

ODEA BANK A.Ş.

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

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Odea Bank Anonim Şirketi:

A) Audit of Unconsolidated Financial Statements

1) Qualified Opinion

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

2) Basis for Qualified Conclusion

As mentioned in Section Five Part II 9.c.1) of Explanations and Notes to the Unconsolidated Financial Statements, the accompanying unconsolidated financial statements as at 31 December 2018 include a general reserve for possible risks amounting to TL 16.385 thousands, which is provided in prior periods by the Bank Management and was decreased during the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. As a result of this provision which does not meet the accounting criteria of TAS 37, net profit is overstated by TL 161.375 thousand for the year ended 31 December 2018, other provisions are overstated by TL 16.385 thousand, deferred tax asset is overstated by TL 3.605 thousand and profit reserves are understated by TL 174.155 thousands as at 31 December 2018.

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 BRSA (BRSA 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.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>The effects of First-time adaptation of “TFRS 9 Financial Instruments” standard in the financial statements and accounting of impairment of financial assets in the financial statements, and its related outstanding explanations</i></p>	
<p>As disclosed in footnote XXIV of Section 3; the Bank started implementing TFRS 9 “Financial Instruments Standard” effective on or after January 1, 2018 and accounting the expected credit losses of financial in accordance with this standard in the financial statements effective on or after this date. The reasons we consider the TFRS 9 transition and its impairment of financial assets as a key audit matter;</p> <ul style="list-style-type: none"> ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The effect of TFRS 9 transition in the Bank’s equity is 12% ▪ The applications TFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Bank’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of TFRS 9 ▪ Estimations and assumptions used for expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9. 	<p>Our additional audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Bank’s past performance, and local and global practices ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank’s business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Auditing of disclosures related to TFRS 9.

<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.2.b and Note II.2.a</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 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>

4) Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

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

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

B) 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 Yaşar Bivas.

Additional paragraph for convenience translation to English

As explained in detail in Note I.b. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and 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

Yaşar Bivas, SMMM

Partner

February 27, 2019

İstanbul, Türkiye

Translated into English from the original Turkish report and financial statements

**THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF
ODEA BANK A.Ş. AS OF DECEMBER 31, 2018**

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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, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR’S REPORT

The accompanying unconsolidated financial statements for the year-end and notes to these financial statements are prepared based on the financial records of the Bank and in accordance with the Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, have been subject to independent audit and presented in **thousands of Turkish Lira** unless otherwise stated.

Samir HANNA
Chairman of the
Board of Directors

Mert ÖNCÜ
Member of Board of
Directors and General
Manager

Mehmet Gökmen UÇAR
Assistant General Manager in
charge of Finance, Financial
Control and Strategy

Öcal PERÇİN
Financial Reporting
Director

İmad İTANI

Member of Board of Directors
and Audit Committee Member

Bülent ADANIR

Member of Board of Directors
and Audit Committee Member

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

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**Convenience translation of unconsolidated financial statements and independent auditor's report originally issued in Turkish,
See Note I.b of Section three**

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue

Odea Bank A.Ş. was established as a deposit bank with USD 300 Million capital with the permission of BRSA numbered 4432 dated October 27, 2011, which was published in the Official Gazette on October 28, 2011, numbered 28098. Odea Bank A.Ş. started its operations in the "foreign deposit banks founded in Turkey" group, by taking operating permission from BRSA numbered 4963 on September 28, 2012, which was published in Official Gazette dated October 2, 2012 numbered 28429.

II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank

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

Name / Commercial Title	Current Period (*)		Prior Period	
	Share Amount	Share Ratios %	Share Amount	Share Ratios %
Bank Audi sal	2.513.293	76,419%	2.422.595	73,661%
European Bank for Reconstruction and Development	263.394	8,009%	263.394	8,009%
International Finance Corporation	209.252	6,362%	209.252	6,362%
H.H Sheikh Dheyab Binzayed Binsultan Al-Nahyan	131.697	4,004%	131.697	4,004%
IFC FIG Investment Company S.a.r.l	112.674	3,426%	112.674	3,426%
Mr. Mohammad Hassan Zeidan	58.532	1,780%	58.532	1,780%
Audi Private Bank sal	-	-	90.698	2,758%
	3.288.842	100,00%	3.288.842	100,00%

(*)As per the Board of Directors decision dated February 27, 2018 and the resolution of Ordinary General Assembly dated 29 March 2018 issued share certificates amounting to 90.698.400 nominal value of TL 1,00 (Full TL) belonging to Audi Private Bank sal have been transferred to Bank Audi sal.

The Bank Audi Group (Group), which is ranked among the largests banking groups in the Middle East and North Africa region (MENA), operates in 11 different countries serving its customers a wide range of products and services, including commercial and corporate banking, individual banking, online brokerage, private banking and investment banking.

In addition to its long-term presence in Lebanon, Switzerland and France; the Group operates in Jordan, Egypt, Saudi Arabia, Abu Dhabi, Turkey and Iraq, has a representative office in Monaco. The Group has subsidiarities across the region: two in Lebanon, four in the MENA region outside Lebanon, three in Europe and one main subsidiary in Turkey.

The Group ranks among the top banks in Lebanon in terms of asset size, shareholders' equity, customer deposits, loans and net income. The Group has one of the largest branch networks in Lebanon with 86 branches and additional 113 branches operating outside Lebanon as of 31 December 2018.

The Bank Audi Group, established in 1830, has become a private joint stock company (Société Anonyme Libanaise), limited to 99 years in 1962. The Group's shareholder base has been expanding since 1983, with the first shareholders being the members of the Audi family along with Kuwaiti investors. Today, the Group's shareholder base covers 1,500 shares and/or Global Warehouse certification (GDR) holders representing the shares. The parent bank of the Group, Bank Audi's shares are listed on the Beirut Stock Exchange, while its Global Warehouse Certificates (GDR) are quoted both on the Beirut Stock Exchange and at the London Stock Exchange.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Bank

<u>Title</u>	<u>Name-Surname</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	Samir HANNA	Chairman	High School
Members of the Board of Directors (*)	Freddie BAZ	Member of the Board of Directors	Ph.D. Degree
	Imad ITANI	Member of the Board of Directors and Member of Audit Committee	Ph.D. Degree
	Marwan GHANDOUR	Member of the Board of Directors	Ph.D. Degree
	Elia SAMAHA	Member of the Board of Directors	Bachelor's Degree
	Khalil El DEBS	Member of the Board of Directors	Master's Degree
	Philippe Elias Farid EL-KHOURY	Member of the Board of Directors	Master's Degree
	Aristeidis VOURAKIS	Member of the Board of Directors	Master's Degree
	Bülent ADANIR	Member of the Board of Directors and Member of Audit Committee	Master's Degree
	Dragica Pilipovic-CHAFFEY	Member of the Board of Directors	Master's Degree
Member of the Board of Directors and General Manager	Mert ÖNCÜ	Member of the Board of Directors and General Manager	Ph.D. Degree
Deputy General Manager (**)	Alpaslan YURDAGÜL	Credits Allocation	Master's Degree
Assistant General Managers (***)	Cem MURATOĞLU	Retail Banking	Master's Degree
	Gökhan ERKIRALP	Treasury and Capital Markets	Bachelor's Degree
	Yalçın AVCI	Commercial Banking	Master's Degree
	Mehmet Gökmen UÇAR	Finance, Financial Control and Strategy	Bachelor's Degree
	Sinan Erdem ÖZER	Technology and Operations	Master's Degree

(*) With the Board of Directors' decision dated October 15, 2018 Ms. Ayşe KORKMAZ resigned from her position. With the Board of Directors' decision dated October 15, 2018, Mr. Bülent ADANIR has been appointed as a Member of Audit Committee.

(**) With the Board of Directors' decision dated November 11, 2018 Assistant General Manager in charge of Finance and Deputy General Manager Mr. Naim Hakim resigned from the position. Mr. Mehmet Gökmen UÇAR, Assistant General Manager in charge of Strategy and Business Development, is appointed as Assistant General Manager in charge of Finance, Financial Control and Strategy. Mr. Alpaslan YURDAGÜL, Assistant General Manager in charge of Credit Allocation, has been appointed as Deputy General Manager.

(***) Pursuant to decision of the Board of Directors dated August 6, 2018, Mr. Sinan Erdem ÖZER has been appointed as Assistant General Manager responsible for Information Technology and Operation beginning from September 3, 2018. As of September 17, 2018 Mr. Gökhan Sun resigned from his position.

There is no share of the above individuals in the Bank.

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

IV. Information About The Persons and Institutions That Have Qualified Shares

Information about the persons and institutions that have qualified shares as of December 31, 2018:

Name / Commercial Title	Share Amount(*)	Share Ratios	Paid up Shares	Unpaid Shares
Bank Audi sal	2.513.293	76,419%	2.513.293	-

(*) With the decision of the Board of Directors numbered on 27 February 2018 and 2018/016, the shares of the Audi Private Bank Sal have been delivered to the Bank Audi Sal and the necessary amendments were made in the relevant 7th article of the Bank's main sacification.

V. Summary on the Bank's Services and Activities

The headquarters of the Bank is located in Istanbul and as of December 31, 2018. The Bank has 45 domestic branches with 1.088 employees. The Bank is organized to operate in all operational aspects of commercial, and retail banking under the scope of 4th Article of the Banking Law. The Bank has no subsidiaries in the financial sector (31 December 2017: 47 domestic branches, 1.185 employees).

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short 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:

The Bank has no consolidated subsidiaries.

VII. The existing or potential, actual or legal obstacles on the transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

Translated into English from the original Turkish report and financial statements

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
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- VII. Profit Distribution Table

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note Ref (Section Five)	TL	FC	Audited Current Period 31.12.2018 Total
I. FINANCIAL ASSETS (Net)		4.456.836	6.358.908	10.815.744
1.1 Cash and cash equivalents		2.820.968	3.920.967	6.741.935
1.1.1 Cash and balances at Central Bank	I-1	1.022.782	2.976.158	3.998.940
1.1.2 Banks	I-3	1.058.065	944.809	2.002.874
1.1.3 Receivables from Money Markets		740.121	-	740.121
1.2 Financial assets at fair value through profit or loss		3.269	-	3.269
1.2.1 Public debt securities		3.269	-	3.269
1.2.2 Equity instruments		-	-	-
1.2.3 Other financial assets		-	-	-
1.3 Financial assets at fair value through other comprehensive income	I-4	300.657	4.801	305.458
1.3.1 Public debt securities		295.760	-	295.760
1.3.2 Equity instruments		4.897	4.801	9.698
1.3.3 Other financial assets		-	-	-
1.4 Financial assets measured at amortized cost	I-6	471.071	2.231.271	2.702.342
1.4.1 Public debt securities		471.071	1.495.213	1.966.284
1.4.2 Other financial assets		-	736.058	736.058
1.5 Derivative financial assets	I-2	862.576	222.725	1.085.301
1.5.1 Derivative financial assets at fair value through profit or loss		862.576	222.725	1.085.301
1.5.2 Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6 Non-performing financial assets		-	-	-
1.7 Allowance for expected credit losses (-)		1.705	20.856	22.561
II. LOANS (Net)		8.822.015	9.787.631	18.609.646
2.1 Loans	I-5	8.790.224	9.946.465	18.736.689
2.1.1 Loans measured at amortized cost		8.790.224	9.946.465	18.736.689
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions	I-10	-	-	-
2.2.1 Finance lease receivables		-	-	-
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		-	-	-
2.3 Factoring receivables		-	-	-
2.3.1 Factoring receivables measured at amortized cost		-	-	-
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans	I-5	1.761.656	-	1.761.656
2.5 Allowance for expected credit losses (-)	I-5	1.729.865	158.834	1.888.699
2.5.1 12-Month expected credit losses		50.259	57.291	107.550
2.5.2 Significant increase in credit risk		749.654	101.543	851.197
2.5.3 Credit-Impaired		929.952	-	929.952
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	I-16	238.525	-	238.525
3.1 Held for sale		238.525	-	238.525
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-
4.1 Investments in associates (Net)	I-7	-	-	-
4.1.1 Associates accounted by using equity method		-	-	-
4.1.2 Non-consolidated associates		-	-	-
4.2 Investments in subsidiaries (Net)	I-8	-	-	-
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	I-9	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)	I-12	86.823	-	86.823
VI. INTANGIBLE ASSETS AND GOODWILL (Net)	I-13	62.942	-	62.942
6.1 Goodwill		-	-	-
6.2 Other		62.942	-	62.942
VII. INVESTMENT PROPERTIES (Net)	I-14	-	-	-
VIII. CURRENT TAX ASSETS		78.747	-	78.747
IX. DEFERRED TAX ASSETS	I-15	272.167	-	272.167
X. OTHER ASSETS	I-17	627.716	608.308	1.236.024
TOTAL ASSETS		14.645.771	16.754.847	31.400.618

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET FOR THE PERIOD ENDED
DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note Ref (Section Five)	TL	FC	Audited Prior Period 31.12.2017 Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	I-1	1.490.122	2.241.698	3.731.820
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	375.208	821.103	1.196.311
2.1	Financial assets held for trading		375.208	821.103	1.196.311
2.1.1	Public sector debt securities		760	-	760
2.1.2	Share certificates		-	-	-
2.1.3	Derivative financial assets held for trading		374.448	46.668	421.116
2.1.4	Other marketable securities		-	774.435	774.435
2.2	Financial assets at fair value through profit and loss		-	-	-
2.2.1	Public sector debt securities		-	-	-
2.2.2	Share certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other marketable securities		-	-	-
III.	BANKS	I-3	203	286.526	286.729
IV.	MONEY MARKET PLACEMENTS		2.742.869	-	2.742.869
4.1	Interbank money market placements		-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-
4.3	Receivables from reverse repurchase agreements		2.742.869	-	2.742.869
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	433.804	828.629	1.262.433
5.1	Share certificates		4.897	3.004	7.901
5.2	Public sector debt securities		428.907	825.625	1.254.532
5.3	Other marketable securities		-	-	-
VI.	LOANS AND RECEIVABLES	I-5	13.018.365	9.613.141	22.631.506
6.1	Loans and receivables		12.388.537	9.613.141	22.001.678
6.1.1	Loans to risk group of the Bank		304	-	304
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		12.388.233	9.613.141	22.001.374
6.2	Non-performing loans		1.075.472	-	1.075.472
6.3	Specific provisions (-)		445.644	-	445.644
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	I-6	-	447.133	447.133
8.1	Public sector debt securities		-	447.133	447.133
8.2	Other marketable securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-7	-	-	-
9.1	Accounted for under equity method		-	-	-
9.2	Unconsolidated associates		-	-	-
9.2.1	Financial investments		-	-	-
9.2.2	Non-financial investments		-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	I-8	-	-	-
10.1	Unconsolidated financial subsidiaries		-	-	-
10.2	Unconsolidated non-financial subsidiaries		-	-	-
XI.	JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	I-9	-	-	-
11.1	Accounted for under equity method		-	-	-
11.2	Unconsolidated		-	-	-
11.2.1	Financial subsidiaries		-	-	-
11.2.2	Non-financial subsidiaries		-	-	-
XII.	LEASE RECEIVABLES (Net)	I-10	-	-	-
12.1	Finance lease receivables		-	-	-
12.2	Operating lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-11	-	-	-
13.1	Fair value hedge		-	-	-
13.2	Cash flow hedge		-	-	-
13.3	Hedge of net investment in foreign operations		-	-	-
XIV.	TANGIBLE ASSETS (Net)	I-12	104.383	-	104.383
XV.	INTANGIBLE ASSETS (Net)	I-13	89.925	-	89.925
15.1	Goodwill		-	-	-
15.2	Other		89.925	-	89.925
XVI.	INVESTMENT PROPERTY (Net)	I-14	-	-	-
XVII.	TAX ASSET	I-15	64.664	-	64.664
17.1	Current tax asset		-	-	-
17.2	Deferred tax asset		64.664	-	64.664
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-16	170.946	-	170.946
18.1	Held for sale		170.946	-	170.946
18.2	Discontinued operations		-	-	-
XIX.	OTHER ASSETS	I-17	196.671	178.985	375.656
TOTAL ASSETS			18.687.160	14.417.215	33.104.375

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY (STATEMENT OF FINANCIAL POSITION)

