of Board	Teaching Position in T.C. İstanbul Kultur University, Teaching Position in Girne American University
Özcal Korkmaz	Member of Board	Chairman of Korkmaz Yeminli Müşavirlik A.Ş.
Müslüm Sarı	Member of Board	Member of the Party Assembly of CHP (Republican People's Party)
Rahmi Aşkin Türel	Member of Board	None

Independence declaration of Prof. Dr. Turkay Berksoy who is an Independent Member of the Board

Prof. Dr. Turkay Berksoy was nominated as Independent Member of the Board to the Corporate Governance Committee that performs the tasks of the Nomination Committee and Corporate Governance Committee's "Evaluation Report of Independent Member Nominee" dated 24.01.2017 was submitted to the Board on the same date. Independence declaration of Prof. Dr. Turkay Berksoy who was elected as an Independent Member of the Board at the Ordinary General Meeting dated 31.03.2017 is quoted below:

"As per the requirements of the legislation, Corporate Governance Principles of Capital Markets Board and the Articles of Incorporation of İşbank, due to my nomination as an "independent member" to the Board of Directors of İşbank, I hereby declare to the committee, İşbank shareholders and all the related parties that:

- Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) İşbank and (ii) the subsidiaries of İşbank, and (iii) shareholders who control the management of İşbank or who have significant influence in İşbank and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,
- Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Bank (including tax audit, legal audit, internal audit), and in the companies that the Bank purchase products and services from or sells products and services to within the framework of the agreements signed during the timeframe of selling/purchasing of the products and services,
- I possess the vocational education, knowledge and experience necessary to fulfill the duties I will assume in connection with being an independent board member,
- I am not working fulltime in public institutions and organizations,
- I am considered as a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,
- I have high ethical standards, goodwill and experience necessary to contribute to İşbank's activities, Maintaining my objectivity in conflicts of interest between İşbank and its shareholders and deciding independently by taking into account the rights of stakeholders,
- I am capable of dedicating sufficient time to be able to observe the Bank's activities and to fulfill the requirements of the duties I undertake,
- I have not been a member of the Board of Directors of İşbank for more than 6 years in total within the last decade,
- I have not been an independent member of the Board of Directors in more than three of the companies controlled by İşbank or by the shareholders who control the management of İşbank and in more than five of the publicly traded companies in total,
- I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors,
- I still have all the qualifications as per the Corporate Governance Principles to be an independent member and I will protect all these conditions during the duty term in case of being appointed as independent member. I will inform Board of Directors of İşbank and the Capital Markets Board (simultaneously) about the situation in writing including its reasons in case of losing my independency. And thus, I am independent."

Remuneration

- Benefits paid to key management personnel in 2018 amount to TL 25,944 thousands. Moreover, cost of allowance, travel, accommodation, representation, as well as the opportunities in cash and in kind, insurance and similar guarantees for key management personnel in the same year amount to TL 5,654 thousands.

Other Issues

- Mr. H. Ersin Özince, Chairman of the Board of Directors has a duty as the Chairman of the Board of Türkiye Sinai ve Kalkınma Bankası A.Ş. (TSKB), a subsidiary of İşbank, within the framework of the consent of the General Assembly dated 31.03.2017 regarding the prohibition to trade with and compete against the company based on related regulations of Turkish Commercial Code.
- The actions required with respect to the decisions made at Ordinary General Shareholders' Meeting of 2017 were performed.

Information to Shareholders

Corporate Title: Türkiye İş Bankası Anonim Şirketi

Trade Registry Number: 431112

Address: İş Kuleleri 34330 Levent/Istanbul

Website: www.isbank.com.tr

Contact Information of Branches: Please visit www.isbank.com.tr

Annual General Meeting:

As per the decision of the Board of Directors of İşbank, the Annual General Meeting of the Bank will be held at 14:00 on 29 March 2019, Friday in the İş Kuleleri Headquarters Auditorium, 34330 Levent-Istanbul.

Independent Auditor:

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

A member firm of Ernst & Young Global Limited

İstanbul Head Office

Orjin Maslak Plaza, Eski Büyükdere Cad.

Maslak Mah. No: 27, 34485, Sarıyer, İstanbul

Telephone: +90 (212) 315 30 30

Fax: +90 (212) 230 82 91

Company Announcements and Financial Data:

İşbank's financial statements, independent auditor's reports, annual reports, press releases and disclosures of material events are available on the Bank's corporate website under the title of Investor Relations, in both Turkish and English.

Investor Relations Division:

Süleyman H. Özcan, Division Head

İş Kuleleri Kule: 1

Kat: 15, 34330

Levent/Istanbul

Telephone: +90 (212) 316 16 02

E-mail: investorrelations@isbank.com.tr

Dividend Payments:

İşbank's dividend payment policy is set out in detail in article 58 of the Bank's articles of incorporation. Information about the policy is provided in this annual report. The said information is also available on the Bank's corporate website under the title of Investor Relations, in Turkish and English.

Company Share Information:

İşbank's Group A, Group B and Group C shares are listed on the Borsa İstanbul National Market. İşbank's Group C shares are traded on London Stock Exchange as Global Depository Receipts, being subject to "Regulation S"; they are also traded on over-the-counter markets in the U.S.A. as American Depository Receipts, being subject to "Rule 144 A".

www.isbank.com.tr

TÜRKİYE İŞ BANKASI A.Ş.

Head Office

İş Kuleleri 34330 Levent/İstanbul

Telephone: (+90 212) 316 00 00

Fax: (+90 212) 316 04 04

Call Center: (+90 850) 724 0 724

E-mail: musteri.iliskileri@isbank.com.tr



This report has been printed on recycled paper.