		Note Ref. (Section Five)	TL	FC	Audited Current Period 31.12.2018 Total
I.	DEPOSITS	II-1	8.495.839	13.065.209	21.561.048
II.	LOANS RECEIVED	II-3	2.549	3.004.633	3.007.182
III.	MONEY MARKET FUNDS	II-4	100	-	100
IV.	MARKETABLE SECURITIES (Net)	II-5	207.110	-	207.110
4.1	Bills		207.110	-	207.110
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	-	-
V.	FUNDS		-	-	-
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	II-2	971.302	221.318	1.192.620
7.1	Derivative financial liabilities at fair value through profit or loss		855.261	221.318	1.076.579
7.2	Derivative financial liabilities at fair value through other comprehensive income	II-8	116.041	-	116.041
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES	II-7	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	PROVISIONS	II-9	109.730	21.594	131.324
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		11.847	-	11.847
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		97.883	21.594	119.477
XI.	CURRENT TAX LIABILITIES	II-10	48.582	-	48.582
XII.	DEFERRED TAX LIABILITIES	II-10	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	II-11	-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	SUBORDINATED DEBT	II-12	-	1.636.012	1.636.012
14.1	Loans		-	-	-
14.2	Other debt instruments		-	1.636.012	1.636.012
XV.	OTHER LIABILITIES	II-6	227.591	169.227	396.818
XVI.	SHAREHOLDERS' EQUITY		3.218.328	1.494	3.219.822
16.1	Paid-in capital	II-13	3.288.842	-	3.288.842
16.2	Capital reserves		(2.198)	-	(2.198)
16.2.1	Equity share premiums		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		(2.198)	-	(2.198)
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		2.700	1.494	4.194
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(88.901)	-	(88.901)
16.5	Profit reserves		735	-	735
16.5.1	Legal reserves	II-13	25.291	-	25.291
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves	II-13	(24.556)	-	(24.556)
16.5.4	Other profit reserves		-	-	-
16.6	Profit or loss		17.150	-	17.150
16.6.1	Prior years' profits or losses		-	-	-
16.6.2	Current period net profit or loss		17.150	-	17.150
16.7	Minority Shares	II-14	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			13.281.131	18.119.487	31.400.618

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

II. BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY (STATEMENT OF FINANCIAL POSITION)

		Note Ref. (Section Five)	TL	FC	Audited Prior Period 31.12.2017 Total
I.	DEPOSITS	II-1	10.291.845	13.618.542	23.910.387
1.1	Deposits from risk group of the Bank		923	583.852	584.775
1.2	Other		10.290.922	13.034.690	23.325.612
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	329.823	74.648	404.471
III.	FUNDS BORROWED	II-3	2.940	2.939.780	2.942.720
IV.	MONEY MARKET BALANCES		-	-	-
4.1	Interbank money market takings		-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-
4.3	Funds provided under repurchase agreements	II-4	-	-	-
V.	MARKETABLE SECURITIES ISSUED (Net)	II-5	-	-	-
5.1	Bills		-	-	-
5.2	Asset backed securities		-	-	-
5.3	Bonds		-	-	-
VI.	FUNDS		-	-	-
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	MISCELLANEOUS PAYABLES		8.563	923	9.486
VIII.	OTHER LIABILITIES	II-6	157.955	125.106	283.061
IX.	FACTORING PAYABLES		-	-	-
X.	LEASE PAYABLES (Net)	II-7	-	-	-
10.1	Finance lease payables		-	-	-
10.2	Operating lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred finance lease expenses (-)		-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-8	-	-	-
11.1	Fair value hedge		-	-	-
11.2	Cash flow hedge		-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-
XII.	PROVISIONS	II-9	407.021	151.775	558.796
12.1	General loan loss provisions		105.029	151.775	256.804
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		11.002	-	11.002
12.4	Insurance technical reserves (Net)		-	-	-
12.5	Other provisions		290.990	-	290.990
XIII.	TAX LIABILITY	II-10	62.332	-	62.332
13.1	Current tax liability		62.332	-	62.332
13.2	Deferred tax liability		-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	II-11	-	-	-
14.1	Held for sale		-	-	-
14.2	Discontinued operations		-	-	-
XV.	SUBORDINATED LOANS	II-12	-	1.174.992	1.174.992
XVI.	SHAREHOLDERS' EQUITY	II-13	3.772.430	(14.300)	3.758.130
16.1	Paid-in capital		3.288.842	-	3.288.842
16.2	Supplementary capital		(18.985)	(14.300)	(33.285)
16.2.1	Share premium		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Marketable securities value increase fund		(20.038)	(14.300)	(34.338)
16.2.4	Tangible assets revaluation differences		3.251	-	3.251
16.2.5	Intangible assets revaluation differences		-	-	-
16.2.6	Investment property revaluation differences		-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-
16.2.8	Hedging funds (Effective portion)		-	-	-
16.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
16.2.10	Other capital reserves		(2.198)	-	(2.198)
16.3	Profit reserves		182.001	-	182.001
16.3.1	Legal reserves		9.263	-	9.263
16.3.2	Statutory reserves		-	-	-
16.3.3	Extraordinary reserves		172.738	-	172.738
16.3.4	Other profit reserves		-	-	-
16.4	Profit or loss		320.572	-	320.572
16.4.1	Prior years' income/ (losses)		-	-	-
16.4.2	Current year income/ (losses)		320.572	-	320.572
16.5	Minority shares	II-14	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			15.032.909	18.071.466	33.104.375

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Note Ref. (Section Five)	TL	FC	Audited Current Period 31.12.2018 Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		16.577.715	69.256.341	85.834.056
I.	GUARANTEES	III-1	842.498	2.843.284	3.685.782
1.1	Letters of guarantee		837.641	957.928	1.795.569
1.1.1	Guarantees subject to State Tender Law		-	-	-
1.1.2	Guarantees given for foreign trade operations		-	-	-
1.1.3	Other letters of guarantee		837.641	957.928	1.795.569
1.2	Bank loans		4.857	646.200	651.057
1.2.1	Import letter of acceptance		4.857	646.200	651.057
1.2.2	Other bank acceptances		-	-	-
1.3	Letters of credit		-	669.337	669.337
1.3.1	Documentary letters of credit		-	669.337	669.337
1.3.2	Other letters of credit		-	-	-
1.4	Prefinancing given as guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other endorsements		-	-	-
1.6	Securities issue purchase guarantees		-	-	-
1.7	Factoring guarantees		-	-	-
1.8	Other guarantees		-	569.819	569.819
1.9	Other collaterals		-	-	-
II.	COMMITMENTS	III-1	1.059.791	7.405.555	8.465.346
2.1	Irrevocable commitments		1.059.791	7.405.555	8.465.346
2.1.1	Forward asset purchase and sales commitments		295.906	7.335.418	7.631.324
2.1.2	Forward deposit purchase and sales commitments		-	-	-
2.1.3	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4	Loan granting commitments		171.113	60.801	231.914
2.1.5	Securities underwriting commitments		-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-
2.1.7	Payment commitment for checks		58.384	-	58.384
2.1.8	Tax and fund liabilities from export commitments		-	-	-
2.1.9	Commitments for credit card expenditure limits		534.388	-	534.388
2.1.10	Commitments for promotions related with credit cards and banking activities		-	-	-
2.1.11	Receivables from short sale commitments		-	-	-
2.1.12	Payables for short sale commitments		-	-	-
2.1.13	Other irrevocable commitments		-	9.336	9.336
2.2	Revocable commitments		-	-	-
2.2.1	Revocable loan granting commitments		-	-	-
2.2.2	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		14.675.426	59.007.502	73.682.928
3.1	Derivative financial instruments for hedging purposes		800.000	-	800.000
3.1.1	Fair value hedge		-	-	-
3.1.2	Cash flow hedge		800.000	-	800.000
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		13.875.426	59.007.502	72.882.928
3.2.1	Forward foreign currency buy/sell transactions		1.983.668	2.513.650	4.497.318
3.2.1.1	Forward foreign currency transactions-buy		1.516.808	786.294	2.303.102
3.2.1.2	Forward foreign currency transactions-sell		466.860	1.727.356	2.194.216
3.2.2	Swap transactions related to foreign currency, and interest rates		7.249.820	49.321.679	56.571.499
3.2.2.1	Foreign currency swaps-buy		1.287.179	9.179.708	10.466.887
3.2.2.2	Foreign currency swaps-sell		3.164.239	7.302.811	10.467.050
3.2.2.3	Interest rate swaps-buy		1.399.201	16.419.580	17.818.781
3.2.2.4	Interest rate swaps-sell		1.399.201	16.419.580	17.818.781
3.2.3	Foreign currency, interest rate and securities options		4.641.938	7.172.173	11.814.111
3.2.3.1	Foreign currency options-buy		2.321.435	3.155.683	5.477.118
3.2.3.2	Foreign currency options-sell		2.320.503	3.260.630	5.581.133
3.2.3.3	Interest rate options-buy		-	377.930	377.930
3.2.3.4	Interest rate options-sell		-	377.930	377.930
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		-	-	-
3.2.4.1	Foreign currency futures-buy		-	-	-
3.2.4.2	Foreign currency futures-sell		-	-	-
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		66.328.631	44.036.050	110.364.681
IV.	ITEMS HELD IN CUSTODY		427.543	334.423	761.966
4.1	Assets under management		72.163	-	72.163
4.2	Investment securities held in custody		206.929	32.605	239.534
4.3	Checks received for collection		2.843	233.584	236.427
4.4	Commercial notes received for collection		145.608	68.234	213.842
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		65.901.088	43.701.627	109.602.715
5.1	Marketable securities		-	-	-
5.2	Guarantee notes		25.360.317	5.538.591	30.898.908
5.3	Commodities		4.015.884	-	4.015.884
5.4	Warrants		-	-	-
5.5	Properties		26.108.685	22.429.525	48.538.210
5.6	Other pledged items		10.416.202	15.733.511	26.149.713
5.7	Pledged items-depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)			82.906.346	113.292.391	196.198.737

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note Ref. (Section Five)	TL	FC	Audited Prior Period 31.12.2017 Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		16.844.184	38.853.979	55.698.163
I.	GUARANTEES	III-1	912.612	1.665.278	2.577.890
1.1	Letters of guarantee		907.017	553.168	1.460.185
1.1.1	Guarantees subject to State Tender Law		-	-	-
1.1.2	Guarantees given for foreign trade operations		-	-	-
1.1.3	Other letters of guarantee		907.017	553.168	1.460.185
1.2	Bank loans		5.595	136.656	142.251
1.2.1	Import letter of acceptance		5.595	136.656	142.251
1.2.2	Other bank acceptances		-	-	-
1.3	Letters of credit		-	845.476	845.476
1.3.1	Documentary letters of credit		-	845.476	845.476
1.3.2	Other letters of credit		-	-	-
1.4	Prefinancing given as guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other endorsements		-	-	-
1.6	Securities issue purchase guarantees		-	-	-
1.7	Factoring guarantees		-	-	-
1.8	Other guarantees		-	129.978	129.978
1.9	Other collaterals		-	-	-
II.	COMMITMENTS	III-1	1.262.638	236.092	1.498.730
2.1	Irrevocable commitments		1.262.638	236.092	1.498.730
2.1.1	Forward asset purchase and sales commitments		131.071	167.813	298.884
2.1.2	Forward deposit purchase and sales commitments		-	-	-
2.1.3	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4	Loan granting commitments		175.568	61.590	237.158
2.1.5	Securities underwriting commitments		-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-
2.1.7	Payment commitment for checks		72.796	-	72.796
2.1.8	Tax and fund liabilities from export commitments		-	-	-
2.1.9	Commitments for credit card expenditure limits		883.203	-	883.203
2.1.10	Commitments for promotions related with credit cards and banking activities		-	-	-
2.1.11	Receivables from short sale commitments		-	-	-
2.1.12	Payables for short sale commitments		-	-	-
2.1.13	Other irrevocable commitments		-	6.689	6.689
2.2.	Revocable commitments		-	-	-
2.2.1	Revocable loan granting commitments		-	-	-
2.2.2	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		14.668.934	36.952.609	51.621.543
3.1	Derivative financial instruments for hedging purposes		-	-	-
3.1.1	Fair value hedge		-	-	-
3.1.2	Cash flow hedge		-	-	-
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		14.668.934	36.952.609	51.621.543
3.2.1	Forward foreign currency buy/sell transactions		1.124.178	1.647.267	2.771.445
3.2.1.1	Forward foreign currency transactions-buy		765.077	630.795	1.395.872
3.2.1.2	Forward foreign currency transactions-sell		359.101	1.016.472	1.375.573
3.2.2	Swap transactions related to foreign currency, and interest rates		11.542.601	31.243.416	42.786.017
3.2.2.1	Foreign currency swaps-buy		3.961.120	11.220.573	15.181.693
3.2.2.2	Foreign currency swaps-sell		6.857.515	8.350.997	15.208.512
3.2.2.3	Interest rate swaps-buy		361.983	5.835.923	6.197.906
3.2.2.4	Interest rate swaps-sell		361.983	5.835.923	6.197.906
3.2.3	Foreign currency, interest rate and securities options		2.002.155	4.061.926	6.064.081
3.2.3.1	Foreign currency options-buy		957.383	1.836.913	2.794.296
3.2.3.2	Foreign currency options-sell		1.044.772	1.790.777	2.835.549
3.2.3.3	Interest rate options-buy		-	217.118	217.118
3.2.3.4	Interest rate options-sell		-	217.118	217.118
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		-	-	-
3.2.4.1	Foreign currency futures-buy		-	-	-
3.2.4.2	Foreign currency futures-sell		-	-	-
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		69.029.493	32.738.213	101.767.706
IV.	ITEMS HELD IN CUSTODY		479.864	262.140	742.004
4.1	Assets under management		181.853	-	181.853
4.2	Investment securities held in custody		6.183	11.937	18.120
4.3	Checks received for collection		38.861	210.239	249.100
4.4	Commercial notes received for collection		252.967	39.964	292.931
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		68.549.629	32.476.073	101.025.702
5.1	Marketable securities		-	-	-
5.2	Guarantee notes		25.774.880	4.018.134	29.793.014
5.3	Commodities		3.979.512	-	3.979.512
5.4	Warrants		-	-	-
5.5	Properties		28.095.493	16.439.889	44.535.382
5.6	Other pledged items		10.699.744	12.018.050	22.717.794
5.7	Pledged items-depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)			85.873.677	71.592.192	157.465.869

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED
DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF INCOME

	Note (Section Five)	Audited Current Period 01.01-31.12.2018
I. INTEREST INCOME	IV-1	3.361.368
1.1 Interest on loans		2.705.675
1.2 Interest received from reserve deposits		53.322
1.3 Interest received from banks		211.783
1.4 Interest received from money market transactions		83.140
1.5 Interest received from marketable securities portfolio		249.059
1.5.1 Financial assets at fair value through profit or loss		1.062
1.5.2 Financial assets at fair value through other comprehensive income		65.433
1.5.3 Financial assets measured at amortized cost		182.564
1.6 Finance lease income		-
1.7 Other interest income		58.389
II. INTEREST EXPENSE	IV-2	2.330.181
2.1 Interest on deposits		2.067.434
2.2 Interest on funds borrowed		131.514
2.3 Interest on money market transactions		2.292
2.4 Interest on securities issued		126.590
2.5 Other interest expense		2.351
III. NET INTEREST INCOME (I - II)		1.031.187
IV. NET FEES AND COMMISSIONS INCOME		118.906
4.1 Fees and commissions received		153.516
4.1.1 Non-cash loans		35.831
4.1.2 Other		117.685
4.2 Fees and commissions paid		34.610
4.2.1 Non-cash loans		-
4.2.2 Other	IV-12	34.610
V. PERSONNEL EXPENSES (-)	IV-7	188.806
VI. DIVIDEND INCOME	IV-3	17
VII. TRADING PROFIT/LOSS (Net)	IV-4	45.038
7.1 Profit/losses from capital market transactions		(58.430)
7.2 Profit/losses from derivative financial transactions		796.680
7.3 Foreign exchange profit/losses		(693.212)
VIII. OTHER OPERATING INCOME		144.369
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		1.150.711
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	IV-6	664.815
XI. OTHER OPERATING EXPENSES (-)	IV-7	469.266
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		16.630
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	IV-8	16.630
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	IV-9	520
17.1 Current tax provision		-
17.2 Expense effect of deferred tax (+)		-
17.3 Income effect of deferred tax (-)		520
XVIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	IV-10	17.150
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-
19.3 Other income from discontinued operations		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1 Expenses on assets held for sale		-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-
20.3 Other expenses from discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
22.2 NET PROFIT/LOSS (XVII+XXII)		-
22.3 Income effect of deferred tax (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	IV-11	17.150

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED
DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF INCOME

	Note (Section Five)	Audited Prior Period 01.01-31.12.2017
I. INTEREST INCOME	IV-1	3.467.922
1.1 Interest on loans		2.913.386
1.2 Interest received from reserve deposits		52.150
1.3 Interest received from banks		138.860
1.4 Interest received from money market placements		231.564
1.5 Interest received from marketable securities portfolio		111.805
1.5.1 Held-for-trading financial assets		16.438
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		78.162
1.5.4 Investments held-to-maturity		17.205
1.6 Finance lease income		-
1.7 Other interest income		20.157
II. INTEREST EXPENSE	IV-2	2.109.052
2.1 Interest on deposits		1.947.782
2.2 Interest on funds borrowed		114.059
2.3 Interest on money market borrowings		97
2.4 Interest on securities issued		40.488
2.5 Other interest expense		6.626
III. NET INTEREST INCOME (I - II)		1.358.870
IV. NET FEES AND COMMISSIONS INCOME		155.608
4.1 Fees and commissions received		194.586
4.1.1 Non-cash loans		37.050
4.1.2 Other		157.536
4.2 Fees and commissions paid		38.978
4.2.1 Non-cash loans		-
4.2.2 Other		38.978
V. DIVIDEND INCOME	IV-3	14
VI. NET TRADING INCOME	IV-4	(36.163)
6.1 Securities trading gains/ (losses)		226.775
6.2 Gain/(losses) from derivative financial instruments		(133.227)
6.3 Foreign exchange gains/ (losses)		(129.711)
VII. OTHER OPERATING INCOME	IV-5	14.018
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		1.492.347
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	353.411
X. OTHER OPERATING EXPENSES (-)	IV-7	737.782
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		401.154
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	IV-8	401.154
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-9	(80.582)
16.1 Provision for current income taxes		(51.254)
16.2 Provision for deferred taxes		(29.328)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	IV-10	320.572
XVIII. INCOME ON DISCONTINUED OPERATIONS		-
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
18.3 Income on other discontinued operations		-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1 Loss from assets held for sale		-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
19.3 Loss from other discontinued operations		-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
21.1 Provision for current income taxes		-
21.2 Provision for deferred taxes		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	IV-11	320.572

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period 31.12.2018
I.	PROFIT (LOSS)	17.150
II.	OTHER COMPREHENSIVE INCOME	(88.703)
2.1	Other comprehensive income that will not be reclassified to profit or loss	198
2.1.1	Gains (Losses) on revaluation of property, plant and equipment	-
2.1.2	Gains (losses) on revaluation of intangible assets	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	(706)
2.1.4	Other Components of other comprehensive income that will not be reclassified to profit or loss	960
2.1.5	Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	(56)
2.2	Other comprehensive income that will be reclassified to profit or loss	(88.901)
2.2.1	Exchange differences on translation	-
2.2.2	Valuation and/or reclassification profit or loss from financial assets at fair value through other comprehensive income	(25.696)
2.2.3	Income (loss) related with cash flow hedges	(88.280)
2.2.4	Income (loss) related with hedges of net investments in foreign operations	-
2.2.5	Other components of other comprehensive income that will be reclassified to other profit or loss	-
2.2.6	Taxes relating to components of other comprehensive income that will be reclassified to profit or loss	25.075
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	(71.553)

		Audited Prior Period 31.12.2017
I.	Additions to marketable securities revaluation differences for available for sale financial assets	(6.996)
II.	Tangible assets revaluation differences	-
III.	Intangible assets revaluation differences	-
IV.	Foreign currency translation differences for foreign currency transactions	-
V.	Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-
VI.	Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-
VII.	The effect of corrections of errors and changes in accounting policies	-
VIII.	Other profit loss items accounted for under equity due to TAS	-
IX.	Tax of valuation differences	1.399
X.	Total Net Profit/Loss accounted under equity (I+II+...+IX)	(5.597)
XI.	Profit/Loss	320.572
1.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	-
1.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-
1.3	Transfer of hedge of net investments in foreign operations to Income Statement	-
1.4	Other	320.572
XII.	Total Profit/Loss accounted for in the period (X±XI)	314.975

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five)	Other Comprehensive Income/Expense Items Not To Be Recycled To Profit and Loss				Other Comprehensive Income/Expense Items To Be Recycled To Profit and Loss				Translation Differences	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income(*)	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit Reserves (**)	Prior Years' Income and Losses	Current Year Income and Losses	Total Shareholders' Equity	
		Paid- In Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Tangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Recycled to Profit or Loss)	Other Comprehensive Income/Expense Items To Be Recycled To Profit and Loss								
Current Period 31/12/2018																	
I.		3.288.842	-	-	(2.198)	-	-	3.251	-	(34.338)	-	182.001	-	320.572	3.758.130		
II.		-	-	-	-	-	-	745	-	34.338	-	(501.838)	-	-	(466.755)		
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2		-	-	-	-	-	-	745	-	34.338	-	(501.838)	-	-	(466.755)		
III.		3.288.842	-	-	(2.198)	-	-	3.996	-	-	-	(319.837)	-	320.572	3.291.375		
IV.		-	-	-	-	-	-	749	-	(20.043)	(68.858)	-	-	17.150	(71.553)		
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XI.		-	-	-	-	-	-	-	-	-	-	320.572	-	(320.572)	-		
11.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2		-	-	-	-	-	-	-	-	-	-	320.572	-	(320.572)	-		
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		3.288.842	-	-	(2.198)	-	(551)	4.745	-	(20.043)	(68.858)	735	-	17.150	3.219.822		

(*) In accordance with the option provided by the transition provisions of TFRS 9 "Financial Instruments", the Bank did not restate the prior period financial statements but the transition effect of the standard amounting to TL 501.838 has been recognized in the "Extraordinary Reserves" in equity as of 1 January 2018 and negative difference amounting to TL 35.083 for the securities the difference is removed from shareholders' equity from " Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income " against the fair value of the financial asset. Transition impacts regarding IFRS9 has been presented in Section Three – note XXIV in detail.

(**) The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on March 29, 2018 to book legal reserves of TL 16.028, which is 5% of the distributable net statutory profit of TL 320.572 and the remaining amount of TL 304.544 has been decided to be reserved as extraordinary reserves.

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA(TL)																		
	Note (Section Five)	Paid-In Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves (*)	Status Reserves	Extraordinary Reserves	Other Reserves (**)	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets(***)	Bonus Shares from Invest. In Ass., Subs. and I.V.	Hedging Reserves	Val.Chan.In Prop. And Eq. HFS Purp./ Disc. Opr..	Total Equity Before Minority Shares	Minority Shares	Total Shareholders' Equity
PRIOR PERIOD																			
31/12/2017																			
I. Prior Period End Balance		3.288.842	-	-	-	-	-	-	(2.198)	200.354	(15.102)	(28.741)	-	-	-	-	3.443.155	-	3.443.155
II. Adjustments made according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correcting Mistakes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes made in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)		3.288.842	-	-	-	-	-	-	(2.198)	200.354	(15.102)	(28.741)	-	-	-	-	3.443.155	-	3.443.155
Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securitiz Valuation Differences		-	-	-	-	-	-	-	-	-	-	(5.597)	-	-	-	-	(5.597)	-	(5.597)
VI. Hedging Transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Property and Equipment Revaluation Differences		-	-	-	-	-	-	-	-	(3.251)	-	-	3.251	-	-	-	-	-	-
VIII. Intangible Fixed Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effects of changes in equity of investments in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid-in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current Year Income or(Loss)		-	-	-	-	-	-	-	-	320.572	-	-	-	-	-	-	320.572	-	320.572
XX. Profit Distribution		-	-	-	-	9.263	-	172.738	-	(197.103)	15.102	-	-	-	-	-	-	-	-
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	9.263	-	172.738	-	(197.103)	15.102	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+...+XVIII+XIX+XX)		3.288.842	-	-	-	9.263	-	172.738	(2.198)	320.572	-	(34.338)	3.251	-	-	-	3.758.130	-	3.758.130

(*) The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on April 28, 2017 to book primary legal reserves of TL 9.263, which is 5% of the distributable net profit of TL 185.252. This amount is calculated by deducting the previous year losses amounting to TL 15.102 from TL 200.354; net profit of the Bank for the year 2016.

(**) As per Turkish Account Standards 32, stamp tax and competition board fees amounting to TL 2.198 resulting from the capital increase are deducted from equity.

(***) TL 3.251 presented under extraordinary reserves includes the share sales gain benefited from corporate tax exemption and transferred to the Revaluation Surplus on Tangible and Intangible Assets account.

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note (Section Five)	Audited Current Period 31.12.2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	190.116
1.1.1	Interest received	3.237.394
1.1.2	Interest paid	(2.251.993)
1.1.3	Dividend received	17
1.1.4	Fees and commissions received	143.619
1.1.5	Other income/(expense)	129.028
1.1.6	Collections from previously written off loans	205.067
1.1.7	Payments to personnel and service suppliers	(533.674)
1.1.8	Taxes paid	(315.211)
1.1.9	Others	(424.131)
1.2	Changes in operating assets and liabilities	(1.258.206)
1.2.1	Net (increase) decrease in financial assets held for trading	(2.521)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	(758.463)
1.2.3	Net (increase) decrease in due from banks and other financial institutions	2.799.034
1.2.4	Net (increase) decrease in loans	(1.069.042)
1.2.5	Net (increase) decrease in other assets	559.568
1.2.6	Net increase (decrease) in bank deposits	(2.956.634)
1.2.7	Net increase (decrease) in other deposits	(123.964)
1.2.8	Net increase (decrease) in funds borrowed	(48.018)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	341.834
I.	Net cash provided from banking operations	(1.068.090)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities	692.456
2.1	Cash paid for purchase of jointly controlled entities, associates and subsidiaries	-
2.2	Cash obtained from sale of jointly controlled entities, associates and subsidiaries	-
2.3	Fixed assets purchases	(14.086)
2.4	Fixed assets sales (*)	79.529
2.5	Cash paid for purchase of financial assets available for sale	(265.352)
2.6	Cash obtained from sale of financial assets available for sale	922.463
2.7	Cash paid for purchase of investment securities	(1.409.714)
2.8	Cash obtained from sale of investment securities	1.379.616
2.9	Others	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities	215.970
3.1	Cash obtained from funds borrowed and securities issued	460.149
3.2	Cash used for repayment of funds borrowed and securities issued	(244.179)
3.3	Issued equity instrument	-
3.4	Dividends paid	-
3.5	Payments for finance leases	-
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents and other asset and liabilities	849.370
V.	Net increase / (decrease) in cash and cash equivalents	689.706
VI.	Cash and cash equivalents at beginning of the period	4.597.836
VII.	Cash and cash equivalents at end of the period	5.287.542

(*) The Bank generated cash inflow of TL 69.815 from the sale of properties previously classified under assets held for sale.

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note (Section Five)	Audited Prior Period 31.12.2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		422.776
1.1.1 Interest received		3.292.327
1.1.2 Interest paid		(2.067.027)
1.1.3 Dividend received		14
1.1.4 Fees and commissions received		181.631
1.1.5 Other income		(109.133)
1.1.6 Collections from previously written off loans (**)		139.115
1.1.7 Payments to personnel and service suppliers		(665.924)
1.1.8 Taxes paid		(309.652)
1.1.9 Others		(38.575)
1.2 Changes in operating assets and liabilities		(2.068.811)
1.2.1 Net (increase) decrease in financial assets held for trading		(526.415)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		(142.492)
1.2.3 Net (increase) decrease in due from banks and other financial institutions		1.114.700
1.2.4 Net (increase) decrease in loans		3.568.616
1.2.5 Net (increase) decrease in other assets		(141.965)
1.2.6 Net increase (decrease) in bank deposits		(606.427)
1.2.7 Net increase (decrease) in other deposits		(4.747.167)
1.2.8 Net increase (decrease) in funds borrowed		(721.553)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		133.892
I. Net cash provided from banking operations		(1.646.035)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		14.469
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-
2.3 Fixed assets purchases		(39.371)
2.4 Fixed assets sales		58.738
2.5 Cash paid for purchase of financial assets available for sale (*)		(4.898)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Others		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		609.300
3.1 Cash obtained from funds borrowed and securities issued (***)		1.239.503
3.2 Cash used for repayment of funds borrowed and securities issued (****)		(630.203)
3.3 Issued equity instrument		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents and other asset and liabilities		(358.362)
V. Net increase / (decrease) in cash and cash equivalents		(1.380.628)
VI. Cash and cash equivalents at beginning of the period		5.978.464
VII. Cash and cash equivalents at end of the period		4.597.836

(*) The Bank generated cash inflow of TL 58.738 from the sale of properties previously classified under assets held for sale.

(**) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

(***) As per the General Assembly resolution of the Credit Guarantee Fund on March 30, 2017, The Bank's application for partnership with 4.898 TL and 1,5384% rate has been accepted and the related decision was registered on April 6, 2017.

(****) In accordance with the Board of Directors' decision and permits taken from the CMB and BRSA, the Bank has issued a bill with a nominal value of TL 100.823, maturity on July 7, 2017 and with a simple interest rate of 12.85% on April 7, 2017 sold to qualified investors in the domestic market. The bill was amortized on July 7, 2017.

The Bank, on August 1, 2017, paid back in full the USD 150 million sub-loan, provided by main shareholder Bank Audi sal on October 31, 2014, with the consent of BRSA dated July 28, 2017.

The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED PROFIT DISTRIBUTION TABLE
FOR THE PERIOD ENDED DECEMBER 31, 2018 AND 2017

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31.12.2018 (*)	Audited Prior Period 31.12.2017
I. DISTRIBUTION OF CURRENT YEAR INCOME/(LOSS)		
1.1 CURRENT YEAR INCOME/(LOSS)	16.630	401.154
1.2 TAXES AND DUTIES PAYABLE (-)	520	(80.582)
1.2.1 Corporate tax (Income tax)	-	(51.254)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	520	(29.328)
A. NET INCOME FOR THE YEAR (1.1-1.2)	17.150	320.572
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(16.028)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	17.150	304.544
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 owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	304.544
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF 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 owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (**)	-	-
3.1 TO OWNERS OF ORDINARY SHARES	0,005	0,097
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,5	9,7
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 (%)	-	-

(*) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(**) It shows with full TL amount.

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

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks’ Accounting Application and Keeping Documents:

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

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

b. Information on accounting policies and changes in financial statements:

Accounting policies and valuation principles used in the preparation of the unconsolidated financial statements are determined in accordance with the regulations, Communiqués, interpretations and legislations related to accounting and financial reporting principles published by the BRSA, and in case where a specific regulation is not made by BRSA, TAS/TFRS (all “BRSA Accounting and Financial Reporting Legislation”) and related appendices and interpretations are put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”). In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for 2018 and 2017 are separately presented in the following notes; the accounting policies for 2017 are included in note XXV. Impacts of the transition to TFRS 9 and its adoption are disclosed in note XXIV.

Explanation for convenience translation into English:

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

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

The Bank uses financial assets intensely by its nature. The Bank’s basic strategy regarding the use of financial assets is intended for ensuring the balance between the profits from and risk levels of assets.

The Bank’s main funding source is the deposits accepted for various time periods and apart from deposits, the most important funding sources are equity, securities issued and generally medium and long term borrowings obtained from foreign financial institutions. In order to use these sources in high-yield and high-quality financial assets, the Bank follows an asset-liability management strategy while managing interest rate risk, liquidity risk, exchange rate risk and credit risk within the framework of risk limits and legal limits determined by the Bank. With an effective asset-liability management strategy, it is aimed to ensure increasing profitability and strengthening shareholders’ equity.

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

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed by the Treasury within the limits defined by the Board of Directors.

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. As of December 31, 2018 foreign exchange gains and losses arising from transactions that are completed, are translated to TL by using historical foreign currency exchange rates. Balance of the foreign currency denominated monetary assets and liabilities are converted into TL by using foreign currency exchange rates of the Bank for the year end and the resulting exchange differences are recorded as foreign exchange gains and losses.

III. Explanations on Futures and Options Markets (VIOP) and Derivative Instruments

The derivative transactions mainly consist of options, foreign currency swaps, interest rate swaps, and foreign currency forward contracts. Derivative instruments are initially recorded at their fair values and related transaction costs are recognized in income statement at the date of occurrence. The changes in the fair values of derivatives which are not subject to hedge accounting are recorded on balance sheet under “the portion of derivative financial assets measured at fair value through profit and loss” or “the portion of derivative financial liabilities measured at fair value through profit and loss”, respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of “Profit/losses from derivative financial transactions” within the income statement.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Embedded derivatives shall be separated from the host and accounted for as a derivative according to TFRS 9 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss. If an embedded derivative is separated, the host contract shall be accounted for in accordance with the appropriate Standards.

The Bank applies cash flow hedge accounting to mitigate interest rate changes on TL deposit through interest rate swaps.

TFRS 9 provides the option of deferring the adoption of TFRS 9’s hedge accounting in the selection of accounting policies and option to continue with the conditions of TAS 39’s hedge accounting. In this context, the Bank applies TAS 39 standard for hedge accounting.

Within the scope of cash flow hedge accounting, the effective portion of the change in the fair value of the hedging instrument is accounted for in the balance sheet under “the portion of derivative financial assets measured at fair value through profit and loss” or “the portion of derivative financial liabilities measured at fair value through profit and loss”, respectively depending on the fair values being positive or negative and effective portions in the equity under “ Other Comprehensive Income Items to be recycled to profit and loss” and ineffective portions in the income statement under “profit / loss from derivative financial transaction”. In the periods in which the cash flows (interest expenses) of the hedged item affects the income statement, the profit/ loss of the hedging instrument is recycled to the income statement from equity.

ODEA BANK ANONİM ŞİRKETİ
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. Explanations on Forward and Option Contracts and Derivative Instruments (Continued)

A prospective test is performed at the beginning of the hedge accounting and both retrospective and prospective test are performed at each reporting period with Dollar off-set method. According to this method, hedge accounting continues when the result is within a range of 80-125% effectiveness. Depending on the calculated effectiveness ratio, hedging relationship is accounted in accordance with TAS 39 rules.

In case the hedging instrument is not continued due to the termination, realization, sale, termination of hedge accounting or ineffectiveness of the effectiveness test; hedge accounting is terminated. In such cases, the profit/loss accounted under shareholders' equity in cash flow hedge accounting continues to be accounted for under "Other comprehensive income items to be recycled to profit or loss" within equity until the realization of the cash flows of the hedged item. When the cash flows related to the hedging item are realized, the profit/loss accounted under equity is classified in the income statement taking into account the original maturity of the hedging instrument.

Renewal of a hedging instrument or transfer to another hedging instrument if it is part of a hedging strategy does not remove the hedging relationship.

IV. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the statement of income by using the "Effective interest method". Starting from January 1, 2018, Bank has started accruing interest income on non-performing loans. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are accrued through effective interest rate. Effective interest rate is also used during the calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "expected credit losses" expense and "interest income from loans" for such calculated interest amount.

V. Explanations on Fees and Commission Income and Expenses

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees paid on received for services such as the purchase and sale of assets from a third party and to be reflected to customers are recognized as income or expense at the time of occurrence.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority.

The methods and assumptions used in the recognition and measurement of financial instruments are mentioned below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand placements, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets are their fair values.

Financial Assets at Fair Value Through Profit and Loss

"Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. Transaction costs related to such assets are recorded as expense at the time of occurrence.

ODEA BANK ANONİM ŞİRKETİ
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. Explanations on Financial Assets (continued)

Financial Assets at Fair Value Through Other Comprehensive Income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the receipt of consideration against that asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted for under the "other comprehensive income or expense items to be recycled to profit or loss" under shareholders' equity.

Equity instruments, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial Assets Measured at Amortized Cost

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

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

"Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Bank include Consumer Price Indexed (CPI) bonds. These securities are measured and accounted for using the effective interest rate method based on the real coupon rates adjusted with the difference between the reference inflation index at the date of issuance and the realized inflation rate which is officially announced.

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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. Explanations on Financial Assets (continued)

Loans and Receivables

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market.

Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method".

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses in the statement of income.

Derecognition of a financial asset

Before evaluating whether, and to what extent, derecognition is appropriate, the Bank determines whether those criteria should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety. Criteria is applied to a part of financial asset (or a part of a group of similar financial assets) if, and only if, the part being considered for derecognition meets one of the following three conditions.

- (i) The part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets).
- (ii) The part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets).
- (iii) The part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

A financial asset (or, a part of a financial asset or a part of group of financial assets, where appropriate) is derecognized when, and only when,

- the contractual rights to the cash flows from the financial asset expire; or
- the contractual rights to the cash flows from the financial asset are transferred; or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement without material delay and:
- if the entity transfers substantially all the risks and rewards of ownership of the financial asset or,
- if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, whether it has retained control of the financial asset.

If the Bank transfers the contractual rights to the cash flows from the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement without material delay and if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset and it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. In this case, the entity also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

The Bank has evaluated the non-performing loan portfolio of which contractual rights are transferred to the asset management companies, in the context of above statements and derecognizes the loans that are subject to agreements in which all risks and rewards are transferred to the buyer.

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VII. Explanations on Expected Credit Losses

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of January 1, 2018, the Bank recognizes provisions for impairment in accordance with TFRS 9 requirements according to the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside published in the Official Gazette dated 22 June 2016 numbered 29750.

In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9 starting from the transition date. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

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

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition or if the financial asset is overdue between 30 days and 90 days or restructured, the loans are transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

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

The collections made related to loans for which provision is made in the current period are reversed from the "Allowance for expected credit losses" account in the income statement. The collections made related to loans written-off and monitoring of off balance sheet or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

VIII. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

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

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and determined re-sell price is accrued over the life of repurchase agreements.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of December 31, 2018, the Bank has TL 690.470 of reverse repo transactions (December 31, 2017: TL 2.742.869).

As of December 31, 2018, the Bank has TL 100 funds provided under repurchase agreements (December 31, 2017: None).

As of December 31, 2018, the Bank has no marketable securities lending transaction (December 31, 2017: None).

X. Explanations on Assets Held for Sale and Discontinued Operations

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

As of December 31, 2018 the Bank has TL 238.525 assets held for sale (December 31, 2017: TL 170.946).

The Bank, in some portion of the foreclosed assets, provides repurchase right to the debtor. As of December 31, 2018, the right of repurchase value of assets of the Bank is TL 109.922. (31 December 2017: TL 79.220).

A discontinued operation is a division of a bank that is either disposed or held for sale.

Results of discontinued operations are included in the income statement separately. As of December 31, 2018 and December 31, 2017 the Bank does not have any discontinued operations.

XI. Explanations on Goodwill and Other Intangible Assets

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There have been no changes in the amortization calculation method during the current period.

As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

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XII. Explanations on Tangible Fixed Assets

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Safety box	2
ATM	10
Furniture, fixtures and others	20
Office equipment's	10-33

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

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

XIII. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS 17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

XIV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

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XV. Explanations on Liabilities Regarding Employee Benefits

In accordance with the existing labor law, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service and whose employment is terminated due to retirement or for reasons other than resignation and misconduct.

The Bank has calculated provision for employee severance benefits in the accompanying financial statements in accordance with TAS 19 “Employee Benefits” by using the “Projection Method” and discounted the total provision by using the current market yield at the balance sheet date on government bonds based on their past experiences in the issues of completion of personnel service period and severance pay eligibility.

The Bank has no retirement fund or foundation that the employees are the member of.

Defined Contribution Plans:

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short-term Employee Benefits:

In accordance with TAS 19 “Turkish Accounting Standard on Employee Benefits”; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

XVI. Explanations on Taxation

Corporate Tax:

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offset against the final tax liability for the year.

According to Provisional Article 10 added to the Corporate Tax Law, Corporate Tax at 20% shall be applied as 22% for the corporate earnings of the taxation periods of 2018, 2019 and 2020 of the institutions.

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

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

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities.

As of December 31, 2018, the Bank has no corporate income tax provision, which has already been netted with prepaid taxes amounting to TL 78.747 and shown in the assets amounting to TL 78.747 (December 31, 2017: TL 1.495 Corporate Taxes Payable).

Deferred Tax Liability / Asset:

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

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XVI. Explanations on Taxation (continued)

In accordance with TAS 12 “Turkish Accounting Standard on Income Taxes” the Bank calculates deferred tax asset on carry forward tax losses and all deductible temporary differences, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences.

The book value of the deferred tax asset is reviewed at the end of each reporting period. The book value of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient financial profit will be available to allow the benefit of part or all of the deferred tax asset to be obtained.

If the deferred tax transactions and other issues are recognized (accounted) in profit and loss, related tax effects are recognized in profit and loss. On the other hand, if the deferred tax transactions and other issues are recognized (accounted) in equity accounts, related tax effects are also recognized (accounted) in equity accounts.

Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income stated under the statement of income amounting to TL 520, deferred tax assets amounting to TL 272.167 in the statement of financial position (December 31, 2017: TL 64.664 Deferred Tax Assets and TL 29.328 Deferred Tax Expense).

As of December 31, 2017 and December 31, 2018, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable for 3 years has been changed to 22% . However, 20% tax rate is used for temporary differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 is 20%.

XVII. Additional Explanations on Borrowings

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

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

The Bank has not issued convertible bonds.

XVIII. Explanations on Issued Share Certificates

Direct transaction costs related to issuance of stock certificates are recognized as discount from equity. There is no issued stock in 2018 (31 December 2017: None).

XIX. Explanations on Avalized Drafts and Acceptances

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

XX. Explanations on Government Grants

There are no government grants utilized by the Bank.

XXI. Explanations on Segment Reporting

Reporting according to the operational segment is presented in Note VIII of Section Four.

XXII. Explanations on Reclassifications

None.

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XXIII. Explanations on Other Cases

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the unconsolidated financial statements are as follows. New standards, interpretations and amendments that were not introduced early on by the Bank and which might have a significant impact on the Bank's financial statements are as follows:

Explanations on TFRS 16 Leases Standard

The “TFRS 16 Leases” standard was published in the official gazette dated 16 April 2018 and numbered 29826 for the period beginning after 31 December 2018. In this standard, the difference between the operating lease and the finance lease has been eliminated, and the lease transactions will be presented by the lessor as the financial liability for the asset (the right to use) and the lease payment.

The Bank has started to work on compliance with the TFRS 16 Leases Standard effective from 1 January 2019 which is still in progress as of 31 December 2018. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019.

The Bank will apply this standard on January 1, 2019, which is the mandatory date of implementation. The Bank considers use of modified retrospective transition approach and intends not to change comparable figures retrospectively but to adjust opening balance of the shareholders’ equity at initial application.

Apart from the accounting policies mentioned above, there are no other issues to be specified.

XXIV. Explanations on TFRS 9 Financial Instruments Standard

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets

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

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank’s claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

The Bank fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

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XXIV. Explanations on TFRS 9 Financial Instruments Standard (continued)

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Explanations of the effect from Bank's application of TFRS 9 can be found below:

a) Classification and measurement of financial assets

	Before TFRS 9		In scope of TFRS 9	
	Measurement Bases	Book Value	Measurement Bases	Book Value
Financial Assets		December 31, 2017		January 1, 2018
Cash and Balances with the Central Bank	Measured at amortized cost	3.731.820	Measured at amortized cost	3.731.820
Banks and Money Markets	Measured at amortized cost	3.029.598	Measured at amortized cost	3.029.598
Marketable Securities	Fair value through profit and loss	775.195	Fair value through profit and loss	760
Marketable Securities	Fair value through other comprehensive income	1.262.433	Fair value through other comprehensive income	782.336
Marketable Securities	Measured at amortized cost	447.133	Measured at amortized cost	1.736.738
Derivative Financial Assets	Fair value through profit and loss	421.116	Fair value through profit and loss	421.116
Loans (Gross)	Measured at amortized cost	23.077.150	Measured at amortized cost	23.077.150

b) Reconciliation of statement of financial position balances from TAS 39 to TFRS 9

Financial Assets	Book value before TFRS 9 December, 31 2017	Reclassifications	Remeasurements	Book value after January 1, 2018
Fair value through P/L				
Balance before classification (held for trading)	775.195	-	-	-
Classified to fair value through other comprehensive income	-	(774.435)	-	-
Book value after classification	-	-	-	760
Fair Value Through Other Comprehensive Income				
Balance before classification (available for sale)	1.262.433	-	-	-
Classified from held for trading	-	774.435	-	-
Classified to Amortized Cost	-	(1.254.532)	-	-
Book value after classification	-	-	-	782.336
Measured at amortized cost				
Balance before classification (held-to-maturity)	447.133	-	-	-
Classified from fair value through other comprehensive income	-	1.254.532	35.083	-
Book value after classification	-	-	-	1.736.738

The reasons for the classification of certain financial assets held by the Bank as above in accordance with the TFRS 9 classification and measurement provisions are explained below:

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XXIV. Explanations on TFRS 9 Financial Instruments Standard (continued)

1) Financial assets classified as fair value through other comprehensive income according to TFRS 9:

The Bank has reassessed the management model for the collection of contractual cash flows in the security portfolio or for the sale of the financial assets and cash flows depending on the contract. The Bank has classified the securities portfolio amounting TL 774.435, which were classified as measured at amortized cost, as fair value through other comprehensive income due to the reason that appropriate management model of those marketable securities have the purpose of collecting cash flows or selling financial assets.

2) Financial assets measured at amortized cost in accordance with TFRS 9:

The Bank has classified securities, which are classified as available-for-sale financial assets, amounting to TL 1.254.532 in share capital, has been reclassified as measured at amortized cost since the date of transition, as the contractual cash flows, including interest payments on principal and principal balance, are for the purpose of accounting.

c) Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

The table below shows the reconciliation of the provision for impairment of the Bank as of December 31, 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of January 1, 2018.

	Book value before TFRS 9 December 31, 2017	Remeasurements	Book value after TFRS 9 January 1, 2018
Loans	928.202	694.800	1.623.002
Stage 1	53.313	51.711	105.024
Stage 2	171.545	685.650	857.195
Stage 3	445.644	(8.137)	437.507
Free provision	257.700	(34.424)	223.276
Financial assets (*)	27.729	(13.200)	14.529
Non-cash loans	11.566	10.997	22.563
Stage 1 and 2	4.217	7.254	11.471
Stage 3	7.349	3.743	11.092
Total	967.497	692.597	1.660.094

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

d) Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to IFRS 9 presented in the equity items under the scope of this article are given below:

The amounting to TL 692.597 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Other Capital Reserves" in shareholders' equity. The Bank management initiated an application of individual assessment to certain significant credit customers classified in Stage 2 within the framework of TFRS 9 Standard in the fourth quarter of 2018 and reassessed "Significant increase in credit risk" provision accordingly. The Bank management accounted for an additional provision amounting to TL 625 million based on the initiated individual assessment approach at TFRS 9 transition and together with deferred tax asset amounting to TL 125 million regarding to this additional provision is recognized as an opening adjustment in the "Extraordinary Reserves" presented under "Profit Reserves" in equity as of 1 January 2018.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 190.759 have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Profit Reserves" in shareholders' equity.

The negative difference after tax effect amounting to TL 35.083, regarding the securities amounting TL 1.254.532 previously being classified as available-for-sale and classified to financial assets measured at amortised cost as of January 1, 2018 with the TFRS 9 transition is removed from "Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income" against the fair value of the financial asset and TL 745 amount regarding equity instruments where the Bank has chosen the irrevocable option to measure these instruments at fair value through OCI has been reclassified to "Other Comprehensive Income/Expense Items Not To Be Recycled To Profit and Loss", thus their respective gains or losses on disposal will not be recycled to statement of income.

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XXV. Explanations on Prior Period Accounting Policies Not Valid For the Current Period

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

The Bank categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

Financial Assets at Fair Value through Profit and Loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities" in balance sheet.

Held-to-Maturity Investments

Investments held-to-maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

Held-to-maturity investments are initially recorded at cost including transactions costs which represents the fair value at the time. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts in balance sheet.

Financial Assets Available for Sale

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs which represents the fair value at the time. When the securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices.

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

Loans and Receivables

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value including the related transaction costs. In subsequent periods, they are accounted in accordance with TAS.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses in the statement of income.

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XXV. Explanations on Prior Period Accounting Policies Not Valid for the Current Period (continued)

Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

The Bank classifies its loans by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006 as non performing loans in the existence of evidence for loans not be collected and classifies related loans and provides specific provision for related loans. Principals of related loans are collected primarily then interest receivables are collected.

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off and monitoring of off balance sheet or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

"Provision for Loans and Other Receivables" account in the income statement is closed by reversing of provisions for possible losses.

Explanations on Taxation

Deferred tax asset have not been provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 and dated December 8, 2004.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

As of 31 December 2018, Bank's total capital has been calculated as TL 5.535.732 and capital adequacy ratio is 21,40%. As of 31 December 2017, Bank's total capital amounted to TL 5.027.825 and capital adequacy ratio was 20,32%. These ratios are above the minimum ratio required by the legislation.

a. Information about Total Capital:

	Current Year 31 December 2018
COMMON EQUITY TIER 1 CAPITAL	
Paid-up Capital following all debts in terms of claim in liquidation of the Bank	3.288.842
Share issue premiums	-
Reserves (*)	735
Gains recognized in equity as per TAS	1.494
Profit	17.150
Current Period Profit	17.150
Prior Period Profit	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-
Common Equity Tier 1 Capital Before Deductions	3.308.221
Deductions from Common Equity Tier 1 Capital	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (**)	88.400
Improvement costs for operating leasing	41.929
Goodwill (net of related tax liability)	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	62.942
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-
Gains arising from securitization transactions	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Direct and indirect investments of the Bank in its own Common Equity	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-
Excess amount arising from mortgage servicing rights	-
Excess amount arising from deferred tax assets based on temporary differences	-
Other items to be defined by the BRSA	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-
Total Deductions From Common Equity Tier 1 Capital	193.271
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	557.592
Total Common Equity Tier 1 Capital	3.672.542

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I. Explanations on Equity (continued)

	Current Year 31 December 2018
ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-
Debt instruments and premiums approved by BRSA	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-
Additional Tier I Capital before Deductions	
Deductions from Additional Tier I Capital	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Transition from the Core Capital to Continue to deduce Components	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.672.542
TIER II CAPITAL	
Debt instruments and share issue premiums deemed suitable by the BRSA (***)	1.585.782
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	277.408
Tier II Capital Before Deductions	1.863.190
Deductions From Tier II Capital	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation when the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	1.863.190
Total Capital (The sum of Tier I Capital and Tier II Capital)	5.535.732
Deductions from Total Capital	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	5.535.732

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I. Explanations on Equity (continued)

	Current Year 31 December 2018
TOTAL CAPITAL	
Total Capital (TIER I Capital and TIER II Capital)	5.535.732
Total risk weighted amounts	25.873.673
Capital Adequacy Ratios	
Core Capital Adequacy Ratio	14,19
Tier I Capital Adequacy Ratio	14,19
Capital Adequacy Ratio	21,40
BUFFERS	
Total buffer requirement	1,934
Capital conservation buffer requirement	1,875
Bank specific counter-cyclical buffer requirement	0,059
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	9,69
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-
Amount arising from deferred tax assets based on temporary differences	-
Limits related to provisions considered in Tier II calculation	-
Limits related to provisions considered in Tier II calculation	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.008.822
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	277.408
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Excess amount of total provision amount to %0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-
(*) The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on March 29, 2018 to book legal reserves of TL 16.028, which is 5% of the distributable net statutory profit of TL 320.572 and the remaining amount of TL 304.544 has been decided to be reserved as extraordinary reserves.	
(**) As per Turkish Account Standard 32, stamp tax and competition board fees amounting to TL 2.198 resulting from the capital increase are deducted from equity.	
(***) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan. The Bank, pursuant to the approval of the BRSA on 26 September 2018, bought back USD 670 thousands of Tier II sub-loan on 05 December 2018, and the relevant amount has been deducted from the capital amount in the equity calculation. The Bank has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amount at any time is completely at the Bank management's discretion.	

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I. Explanations on Equity (continued)

Information related to the components of shareholders' equity:

	Prior Period 31 December 2017	Amounts Subject to Pre- Basel III treatment (Before the 1/1/2014) (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital following all debts in terms of claim in liquidation of the Bank	3,288.842	
Share issue premiums	-	
Reserves(**)	182.001	
Gains recognized in equity as per TAS	-	
Profit	320.572	
Current Period Profit	320.572	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	3,791.415	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (***)	33.285	
Improvement costs for operating leasing	45.755	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	64.027	80.034
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	143.067	
Total Common Equity Tier 1 Capital	3,648.348	

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I. Explanations on Equity (continued)

	Prior Period 31 December 2017	Amounts Subject to Pre-Base III treatment (Before the 1/1/2014) (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	16.007	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	16.007	
Total Additional Tier I Capital	16.007	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.632.341	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA(****)	1.138.680	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	256.804	
Tier II Capital Before Deductions	1.395.484	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1.395.484	
Total Capital (The sum of Tier I Capital and Tier II Capital)	5.027.825	
Deductions from Total Capital	-	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the % 10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	5.027.825	

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I. Explanations on Equity (continued)

	Prior Period 31 December 2017	Amounts Subject to Pre-Base III treatment (Before the 1/1/2014) (*)
TOTAL CAPITAL		
Total Capital (TIER I Capital and TIER II Capital)	5,027.825	
Total risk weighted amounts	24,737.767	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	14,75	
Tier I Capital Adequacy Ratio	14,68	
Capital Adequacy Ratio	20,32	
BUFFERS		
Total buffer requirement	1,274	
Capital conservation buffer requirement	1,250	
Bank specific counter-cyclical buffer requirement	0,024	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	10,25	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	256.804	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	256.804	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to %0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	
(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.		
(**) The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on April 28, 2017 to book primary legal reserves of TL 9.263, which is 5% of the distributable net profit of TL 185.252 and TL 175.989 as extraordinary reserve. The distributable net profit is calculated by deducting the previous year losses amounting to TL 15.102 from TL 200.354; net profit of the Bank for the year 2016.		
(***) As per Turkish Account Standards 32, stamp tax and competition board fees amounting to TL 2.198 resulting from the capital increase are deducted from equity.		
(****) The Bank, on August 1, 2017, paid back in full the USD 150 million sub-loan, provided by main shareholder Bank Audi sal on October 31, 2014, with the consent of BRSA dated July 28, 2017. The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.		

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I. Explanations on Equity (continued)

Details on Subordinated Liabilities:

Lender	Odea Bank A.Ş
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1655085485/ US67576MAA27
Governing law(s) of the instrument	It is subject to English law additionally certain articles are subject to Turkish law. It has been issued under the "Communiqué on Borrowing Instruments" of the CMB and the "Regulation on Equities of Banks" of the BRSA.
Regulatory treatment	Tier II Capital
Whether the sub-loan is subject to 10% decrease starting from 1/1/2015	No
Eligible at stand-alone / consolidated (*)	Stand Alone
Instrument type (types to be specified by each jurisdiction) (**)	Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date) (***)	1.585.782
Per value of instrument (Thousand USD)	299.330
Accounting classification	Liability-Subordinated Loans
Original date of issuance	01/08/2017
Perpetual or dated	10 Years Dated
Original maturity date	-
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	On 1 August 2022, there is an early repayment option. Amount to pay back: TL 1.585.782 thousand
Subsequent call dates, if applicable	-
Coupons / dividends	-
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	7,625%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	None
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	Yes
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), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down
If write-down, full or partial	Fully or partially
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In priority of receivables, it comes after the debt instruments which are nonsubordinated loans.
Whether the sub-loan agreement contains all the items stated within the article number 7 and 8 of "Own fund regulation" or not	The instrument is in compliance with article number 8.
Details of above mentioned items within article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.

(*) As of most recent reporting date, the bank does not have participation or subsidiary company which is depended to consolidation.

(**) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan. The Bank, pursuant to the approval of the BRSA on 26 September 2018, bought back USD 670 thousand of Tier II sub-loan on 05 December 2018, and the relevant amount has been discounted from the capital amount in the equity calculation. The Bank has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amount at any time is completely at the Bank management's discretion.

(***) Does not include accrued interests.

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I. Explanations on Equity (continued)

Basic information in the TFRS 9 transition process: As of December 31, 2018, the Bank implements Provisional Article 5 of the “Regulation on Equity of Banks” published in the Official Gazette dated September 5, 2015 and numbered 29756. Therefore, in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside, eighty percent for the first year, sixty percent for the second year, forty percent for the third year, and twenty percent for the fourth year of the positive difference between the total expected loan loss provision calculated as of the date when the expected loan loss provisions are started to be recognized under TFRS 9 and the total provision amount calculated before starting the application of TFRS 9, can be added to the core capital amount after the tax deduction.

	2018	2019	2020	2021	2022
EQUITY COMPONENTS					
Core Capital	3.672.542	3.533.144	3.393.746	3.254.348	3.114.950
Transition Process Unapplied Core Capital	3.114.950	3.114.950	3.114.950	3.114.950	3.114.950
Tier I Capital	3.672.542	3.533.144	3.393.746	3.254.348	3.114.950
Transition Process Unapplied Main Capital	3.114.950	3.114.950	3.114.950	3.114.950	3.114.950
Equity	5.535.732	5.396.335	5.256.937	5.117.539	4.978.141
Transition Process Unapplied Equity	4.978.141	4.978.141	4.978.141	4.978.141	4.978.141
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	25.873.673	25.873.673	25.873.673	25.873.673	25.873.673
CAPITAL ADEQUACY RATIO					
Core Capital Adequacy Ratio (%)	14,19	13,66	13,12	12,58	12,04
Transition Process Unapplied Core Capital Adequacy Ratio (%)	12,04	12,04	12,04	12,04	12,04
Main Capital Adequacy Ratio (%)	14,19	13,66	13,12	12,58	12,04
Transition Period Unapplied Main Capital Adequacy Ratio (%)	12,04	12,04	12,04	12,04	12,04
Capital Adequacy Ratio (%)	21,40	20,86	20,32	19,78	19,24
Transition Process Unapplied Capital Adequacy Ratio (%)	19,24	19,24	19,24	19,24	19,24
LEVERAGE RATIO					
Total Leverage Ratio Risk Exposure	44.358.365	44.358.365	44.358.365	44.358.365	44.358.365
Leverage Ratio	8,53	8,53	8,53	8,53	8,53
Transition Process Unapplied Leverage Ratio	7,76	7,76	7,76	7,76	7,76

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I. Explanations on Equity (continued)

Explanations on Internal Capital Management

To define Bank's internal capital requirement assessment process; "Internal capital requirements assessment process" and "risk strategy" were prepared and approved by the Board of Directors in August 2012 and are being followed since then. In the related process and strategy; criterias are defined which provides maintaining of continuity of capital adequacy in compliance with risk profile and appetite. The assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

Capital adequacy ratio is calculated by Risk Management Group on a monthly basis, when requested by Senior Management capital requirement according to strategic plans is explained and studies on internal capital management is conducted. Capital requirement internal assessment process is designed and conducted by Risk Management Group. Risk Management Group informs Senior Management and Board of Directors about these issues directly or through Risk Committee.

II. Explanations on Credit Risk

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

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

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

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

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II. Explanations on Credit Risk (continued)

	Current Period Risk Amount (*)	Average Net Loan Amount After Provisions
Risk Types		
Contingent and Non-Contingent Receivables from central governments or central banks	7.414.997	6.926.533
Contingent and Non-Contingent Receivables from regional or local governments	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	6	6
Contingent and Non-Contingent Receivables from banks and brokerage houses	10.466.722	8.197.711
Contingent and Non-Contingent Corporates	14.549.320	14.875.682
Contingent and Non-Contingent Retail Receivables	2.198.447	3.047.218
Contingent and Non-Contingent Receivables Secured by Mortgages	6.753.985	6.735.769
Past Due Receivables	642.088	729.898
Receivables defined in high risk category by Regulator	13.551	21.880
Secured by mortgages	-	-
Securitization positions	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other Receivables	1.283.653	1.028.978
Total	43.322.769	41.563.675

(*) The figures represent total risk amounts before credit risk mitigation and before credit conversion factor.

	Prior Period Risk Amount (*)	Average Net Loan Amount After Provisions
Risk Types(*)		
Contingent and Non-Contingent Receivables from central governments or central banks	5.415.257	5.746.433
Contingent and Non-Contingent Receivables from regional or local governments	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	6	8
Contingent and Non-Contingent Receivables from banks and brokerage houses	1.421.582	4.691.183
Contingent and Non-Contingent Corporates	14.817.352	17.135.779
Contingent and Non-Contingent Retail Receivables	4.013.959	4.363.017
Contingent and Non-Contingent Receivables Secured by Mortgages	7.038.044	8.198.426
Past Due Receivables	601.927	459.468
Receivables defined in high risk category by Regulator	6.758	102.154
Secured by mortgages	-	-
Securitization positions	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other Receivables	775.347	814.765
Total	34.090.232	41.511.233

(*) The figures represent total risk amounts before credit risk mitigation and before credit conversion factor.

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

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

Indemnified non-cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity.

The proportion of the Bank's top 100 and 200 cash loan customers' in total cash loans is 69% and 81% respectively.

The proportion of the Bank's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 90% and 97%.

The proportion of the Bank's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 45% and 52% respectively.

The Bank provided a collective loan loss provision amounting to TL 958.747 (31 December 2017: TL 256.804).

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II. Explanations on Credit Risk (continued)

Information on loan types and provisions: (*)

31 December 2018	Corporate and Commercial	SME	Consumer Loans	Total
Standard Loans	10.089.468	1.425.324	1.187.676	12.702.468
Watchlist	2.931.443	945.010	268.881	4.145.334
Significant Increase in Credit Risk	1.615.438	273.449	-	1.888.887
Non-performing Loans	722.579	1.002.982	36.095	1.761.656
Specific Provision (-)	(486.868)	(428.782)	(14.302)	(929.952)
Total	14.872.060	3.217.983	1.478.350	19.568.393

31 December 2017	Corporate and Commercial	SME	Consumer Loans	Total
Standard Loans	13.498.849	3.938.782	2.310.970	19.748.601
Watchlist	1.345.136	619.707	288.234	2.253.077
Non-performing Loans	402.308	465.137	208.027	1.075.472
Specific Provision (-)	(119.357)	(202.470)	(123.817)	(445.644)
Total	15.126.936	4.821.156	2.683.414	22.631.506

(*) According to the internal segmentation of the bank

Information on past due loan and other receivables:

31 December 2018	Corporate and Commercial	SME	Consumer Loans	Total
Not past due and 30 days past due	13.702.942	1.895.955	1.294.686	16.893.583
30-60 days past due	515.261	250.269	98.893	864.423
60-90 days past due	418.146	497.559	62.978	978.683
Total	14.636.349	2.643.783	1.456.557	18.736.689

31 December 2017	Corporate and Commercial	SME	Consumer Loans	Total
Not past due and 30 days past due	13.498.849	3.938.782	2.310.970	19.748.601
30-60 days past due	1.018.203	485.407	227.400	1.731.010
60-90 days past due	91.755	134.300	60.834	286.889
Delayed over +90 days (*)	235.178	-	-	235.178
Total	14.843.985	4.558.489	2.599.204	22.001.678

(*) Part of overdue receivables (more than 90 days) which are not evaluated as non-performing receivables and reasons of this application: The Bank classifies loans that are more than 90 days of overdue as non-performing and books specific provisions on month-ends. Exceptional cases that are due to bankruptcy protection cases may delay this process for corporate, commercial and sme loans. As of December 31, 2017 these loans were insignificant and as explained under Section Five-II. Explanations and Disclosures Related to Liabilities, in note 9. Information on Provisions, the general provision allocated for such exposures is higher than the minimum required level.

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II. Explanations on Credit Risk (continued)

Significant Risks that are significant on the profile of the regions

Risk Classifications (*)

31 Dec 2018

	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non- commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non- Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non- Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	Total
Domestic	6.678.931	-	-	-	1	1.234.736	12.865.294	1.534.183	6.700.035	696.478	13.550	-	-	-	-	1.283.653	31.006.861
European Union Countries	-	-	-	-	-	618.563	-	202	-	-	1	-	-	-	-	-	618.766
OECD Countries**	-	-	-	-	-	17.879	-	-	254	-	-	-	-	-	-	-	18.133
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	888.986	-	139	-	-	-	-	-	-	-	-	889.125
Other Countries	736.057	-	-	-	-	310.869	599.297	3.049	83	-	-	-	-	-	-	-	1.649.355
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	7.414.988	-	-	-	1	3.071.033	13.464.591	1.537.573	6.700.372	696.478	13.551	-	-	-	-	1.283.653	34.182.240

31 Dec 2017

	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non- commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non- Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non- Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	Total
Domestic	4.906.921	-	-	-	1	131.549	13.098.093	2.940.497	6.948.756	601.927	6.758	-	-	-	-	775.347	29.409.849
European Union Countries	-	-	-	-	-	780.621	-	302	-	-	-	-	-	-	-	-	780.923
OECD Countries (**)	-	-	-	-	-	534	-	358	-	-	-	-	-	-	-	-	892
Off-shore Banking Regions	-	-	-	-	-	16.425	-	312	-	-	-	-	-	-	-	-	16.737
USA, Canada	-	-	-	-	-	191.519	-	185	-	-	-	-	-	-	-	-	191.704
Other Countries	508.195	-	-	-	-	407	498.277	2.739	-	-	-	-	-	-	-	-	1.009.618
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5.415.116	-	-	-	1	1.121.055	13.596.370	2.944.393	6.948.756	601.927	6.758	-	-	-	-	775.347	31.409.723

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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

(***) Assets and liabilities that are not distributed according to a consistent principle

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II. Explanations on Credit Risk (continued)

Risk Classifications (*)

Sector concentrations for cash loans:

31 December 2018

Sectors/Counterparties (**)	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	TL	FC	Total
1 Agriculture	-	-	-	-	-	-	77.979	5.634	15.990	8.773	4	-	-	-	-	-	49.861	58.519	108.380
1.1 Farming and Raising Livestock	-	-	-	-	-	-	23.773	5.632	14.697	8.525	4	-	-	-	-	-	41.605	11.026	52.631
1.2 Fores TL, Wood and Paper	-	-	-	-	-	-	-	-	288	-	-	-	-	-	-	-	288	-	288
1.3 Fishery	-	-	-	-	-	-	54.206	2	1.005	248	-	-	-	-	-	-	7.968	47.493	55.461
2 Manufacturing	-	-	-	-	-	-	5.887.537	83.876	976.687	236.853	1.648	-	-	-	-	-	2.566.750	4.619.851	7.186.601
2.1 Mining and Quarry	-	-	-	-	-	-	112.287	5.341	91.086	101.335	-	-	-	-	-	-	260.267	49.782	310.049
2.2 Production	-	-	-	-	-	-	4.609.554	78.229	855.883	126.210	1.648	-	-	-	-	-	2.131.344	3.540.180	5.671.524
2.3 Electricity, Gas and Water	-	-	-	-	-	-	1.165.696	306	29.718	9.308	-	-	-	-	-	-	175.139	1.029.889	1.205.028
3 Construction	-	-	-	-	-	-	2.567.533	50.796	2.777.533	248.794	1.161	-	-	-	-	-	2.647.395	2.998.422	5.645.817
4 Services	1.747.849	-	-	-	-	1.930.438	3.370.762	129.226	2.218.743	201.783	2.149	-	-	-	-	-	3.514.354	6.086.596	9.600.950
4.1 Wholesale and Retail Trade	736.057	-	-	-	-	-	1.103.120	91.448	413.952	124.872	1.658	-	-	-	-	-	1.065.760	1.405.347	2.471.107
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	651.041	7.331	1.300.958	43.869	-	-	-	-	-	-	174.997	1.828.202	2.003.199
4.3 Transportation and Communication	-	-	-	-	-	-	917.287	17.254	107.644	13.920	491	-	-	-	-	-	463.857	592.739	1.056.596
4.4 Financial Institutions	1.011.792	-	-	-	-	1.930.438	74.695	3.012	122.432	6.421	-	-	-	-	-	-	1.208.454	1.940.336	3.148.790
4.5 Real Estate and Renting Services.	-	-	-	-	-	-	71.658	3.803	63.147	9.990	-	-	-	-	-	-	92.368	56.230	148.598
4.6 Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education Services	-	-	-	-	-	-	36.252	3.131	77.883	557	-	-	-	-	-	-	101.487	16.336	117.823
4.8 Health and Social Services	-	-	-	-	-	-	516.709	3.247	132.727	2.154	-	-	-	-	-	-	407.431	247.406	654.837
5 Other	5.667.139	-	-	-	1	1.140.595	1.560.780	1.268.041	711.419	275	8.589	-	-	-	-	1.283.653	6.330.802	5.309.690	11.640.492
Total	7.414.988	-	-	-	1	3.071.033	13.464.591	1.537.573	6.700.372	696.478	13.551	-	-	-	-	1.283.653	15.109.162	19.073.078	34.182.240

(*) The risk classes in the regulation is taken into consideration to measure and assess the capital adequacy of banks.

(**) Before credit risk mitigation and after credit conversion rate, refers to the amount of total risk.

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II. Explanations on Credit Risk (continued)

Risk Classifications (*)

Sector concentrations for cash loans:

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Sectors/Counterparties (**)	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Corporates	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Marketable Securities	Securitization Positions	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	TL	FC	Total
1 Agriculture	-	-	-	-	-	-	125.368	17.845	57.001	1.643	-	-	-	-	-	-	125.834	76.023	201.857
1.1 Farming and Raising Livestock	-	-	-	-	-	-	55.895	17.054	55.689	1.640	-	-	-	-	-	-	118.142	12.136	130.278
1.2 Fores TL, Wood and Paper	-	-	-	-	-	-	-	789	-	-	-	-	-	-	-	-	789	-	789
1.3 Fishery	-	-	-	-	-	-	69.473	2	1.312	3	-	-	-	-	-	-	6.903	63.887	70.790
2 Manufacturing	-	-	-	-	-	-	4.994.055	190.792	1.300.332	113.621	9	-	-	-	-	-	3.005.488	3.593.321	6.598.809
2.1 Mining and Quarry	-	-	-	-	-	-	296.054	16.899	107.171	62.386	-	-	-	-	-	-	413.104	69.406	482.510
2.2 Production	-	-	-	-	-	-	3.732.140	169.553	1.160.937	50.847	9	-	-	-	-	-	2.465.428	2.648.058	5.113.486
2.3 Electricity, Gas and Water	-	-	-	-	-	-	965.861	4.340	32.224	388	-	-	-	-	-	-	126.956	875.857	1.002.813
3 Construction	-	-	-	-	-	-	2.997.360	118.454	2.761.113	271.697	110	-	-	-	-	-	3.005.210	3.143.524	6.148.734
4 Services	180	-	-	-	-	1.121.055	3.789.603	308.278	2.060.286	128.474	51	-	-	-	-	-	4.238.860	3.169.067	7.407.927
4.1 Wholesale and Retail Trade	-	-	-	-	-	-	1.433.544	217.295	531.626	76.504	33	-	-	-	-	-	1.887.009	371.993	2.259.002
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	612.274	13.848	1.056.560	41.344	-	-	-	-	-	-	401.810	1.322.216	1.724.026
4.3 Transportation and Communication	-	-	-	-	-	-	920.514	39.085	153.746	8.858	18	-	-	-	-	-	569.041	553.180	1.122.221
4.4 Financial Institutions	-	-	-	-	-	1.121.055	142.748	5.870	38.217	676	-	-	-	-	-	-	694.448	614.118	1.308.566
4.5 Real Estate and Renting Services.	-	-	-	-	-	-	78.488	9.303	55.007	183	-	-	-	-	-	-	108.004	34.977	142.981
4.6 Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education Services	180	-	-	-	-	-	115.967	6.431	75.304	81	-	-	-	-	-	-	177.735	20.228	197.963
4.8 Health and Social Services	-	-	-	-	-	-	486.068	16.446	149.826	828	-	-	-	-	-	-	400.813	252.355	653.168
5 Other	5.414.936	-	-	-	1	-	1.689.984	2.309.024	770.024	86.492	6.588	-	-	-	-	775.347	6.613.388	4.439.008	11.052.396
Total	5.415.116	-	-	-	1	1.121.055	13.596.370	2.944.393	6.948.756	601.927	6.758	-	-	-	-	775.347	16.988.780	14.420.943	31.409.723

(*) The risk classes in the regulation is taken into consideration to measure and assess the capital adequacy of banks.

(**) Before credit risk mitigation and after credit conversion rate, refers to the amount of total risk.

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II. Explanations on Credit Risk (continued)

Distribution of time exposures according to Remaining Maturities:

31 December 2018

Risk Types (*)	Time to Maturity					Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	
Due from central governments or central banks	2.333.639	-	-	-	2.998.003	5.331.642
Regional or Local Government Receivables	-	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
Receivables on Multilateral Development Banks	-	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-	-
Receivables on Banks and Brokerage Houses	1.143.312	103.805	66.685	25.473	276.977	1.616.252
Receivables from Corporates	1.384.816	1.104.059	1.297.547	1.818.408	7.740.633	13.345.463
Retail Receivables	40.310	40.978	71.158	135.975	880.359	1.168.780
Receivables Secured by Mortgages	304.439	60.640	165.912	91.291	5.808.853	6.431.135
Past Due Receivables	143.291	-	-	1.805	915	146.011
Receivables defined in high risk category by						
Regulators	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporates	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	5.349.807	1.309.482	1.601.302	2.072.952	17.705.740	28.039.283

(*) The risk classes in the regulation is taken into consideration to measure and assess the capital adequacy of banks.

31 December 2017

Risk Types (*)	Time to Maturity					Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	
Due from central governments or central banks	2.152.903	-	-	-	1.384.241	3.537.144
Regional or Local Government Receivables	-	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	1	1
Receivables on Multilateral Development Banks	-	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-	-
Receivables on Banks and Brokerage Houses	113.109	64.830	41.514	130.802	294.979	645.234
Receivables from Corporates	761.157	952.504	955.128	1.527.005	9.397.751	13.593.545
Retail Receivables	92.970	62.942	149.829	244.831	1.883.059	2.433.631
Receivables Secured by Mortgages	236.417	107.545	242.172	290.175	5.880.584	6.756.893
Past Due Receivables	18.585	-	-	-	151.021	169.606
Receivables defined in high risk category by						
Regulators	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporates	-	-	-	-	-	-
Investment similar to collective investment funds	9.932	-	-	-	-	9.932
Other Receivables	-	-	-	-	-	-
Total	3.385.073	1.187.821	1.388.643	2.192.813	18.991.636	27.145.986

(*) The risk classes in the regulation is taken into consideration to measure and assess the capital adequacy of banks.

Risk by Risk Weights Balances:

Risk Weights (*)	Risk Weights												Deductions from the shareholders' equity	Total	
	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%				
1 Amount before the credit risk mitigation	5.117.580	-	2.528.487	-	2.101.966	1.885.988	21.989.790	558.429	-	-	-	-	-	-	34.182.240
2 Amount after the credit risk mitigation	5.786.680	-	2.528.487	1.136.106	5.541.864	1.328.709	17.248.202	247.436	-	-	-	-	-	-	33.817.484

(*) Balances with financial collateral are shown as 0% risk weight.

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II. Explanations on Credit Risk (continued)

Important sectors or type of information according to counterparty

31 December 2018	Loans		Provisions
Current Period	(IFRS 9)		Allowance for
Sectors/Counterparties (*)	Significant Increase in Credit Risk (Stage 2)	Non-performing Loans (Stage 3)	expected credit losses (IFRS 9)
Agricultural	7.117	55.289	45.260
Farming and raising livestock	7.117	55.289	45.260
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	1.056.854	597.454	446.705
Mining	115.419	238.128	181.174
Production	502.462	266.075	148.994
Electricity, Gas, Water	438.973	93.251	116.537
Construction	1.919.993	442.650	527.940
Services	2.782.279	562.350	687.204
Wholesale and retail trade	434.997	346.302	215.934
Hotel, Food, Beverage services	781.245	104.977	129.050
Transportation and Telecommunication	186.711	56.469	62.938
Financial Institutions	128.161	17.409	17.072
Real Estate and Lending Service	14.311	123	574
Self employment service	-	-	-
Education Service	460.547	-	121.533
Health and social services	776.307	37.070	140.103
Other(**)	267.979	103.911	74.040
Total	6.034.222	1.761.654	1.781.149

(*) Sector classification is based on the type of principal activity of customers.

(**) Includes retail credit cards, retail loans and other loans.

31 December 2017 – Prior Period	Loans			
Sectors/Counterparties (*)	Non-performing Loans	Watchlist	General Provisions of WL	Specific Provisions
Agricultural	13.867	40.202	402	8.281
Farming and raising livestock	13.867	40.202	402	8.281
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	204.358	374.375	43.992	73.397
Mining	79.635	138.304	23.181	14.715
Production	115.204	234.650	20.797	49.557
Electricity, Gas, Water	9.519	1.421	14	9.125
Construction	195.136	435.652	46.507	63.723
Services	447.436	1.128.641	73.539	176.010
Wholesale and retail trade	223.288	180.827	7.596	129.696
Hotel, Food, Beverage services	188.150	142.617	8.149	31.974
Transportation and Telecommunication	15.425	156.543	8.328	6.503
Financial Institutions	1.191	272	3	514
Real Estate and Lending Service	338	192	2	154
Self employment service	-	-	-	-
Education Service	6.549	274.555	8.710	3.300
Health and social services	12.495	373.635	40.751	3.869
Other(**)	214.675	274.207	7.133	124.233
Total	1.075.472	2.253.077	171.573	445.644

(*) Sector classification is based on the type of principal activity of customers.

(**) Includes retail credit cards, retail loans and other loans.

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II. Explanations on Credit Risk (continued)

Information related to Impairment and Expected Credit Loss Provisions:

	Opening Balance (Before TFRS 9) 31 December 2017	Remeasurements	Opening Balance (After TFRS 9) 1 January 2018	The Amount of Provision in the period	Reversal of Provision(*)	Other Provisions(**)	Closing Balance
Specific Provisions	445.644	(8.137)	437.507	1.033.783	275.668	265.670	929.952
Collective Provisions	256.804	731.415	988.219	-	6.911	-	981.308

(*) Includes reversal of provisions relating to collections from non-performing loans.

(**) Includes amount of NPL sales of fully provisioned retail customers to Hayat Varlık (Asset Management Company).

Risk included in counter-cyclical capital buffer calculation:

December 31, 2018			
Ultimate country of risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	17.767.561	158.949	17.926.510
United Arab Emirates	277.246	-	277.246
Egypt	50.550	150	50.700
Albania	49.029	-	49.029
Marshall Islands	27.904	-	27.904
Virgin Island (British)	20.610	-	20.610
Saudi Arabia	1.376	-	1.376
Azerbaijan	121	-	121
Netherlands	123	-	123
USA	104	-	104
Switzerland	89	-	89
Lebanon	29	-	29
Slovenia	1	-	1
Other	1.294.749	-	1.294.749
Total	19.489.492	159.099	19.648.591

Risk included in counter-cyclical capital buffer calculation:

December 31, 2017			
Ultimate country of risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	19.363.358	103.013	19.466.371
United Arab Emirates	256.488	-	256.488
Saudi Arabia	74.687	-	74.687
Egypt	55.648	654	56.032
Albania	45.914	-	45.914
Marshall Islands	20.995	-	20.995
Iraq	15.993	-	15.993
Virgin Island (British)	4.915	-	4.915
Azerbaijan	434	-	434
Switzerland	268	-	268
Netherlands	160	-	160
USA	139	-	139
Lebanon	79	-	79
Russia Federation	24	-	24
Kazakhstan	7	-	7
France	7	-	7
Slovenia	1	-	1
Other	661.935	-	661.935
Total	20.501.052	103.667	20.604.719

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II. Explanations on Credit Risk (continued)

Internal credit rating system

Internal credit rating system is used by The Bank. As a basis for the rating classification; financial data of customers has been processed by the MRA - Moody's Risk Analyst software and output rate is considered.

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

Rating	Risk	Description
	Grade	
(1) Excellent	1	Judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; excellent and proven management; market leader.
(2) Strong	2+	Very good credit with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share.
	2	
	2-	
(3) Good	3+	Good credit considered upper-medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry.
	3	
	3-	
(4) Satisfactory	4+	Acceptable credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance.
	4	
	4-	
(5) Adequate	5+	Average to low credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance. Monitoring status or II. Note that companies that are being followed in the group can have a maximum of 5 (+).
	5	
	5-	
(6) Marginal	6+	Below average credit subject to high credit risk. Company is likely a lower tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants. A company that can take the lowest note in the normal state is 7.
	6	
	6-	
(7) Vulnerable	7+	Weak credit: Judged to be of poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status not to the point of justifying a Substandard classification.
	7	
	7-	
(8) Substandard	8	Substandard (Default): Unacceptable credit with normal repayment in jeopardy. As mentioned in the credit provisions III. Group (Stage 3) loans are monitored with this note.
(9) Doubtful	9	Doubtful (Default): Full repayment questionable. Serious problems to the point where partial loss of principal is likely. As mentioned in the credit provisions IV. Group (Stage 3) loans are monitored with this note.
(10) Loss	10	Loss (Default): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification. As mentioned in the credit provisions V. Group (Stage 3) loans are monitored with this note.

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II. Explanations on Credit Risk (continued)

Below table shows the portion of the performing cash loans as per BRSA's scale that is equivalent to the MRA ratings:

31 December 2018

Debtors financial Position	Degree	Portion
Debtor has a solid financial position	1	2%
Debtor has a good financial position	2	50%
Debtor's financial position is at risk within short and medium term	3	40%
Debtor's financial position is at high risk within short term	4	0%
Debtor has been defaulted	5	0%
Debtor has not been rated	6	8%

31 December 2017

Debtors financial Position	Degree	Portion
Debtor has a solid financial position	1	3%
Debtor has a good financial position	2	56%
Debtor's financial position is at risk within short and medium term	3	28%
Debtor's financial position is at high risk within short term	4	0%
Debtor has been defaulted	5	0%
Debtor has not been rated	6	13%

Collateral Distribution(*)

31 December 2018	Corporate and Commercial	SME	Retail	Total
Deposit	198.739	129.713	26.900	355.352
Mortgage	7.122.254	2.361.805	437.828	9.921.887
Assignment of claim	3.385.383	176.548	-	3.561.931
Cheque	228.444	84.496	-	312.940
Pledge of vehicle	85.259	79.229	19.262	183.750
TOTAL	11.020.079	2.831.791	483.990	14.335.860

31 December 2017	Corporate and Commercial	SME	Retail	Total
Deposit	220.133	111.049	50.049	381.231
Mortgage	7.206.755	3.098.836	640.013	10.945.604
Assignment of claim	2.950.988	190.639	-	3.141.627
Cheque	162.016	166.986	-	329.002
Pledge of vehicle	132.051	86.633	52.380	271.064
TOPLAM	10.671.943	3.654.143	742.442	15.068.528

(*) Represents the amounts weighted by taking into consideration the credit risks of the customers.

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III. Explanations on Currency Risk

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

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

The announced foreign exchange buying rates of the Bank at December 31, 2018 and the previous five working days in full TL are as follows (Bank's FC evaluation rates):

	25 December 2018	26 December 2018	27 December 2018	28 December 2018	31 December 2018
USD	5,2972	5,2825	5,2869	5,2673	5,2978
CHF	5,3417	5,3231	5,3494	5,3759	5,3810
GBP	6,7193	6,6992	6,6805	6,6776	6,7744
100 JPY	4,7867	4,7786	4,7724	4,7697	4,8133
EURO	6,0432	6,0135	6,0250	6,0322	6,0619

	25 December 2017	26 December 2017	27 December 2017	28 December 2017	29 December 2017
USD	3,8205	3,8073	3,8246	3,7759	3,7956
CHF	3,8593	3,8442	3,8667	3,8530	3,8873
GBP	5,1118	5,0827	5,1318	5,0748	5,1332
100 JPY	3,3695	3,3621	3,3790	3,3523	3,3751
EURO	4,5311	4,5146	4,5531	4,5152	4,5507

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

	Monthly Average Foreign Exchange Rate
USD	5,3059
CHF	5,3483
GBP	6,7264
100 JPY	4,7282
EURO	6,0376

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III. Explanations on Currency Risk (continued)

December 31, 2018	EUR	USD	OTHER	TOTAL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	1.173.885	1.426.098	376.175	2.976.158
Banks	52.070	885.220	7.519	944.809
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	142	4.659	-	4.801
Loans (*)	5.410.104	5.108.006	1.365	10.519.475
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-
Financial assets measured at amortized cost	455.510	1.774.219	1.542	2.231.271
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	175.125	433.161	22	608.308
Total Assets (**)	7.266.836	9.631.363	386.623	17.284.822
Liabilities				
Bank Deposits	414.717	729.364	-	1.144.081
Other Deposits	3.189.601	8.571.618	159.909	11.921.128
Money Market Balances	-	-	-	-
Funds Provided From Other Financial Institutions (***)	978.918	3.660.364	1.363	4.640.645
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	56.740	112.354	133	169.227
Total Liabilities(**)	4.639.976	13.073.700	161.405	17.875.081
Net Balance Sheet Position	2.626.860	(3.442.337)	225.218	(590.259)
Net Off-Balance Sheet Position	(2.280.410)	3.527.822	(235.158)	1.012.254
Derivative Financial Assets	4.459.011	11.710.936	710.130	16.880.077
Derivative Financial Liabilities	6.739.421	8.183.114	945.288	15.867.823
Non-Cash Loans (****)	1.411.721	1.426.717	4.846	2.843.284
December 31, 2017				
Total Assets	6.433.017	8.933.073	57.854	15.423.944
Total Liabilities	4.374.024	13.367.826	117.493	17.859.343
Net Balance Sheet Position	2.058.993	(4.434.753)	(59.639)	(2.435.399)
Net Off-Balance Sheet Position	(1.835.878)	4.315.506	50.408	2.530.036
Financial Derivative Assets	1.863.548	10.963.019	861.715	13.688.282
Financial Derivative Liabilities	3.699.426	6.647.513	811.307	11.158.246
Forward deposit purchase commitments	18.203	121.459	-	139.662
Forward deposit sales commitments	-	28.151	-	28.151
Non-Cash Loans (****)	599.364	1.065.914	-	1.665.278

(*) Foreign currency indexed loans amounting to TL 573.010 are included in the loan portfolio. Expected loss provisions are not considered.

(**) The foreign currency risk calculation is presented in accordance with the "Regulation on Foreign Currency Net General Position / Equity Standard Ratio Calculation and Implementation of Banks' on Consolidated and Non-Consolidated Basis" as published in the Official Gazette dated 1.11.2006 and numbered 26333 (FCNGP Regulation) and does not include all items in the financial statements.

(***) Subordinated loans are included.

(****) Does not affect net off-balance sheet position.

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III. Explanations on Currency Risk (continued)

Foreign currency sensitivity:

The Bank holds EUR and USD currencies as a result of foreign currency transactions and manages it by using miscellaneous financial instruments.

As of December 31, 2018, the Bank's net foreign exchange exposure as per internal calculation is presented below:

31 December 2018	EURO	USD	OTHER FC	TOTAL
Net currency position including on-balance sheet and off-balance sheet	3.885	51.180	221	55.286

31 December 2017	EURO	USD	OTHER FC	TOTAL
Net currency position including on-balance sheet and off-balance sheet	1.646	(13.574)	1.999	(9.929)

The maximum and minimum positions presented in Other FC column of internal foreign exchange exposure calculation are TL 317 and TL (433), respectively (31 December 2017: TL 1.065 TL and TL (1)).

The internal currency risk calculation includes derivative financial assets / liabilities, securities valuation differences and similar positions which are not included in the FCNGP Regulation of the BRSA and options are taken into account with their delta equivalents for internal currency risk management purposes.

The table below shows the sensitivity of the Bank to a 10% change in USD and EURO exchange rates. 10% is the sensitivity rate and represents possible change in foreign exchange rates. Positive/Negative number indicates a change in profit or loss and other equity where USD and EUR appreciates 10% against TL.

	Change in currency rate in %	Effect on profit or loss (*)			Effect on equity(*)	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2017
USD	% 10	5.118	(1.357)	5.118	(1.357)	(1.357)
USD	%(10)	(5.118)	1.357	(5.118)	1.357	1.357
EUR	% 10	389	165	389	165	165
EUR	%(10)	(389)	(165)	(389)	(165)	(165)

(*) Represents before tax amounts.

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IV. Explanations on Interest Rate Risk

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

Risk Management Group performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank monitors maturity mismatches very closely a significant interest rate risk exposure is not expected.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 2018							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	1.617.779	-	-	-	-	2.381.161	3.998.940
Banks	1.057.886	-	-	-	-	944.988	2.002.874
Financial Assets at Fair Value Through Profit and Loss	-	-	2.461	555	253	-	3.269
Money Market Placements	739.611	510	-	-	-	-	740.121
Financial assets at fair value through other comprehensive income	-	-	-	36.464	259.296	9.698	305.458
Loans (*)	7.572.131	3.392.925	3.858.235	3.057.006	856.392	(127.043)	18.609.646
Financial assets measured at amortized cost	-	703.003	311.287	1.169.710	518.342	-	2.702.342
Other Assets (**)	186.598	293.073	388.580	52.491	164.558	1.952.668	3.037.968
Total Assets	11.174.005	4.389.511	4.560.563	4.316.226	1.798.841	5.161.472	31.400.618
Liabilities							
Bank Deposits	831.634	321.160	-	-	-	1.783	1.154.577
Customer Deposits	13.926.529	4.413.564	778.714	2.227	-	1.285.437	20.406.471
Money Market Borrowings	100	-	-	-	-	-	100
Marketable Securities Issued	-	207.110	-	-	-	-	207.110
Subordinated Loans(***)	-	-	-	-	1.636.012	-	1.636.012
Funds Provided From Other Financial Institutions	-	-	925.908	756.975	1.324.299	-	3.007.182
Other Liabilities (****)	102.254	98.787	180.133	511.961	299.484	3.796.547	4.989.166
Total Liabilities	14.860.517	5.040.621	1.884.755	1.271.163	3.259.795	5.083.767	31.400.618
Balance Sheet Long Position	-	-	2.675.808	3.045.063	-	77.705	5.798.576
Balance Sheet Short Position	(3.686.512)	(651.110)	-	-	(1.460.954)	-	(5.798.576)
Off-Balance Sheet Long Position	9.941.110	12.395.364	5.464.903	3.427.213	5.615.228	-	36.843.818
Off-Balance Sheet Short Position	(9.641.890)	(11.610.913)	(5.543.736)	(3.821.517)	(6.221.054)	-	(36.839.110)
Total Position	(3.387.292)	133.341	2.596.975	2.650.759	(2.066.780)	77.705	4.708

(*) The net amount of the non-performing loans and its third stage expected credit losses and the first and second stage expected credit losses for performing loans are shown in the non-interest bearing column.

(**) Derivative financial assets are classified under other assets and expected credit losses of other assets are netted in other assets.

(***) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7.625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan. The Bank, pursuant to the approval of the BRSA on 26 September 2018, bought back USD 670 thousand of Tier II sub-loan on 05 December 2018, and the relevant amount has been discounted from the capital amount in the equity calculation. The Bank has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amount at any time is completely at the Bank management's discretion.

(****) Other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.219.822, tax liabilities amounting to TL 48.582, provisions amounting to TL 131.324 and other liabilities amounting to TL 396.818. In addition, other liabilities include derivative financial liabilities amounting to TL 1.192.620.

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IV. Explanations on Interest Rate Risk (continued)

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 2017							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	3.003.191	-	-	-	-	728.629	3.731.820
Banks	-	-	-	-	-	286.729	286.729
Financial Assets at Fair Value Through Profit and Loss	75.087	83.013	218.025	38.976	781.210	-	1.196.311
Money Market Placements	2.742.869	-	-	-	-	-	2.742.869
Available-For-Sale Financial Assets	-	258.265	-	287.011	709.256	7.901	1.262.433
Loans	6.410.470	3.688.727	4.530.335	6.091.804	1.280.342	629.828	22.631.506
Held-To-Maturity Investments	-	-	-	447.133	-	-	447.133
Other Assets	-	-	-	-	-	805.574	805.574
Total Assets	12.231.617	4.030.005	4.748.360	6.864.924	2.770.808	2.458.661	33.104.375
Liabilities							
Bank Deposits	541.994	42.073	10.121	-	-	160	594.348
Customer Deposits	17.278.425	4.969.878	191.359	291	-	876.086	23.316.039
Money Market Borrowings	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	9.486	9.486
Marketable Securities Issued	-	-	-	-	-	-	-
Subordinated Loans (*)	-	-	-	-	1.174.992	-	1.174.992
Funds Provided From Other Financial Institutions	146.681	393.369	1.719.403	293.289	389.978	-	2.942.720
Other Liabilities (**)	96.226	58.144	89.433	157.185	3.483	4.662.319	5.066.790
Total Liabilities	18.063.326	5.463.464	2.010.316	450.765	1.568.453	5.548.051	33.104.375
Balance Sheet Long Position	-	-	2.738.044	6.414.159	1.202.355	-	10.354.558
Balance Sheet Short Position	(5.831.709)	(1.433.459)	-	-	-	(3.089.390)	(10.354.558)
Off-Balance Sheet Long Position	9.509.851	6.021.806	7.130.073	2.768.296	356.859	-	25.786.885
Off-Balance Sheet Short Position	(10.187.707)	(7.596.999)	(5.211.670)	(2.596.504)	(241.778)	-	(25.834.658)
Total Position	(6.509.565)	(3.008.652)	4.656.447	6.585.951	1.317.436	(3.089.390)	(47.773)

(*) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7.625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

(**) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.758.130, tax liabilities amounting to TL 62.332, provisions amounting to TL 558.796 and other liabilities amounting to TL 283.061 .

Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
December 31, 2018				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	2,00	-	13,00
Banks	-	1,46	-	23,41
Financial Assets at Fair Value Through Profit and Loss	-	-	-	17,99
Money Market Placements	-	-	-	23,98
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	35,95
Loans	6,04	8,52	-	22,65
Financial Assets Measured at Amortized Cost	2,06	5,59	-	14,25
Liabilities				
Bank Deposits	1,62	3,83	-	19,61
Customer Deposits	2,42	4,73	-	22,44
Money Market Borrowings	-	-	-	16,50
Subordinated Loans	-	7,63	-	-
Marketable Securities Issued	-	-	-	23,99
Funds Provided From Other Financial Institutions	1,67	4,42	-	8,71

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IV. Explanations on Interest Rate Risk (continued)

	EURO %	USD %	JPY %	TL %
December 31, 2017				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	1,50	-	4,00
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	6,60	-	10,76
Money Market Placements	-	-	-	11,74
Available-For-Sale Financial Assets	4,75	6,66	-	10,66
Loans	5,59	6,98	-	16,15
Held-To-Maturity Investments	-	3,46	-	-
Liabilities				
Bank Deposits	1,87	3,35	-	12,42
Customer Deposits	2,05	4,09	-	14,26
Money Market Borrowings	-	-	-	-
Subordinated Loans	-	7,63	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2,01	3,37	-	6,71

Nature of interest rate risk resulted from banking book:

The interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the bank has no any assumptions for early repayment of loans and demand deposits. Interest rate risk arising from banking accounts is calculated and is reported to BRSA monthly.

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method.

Unit of Currency	Applicable Shock (+ / -) base point)*	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
TL	500	(13.450)	% (0,24)
	(400)	(16.621)	% (0,30)
EUR	200	(21.876)	% (0,40)
	(200)	(9.862)	% (0,18)
USD	200	4.005	% 0,07
	(200)	1.193	% 0,02
Total (For Positive Shock)		(31.321)	% (0,57)
Total (For Negative Shock)		(25.290)	% (0,46)

* The intensity and direction of a currency different rows were entered separately for each shock.

The interest rate risk arising from banking book is calculated and reported according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no. 28034 on 23 August 2011. In the regulation, due to the fact that the maturity tranche that non-performing loans should be considered and the fact that the positive and negative shocks are not equal, TL shocks result a negative figure in both shocks. The same outcome is valid for EUR shocks since a floor applies to EUR shocks and even valid for USD shocks because of very close positions in that currency. The effects of positive and negative shocks result in an opposite direction in internal calculations where aforementioned effects are not included. The impact of interest rate shocks on equity is close to the data described above and within the internal limits.

V. Explanations on Share Certificates Position Risk

The Bank has no outstanding share certificate position.

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VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

Liquidity risk is the risk, occurring as a result of not having cash in hand or cash inflow at a level and nature to meet cash outflow as a consequence of imbalance in cash flow in time and completely. Liquidity risk consists of sum of two main risk types; funding liquidity risk and market liquidity risk.

Management of the Bank's liquidity risk is carried out in scope of responsibilities of Board of Directors, Risk Committee of the Board, Assets and Liabilities Management Committee (ALCO), Risk Management Department and other business units which are members of ALCO.

Board of Directors have the ultimate responsibility concerning the liquidity risk and its management. Board of Directors have also the responsibility to determine liquidity risk appetite as a part of holistic risk appetite, evaluate and approve proposed limits, approve liquidity risk management policy and confirm changes regarding limit and confinement.

Risk Committee evaluates and approves short, medium and long term liquidity risk management strategies. Risk Committee also provides general adaptability of the Bank to principals and management procedures included in the management of the risk. Risk Committee reviews and evaluates liquidity risk reports periodically.

Assets and Liabilities Management Committee (ALCO) establishes short, medium and long term liquidity management strategies and evaluates the liquidity risk profile of the Bank and impacts of recently developed trends on the liquidity of the Bank through periodical meetings. ALCO makes a decision regarding the qualification of liquidity buffer of the Bank in line with risk appetite and liquidity strategy of the Bank. Additionally, ALCO evaluates the liquidity risk reports and feedbacks received from Risk Management and informs Risk Committee and Board of Directors about the adverse conditions and other financial results with respect to liquidity.

Risk Management establishes liquidity risk management policy, determines liquidity risk limits and submits these policies and limits to the approval of Board of Directors. It also provides to measure and manage liquidity risk in the framework of risk appetite and limits approved by the Board of Directors. Risk management performs reporting to ALCO, Risk Committee and members of Board of Directors regarding adherence to risk appetite and limit excess. Additionally, risk management is also responsible to form and implement liquidity stress tests and share the results with the related parties.

Liquidity risk analysis and early warning signals are reported to the senior management periodically. Additionally, all the analysis including regulatory and internal rates with respect to liquidity risk are reported to ALCO and limit and warning levels approved by the Board of Directors are monitored periodically and reported to related parties.

The Bank's funding strategy is intended to ensure sufficient liquidity and diversity of funding sources to meet actual and contingent liabilities through both normal and stress periods. A significant part of Bank's liquidity needs is met with deposits which represent the main funding source of the Bank. On the other hand, when it is deemed necessary, bond issuance and pre-financing products can be provided in addition to the aforementioned sources.

Almost all the liabilities of the Bank are denominated in TL, USD or EUR and the concentration risk in the funding sources is monitored closely. Concentration analysis related to deposits are performed and factors, which can deteriorate access to funding sources and trigger a sudden withdrawal of funds at a significant level, are analysed.

Liquidity risk is closely monitored and managed in order to keep it at a level appropriate to risk appetite and liquidity risk management policies, by promoting diversification of funding sources, keeping high quality liquid assets and reduction or termination of activities causing limit excess.

In scope of the Liquidity Stress Test, the Bank monitors stress scenarios arising from internal and external factors and manages its high quality liquid assets, deposits, other balance sheet items generating cash outflows, loans and other cash inflows in that respect. There are designated risk limits for indicators. The compliance with the risk and the determined risk limits is shared with the Senior Management and the relevant business units and necessary actions are taken.

The Bank has established a Liquidity Emergency Action Plan to explain the actions that should be taken in possible liquidity tightness scenarios. In this context, normal market conditions and various stress levels are defined and action plans are created for each situation. In addition to the Emergency Action Plan, Basic Risk Indicators and Liquidity Early Warning Signals are defined within the scope of Liquidity Risk Management Policy and these indicators are regularly monitored.

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VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

The liquidity coverage ratios are calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. Liquidity coverage ratios should be at least 70% for foreign currency assets and liabilities and 90% for total assets and liabilities for the year 2018. Both of the aforementioned rates shall be increased by 10% annually until 2019 and foreign currency shall be applied as 80% while total shall be applied as 100%.

Information regarding weekly solo liquidity coverage ratios realized in the fourth quarter of 2018 is as follows:

Current Period-31.12.2018		Rate of "Percentage to be taken into account" not implemented Total value (*)		Rate of "Percentage to be taken into account" implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				6.208.238	3.623.138
1	High quality liquid assets	6.864.013	4.278.798	6.208.238	3.623.138
CASH OUTFLOWS					
2	Retail and Small Business Customer Deposits	15.806.394	7.956.685	1.490.758	795.669
3	Stable deposits	1.797.627	-	89.881	-
4	Less stable deposits	14.008.767	7.956.685	1.400.877	795.669
5	Unsecured Funding other than Retail and Small Business Customer Deposits	6.189.246	4.429.787	3.480.782	2.591.903
6	Operational deposits	580	28	145	7
7	Non-Operational Deposits	5.326.154	3.845.889	2.618.126	2.008.026
8	Other Unsecured Funding	862.512	583.870	862.511	583.870
9	Secured funding	-	-	-	-
10	Other Cash Outflows	5.623.925	4.684.430	1.446.835	2.172.052
11	Liquidity needs related to derivatives and market	997.877	1.859.520	997.877	1.859.520
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	4.626.048	2.824.910	448.958	312.532
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	-	-	-	-
16	TOTAL CASH OUTFLOWS			6.418.375	5.559.624
CASH INFLOWS					
17	Secured Lending Transactions	920.967	-	-	-
18	Unsecured Lending Transactions	3.571.735	1.737.497	2.874.332	1.514.067
19	Other contractual cash inflows	581.366	1.415.681	581.366	1.415.681
20	TOTAL CASH INFLOWS	5.074.068	3.153.178	3.455.698	2.929.748
				Upper Limit Applied Amounts	
21	TOTAL HQLA			6.208.238	3.623.138
22	TOTAL NET CASH OUTFLOWS			2.962.677	2.629.875
23	Liquidity Coverage Ratio (%)			219,26	141,93

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

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VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Information regarding weekly solo liquidity coverage ratios realized in the fourth quarter of 2017 is as follows:

Prior Period-31.12.2017		Rate of "Percentage to be taken into account" not implemented Total value (*)		Rate of "Percentage to be taken into account" implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				6.143.539	3.801.100
1	High quality liquid assets	8.572.434	6.229.995	6.143.539	3.801.100
CASH OUTFLOWS					
2	Retail and Small Business Customer Deposits	16.981.949	8.404.303	1.611.719	840.430
3	Stable deposits	1.729.514	-	86.475	-
4	Less stable deposits	15.252.435	8.404.303	1.525.244	840.430
5	Unsecured Funding other than Retail and Small Business Customer Deposits	7.737.939	5.542.850	3.975.603	2.942.098
6	Operational deposits	506	50	126	12
7	Non-Operational Deposits	6.811.823	4.872.699	3.049.867	2.271.985
8	Other Unsecured Funding	925.610	670.101	925.610	670.101
9	Secured funding	-	-	-	-
10	Other Cash Outflows	4.734.715	3.484.062	974.317	1.958.885
11	Liquidity needs related to derivatives and market	620.335	1.780.948	620.335	1.780.948
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	4.114.380	1.703.114	353.982	177.937
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	-	-	-	-
16	TOTAL CASH OUTFLOWS			6.561.640	5.741.413
CASH INFLOWS					
17	Secured Lending Transactions	1.095.205	-	-	-
18	Unsecured Lending Transactions	3.505.074	1.546.346	2.908.096	1.357.900
19	Other contractual cash inflows	498.896	2.958.425	498.896	2.958.425
20	TOTAL CASH INFLOWS	5.099.175	4.504.771	3.406.992	4.316.325
				Upper Limit Applied Amounts	
21	TOTAL HQLA			6.143.539	3.801.100
22	TOTAL NET CASH OUTFLOWS			3.154.647	1.673.485
23	Liquidity Coverage Ratio (%)			196,62	236,33

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at Central Bank of Republic of Turkey, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits and bank deposits, securities under guarantee through reverse repo and placement and derivative transactions to banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions cause the foreign currency liquidity coverage ratio to be affected.

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VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

The weeks having the highest and lowest level of liquidity coverage ratios calculated for the third three months and their average values are given below:

	Current Year-31.12.2018		Prior Year-31.12.2017	
	TL+FC	FC	TL+FC	FC
Lowest	144,62	96,83	152,23	159,38
Week	12.10.2018	26.10.2018	15.12.2017	27.10.2017
Highest	311,33	199,41	279,50	326,64
Week	16.11.2018	23.11.2018	17.11.2017	29.12.2017
Average	219,26	141,93	196,62	236,33

Presentation of assets and liabilities according to their remaining maturities:

December 31, 2018	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	1.134.620	2.864.320	-	-	-	-	-	3.998.940
Banks	944.988	1.057.886	-	-	-	-	-	2.002.874
Financial Assets at Fair Value Through Profit and Loss	-	-	-	2.461	555	253	-	3.269
Money Market Placements	-	739.611	510	-	-	-	-	741.121
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	36.464	259.296	9.698	305.458
Loans (**)	-	2.123.031	913.240	2.66.537	7.388.511	5.646.370	(127.043)	18.609.646
Financial Assets Measured at Amortized Cost	-	-	434.664	311.287	1.438.049	518.342	-	2.702.342
Other Assets (***)	-	150.117	76.273	196.806	497.546	164.558	1.952.668	3.037.968
Total Assets	2.079.608	6.934.965	1.424.687	3.176.091	9.361.125	6.588.819	1.835.323	31.400.618
Liabilities								
Bank Deposits	1.783	831.634	321.160	-	-	-	-	1.154.577
Customer Deposits	1.285.437	13.926.529	4.413.564	778.714	2.227	-	-	20.406.471
Funds Provided From Other Financial Institutions	-	477.792	455.122	606.897	699.352	768.019	-	3.007.182
Money Market Borrowings	-	100	-	-	-	-	-	100
Marketable Securities Issued	-	-	207.110	-	-	-	-	207.110
Subordinated Loans (****)	-	-	-	-	-	1.636.012	-	1.636.012
Other Liabilities (*****)	-	102.254	98.787	180.133	511.961	299.484	3.796.547	4.989.166
Total Liabilities	1.287.220	15.338.309	5.495.743	1.565.744	1.213.540	2.703.515	3.796.547	31.400.618
Liquidity Gap	792.388	(8.403.344)	(4.071.056)	1.610.347	8.147.585	3.885.304	(1.961.224)	-
Net Off-Balance Sheet Position	-	9.261	(33.892)	43.773	(14.433)	(1)	-	4.708
Financial Derivative Assets	-	8.324.630	4.036.653	5.337.414	7.308.838	11.836.283	-	36.843.818
Financial Derivative Liabilities	-	8.315.369	4.070.545	5.293.641	7.323.271	11.836.284	-	36.839.110
Non-Cash Loans	948.796	276.520	788.844	1.671.622	-	-	-	3.685.782
Prior period								
Total Assets	469.248	7.927.986	1.004.233	3.116.982	11.454.408	7.688.215	1.443.303	33.104.375
Total Liabilities	876.246	18.051.841	5.462.190	1.540.527	965.671	1.536.095	4.671.805	33.104.375
Liquidity Gap	(406.998)	(10.123.855)	(4.457.957)	1.576.455	10.488.737	6.152.120	(3.228.502)	-

(*) The assets which are necessary to provide banking services and can not be liquidated in the short term, such as tangible assets, other assets, current tax assets, equity instruments, and non-performing loans are classified under undistributed.

(**) The net amount of the non-performing loans and its third stage expected loss provisions and the first and second stage expected loss provisions for performing loans are shown in the undistributed column.

(***) Derivative financial assets are classified under other assets and expected credit losses of other assets are netted in other assets.

(****) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan. The bank, pursuant to the approval of the BRSA on 26 September 2018, bought back USD 670 thousand of Tier II sub-loan on 05 December 2018, and the relevant amount has been discounted from the capital amount in the equity calculation. The Bank has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amount at any time is completely at the Bank management's discretion.

(*****) Other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.219.822, tax liabilities amounting to TL 48.582, provisions amounting to TL 131.324 and other liabilities amounting to TL 396.818. In addition, other liabilities include derivative financial liabilities amounting to TL 1.192.620.

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VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Analysis of financial liabilities by remaining contractual maturities (*):

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
As of December 31, 2018								
Bank Deposits	1.783	832.026	321.893	-	-	-	-	1.155.702
Customer deposits	1.285.437	13.971.208	4.490.970	861.635	2.777	-	-	20.612.027
Subordinated Loans	-	-	-	-	-	2.753.825	-	2.753.825
Funds Provided From Other Financial Institution:	-	478.738	457.872	633.605	920.648	864.117	-	3.354.980
Funds From interbank money market	-	-	215.828	-	-	-	-	215.828
Total	1.287.220	15.281.972	5.486.563	1.495.240	923.425	3.617.942	-	28.092.362

(*) Includes total interest to be paid

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
As of December 31, 2017								
Bank Deposits	160	542.642	42.189	10.203	-	-	-	595.194
Customer deposits	876.086	17.330.485	5.021.702	194.769	332	-	-	23.423.374
Subordinated Loans	-	-	-	-	-	1.977.494	-	1.977.494
Funds Provided From Other Financial Institution:	-	135.513	396.303	1.282.547	996.091	418.706	-	3.229.160
Funds From interbank money market	-	-	-	-	-	-	-	-
Total	876.246	18.008.640	5.460.194	1.487.519	996.423	2.396.200	-	29.225.222

(*) Includes total interest to be paid

Breakdown of derivative instruments due to their remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2018						
Gross settled						
Foreign exchange forward contracts	1.128.044	1.255.200	2.113.904	170	-	4.497.318
Currency swaps	11.421.819	3.289.254	2.223.446	3.999.418	-	20.933.937
Interest rate swap agreement	106.789	330.678	2.216.517	10.111.011	23.672.567	36.437.562
Foreign currency sell and buy options	3.983.347	2.967.178	4.077.188	30.538	-	11.058.251
Interest rate sell and buy options	-	264.888	490.972	-	-	755.860
Total	16.639.999	8.107.198	11.122.027	14.141.137	23.672.567	73.682.928

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2017						
Gross settled						
Foreign exchange forward contracts	1.515.438	712.334	543.673	-	-	2.771.445
Currency swaps	12.644.361	6.420.250	8.193.009	2.980.091	152.494	30.390.205
Interest rate swap agreement	227.736	235.766	3.014.675	7.873.518	1.044.117	12.395.812
Foreign currency sell and buy options	2.445.636	781.640	2.377.981	24.588	-	5.629.845
Interest rate sell and buy options	-	-	-	434.236	-	434.236
Total	16.833.171	8.149.990	14.129.338	11.312.433	1.196.611	51.621.543

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VII. Explanations on Leverage Ratio

Information on subjects that causes difference in leverage ratio between current and prior periods:

"Regulation on the Measurement and Evaluation of Banks Leverage Levels" regulates the procedures and principles regarding to ensure adequate capital at the consolidated and non-consolidated basis for exposure of possible risk of Banks. Leverage ratio of the Bank calculated amounting to 8,53% (December 31, 2017: 8,98 %). According to Regulations, minimum leverage ratio is 3%.

Disclosure of Leverage ratio template:

	Current Period	Prior Period
	31 December	31 December
	2018 (*)	2017 (*)
Balance sheet transactions		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	32.488.062	34.780.324
2 (Assets deducted from Core capital)	(105.419)	(64.033)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	32.382.643	34.716.291
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	800.395	292.878
5 Potential credit risk amount of derivative financial assets and credit derivatives	-	-
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	800.395	292.878
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	-	-
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	13.563.413	6.220.803
11 (Correction amount due to multiplication with credit conversion rates)	(2.632.575)	(1.301.730)
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	10.930.838	4.919.073
Capital and total risk		
13 Core Capital	3.764.166	3.577.376
14 Total risk amount(sum of lines 3, 6, 9 and 12)	44.113.876	39.928.242
Leverage ratio		
15 Leverage ratio	8,53	8,98

(*) The arithmetic average of the last 3 months in the related periods.

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VIII. Explanations on Presentation of Financial Assets and Liabilities at Fair Value

	Book Value	Fair Value	Book Value	Fair Value
	December 31,	December 31,	December 31,	December 31,
	2018	2018	2017	2017
Financial Assets	24.487.484	23.797.657	27.370.670	27.153.662
Money Market Placements	740.121	740.121	2.742.869	2.742.869
Banks	2.002.874	2.002.874	286.729	286.729
Financial assets at fair value through other comprehensive income (*)	305.458	305.458	1.262.433	1.262.433
Financial assets measured at amortized cost (**)	2.702.342	2.512.496	447.133	448.992
Loans	18.736.689	18.236.708	22.631.506	22.412.639
Financial Liabilities	26.808.170	26.396.697	28.037.585	27.955.254
Bank Deposits	1.154.577	1.154.577	594.348	594.348
Other Deposits	20.406.471	20.408.220	23.316.039	23.317.898
Funds Borrowed From Other Financial Institutions	3.007.182	3.008.513	2.942.720	2.939.752
Subordinated Loans	1.636.012	1.221.615	1.174.992	1.093.770
Issued Bonds	207.110	206.954	-	-
Miscellaneous Payables	396.818	396.818	9.486	9.486

(*) As of 31 December 2017, available-for-sale financial assets.

(**) As of 31 December 2017, held-to-maturity financial assets.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

IFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- Quoted market prices (non-adjusted) (1st level)
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- Data not based on observable data regarding assets or liabilities (3rd level)

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial Assets	304.068	1.085.301	4.659	1.394.028
Financial Assets at Fair Value through Profit and Loss	3.269	-	-	3.269
Financial Assets at Fair Value through Other Comprehensive Income	300.799	-	4.659	305.458
Derivative Financial Assets at Fair Value through Profit and Loss	-	1.085.301	-	1.085.301
Derivative Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	-
Financial Liabilities	-	1.192.620	-	1.192.620
Derivative Financial Liabilities at Fair Value Through Profit and Loss	-	1.076.579	-	1.076.579
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	-	116.041	-	116.041
December 31, 2017	Level 1	Level 2	Level 3	Total
Financial Assets	1.255.292	1.195.551	2.897	2.453.740
Financial Assets at Fair Value through Profit and Loss	760	1.195.551	-	1.196.311
Available-For-Sale Financial Assets	1.254.532	-	2.897	1.257.429
Financial Liabilities	-	404.471	-	404.471
Derivative financial liabilities held for trading	-	404.471	-	404.471

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IX. Explanations Related to Transactions Carried Out on Behalf on Customers, Items Held in Trust

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Details of these transactions are provided in the off-balance sheet table. The Bank has no trust transactions.

X. Explanations on Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué these notes have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of December 31, 2018:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

a) Overview of RWA

	Risk Weighted Amount		Minimum Capital Requirement
	Current Period 31 December 2018	Prior Period 31 December 2017	Current Period 31 December 2018
1 Credit risk (excluding counterparty credit risk) (CCR)	21.831.729	20.911.154	1.746.538
2 Standardised approach (SA)	21.831.729	20.911.154	1.746.538
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	804.718	497.600	64.377
5 Standardised approach for counterparty credit risk (SA-CCR)	804.718	497.600	64.377
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies - % 1250 weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	815.213	1.516.863	65.217
17 Standardised approach (SA)	815.213	1.516.863	65.217
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	2.422.013	1.812.150	193.761
20 Basic Indicator Approach	2.422.013	1.812.150	193.761
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	25.873.673	24.737.767	2.069.893

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X. Explanations on Risk Management Objectives and Policies (continued)

b. Credit risk explanation

1. General qualitative information about credit risk:

Credit Risk Management Department operates under Internal Systems pillar directly subject to Board of Directors as it is mentioned in scope of "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process". Reports, prepared in a wider perspective, are reported to Board of Directors and senior management as well as reports having given minimum standards in scope of aforementioned regulation. Risk Report include customer, group, collateral and sector concentrations, stress tests, risk profile, overdue receivables and specific provision development, close monitoring development and capital adequacy analysis as general scope and main content.

The Bank determines risk limits including all risks and covering all activities of the Bank and those limits are approved by Board of Directors. Limits of the Bank are determined in a way to reflect risk appetite, which is planned to be undertaken, and expectations in economy with our main partner. Credit policies are established in compliance with risk limits accordingly. Those limits are periodically monitored by Risk Management and Board of Directors is informed in scope of respective outputs.

Credit allocation processes are established in line with risk appetite and limits determined in scope of credit policies. In this scope, rating and decision support systems are used in evaluation of credits in order to reflect related risks. Access levels are determined by Board of Directors.

Credit Risk is the possibility of loss to which the current or future return or capital of the bank shall be exposed since the debtor cannot fulfil its liability in due time through violating requirements of related contract. The Bank approaches risk management as a cycle. Credit allocation units, form the first level of line of defence for credit risk in scope of allocation decision. Board of Directors holds the control over credit process in scope of authorization levels. Credit Risk Management Department of the Bank carries out its operations under Internal Systems organization which is directly subject to Board of Directors as it is mentioned in scope of "Communique on Internal Systems and Internal Capital Adequacy Assessment Process of Banks". Risk Management executes measurement, monitoring and reporting activities of credit risk through using statistical methods and forms line of defence at second level. Internal Control and Supervisory Board Directorate forms line of defence at third level in this process.

Board of Directors is responsible for determination of taking risks and appetite level. Board of Directors manages risks through Risk Committee. Committee is responsible for determination of risk policies, measurement and monitoring of risks. Reports, which are issued in a wider perspective in addition to reports whose minimum standards are determined in scope of "Communique on Internal Systems and Internal Capital Adequacy Assessment Process of Banks", are reported to Board of Directors and senior management. The aforementioned reports include customer, group, collateral and sector concentrations; stress tests, risk profile, follow-up and special provision development, close monitoring development and analysis of capital adequacy.

2.Credit quality of assets:

Gross carrying values of (according to TAS)					
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
1	Loans	1.761.656	18.736.689	1.888.699	18.609.646
2	Debt Securities	-	3.001.478	21.807	2.979.671
3	Off-balance sheet exposures	20.789	12.130.339	48.303	12.102.825
4	Total	1.782.445	33.868.506	1.958.809	33.692.142

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X. Explanations on Risk Management Objectives and Policies (continued)

Gross carrying values of (according to TAS)					
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values	
1	Loans	1.075.472	22.001.678	445.644	22.631.506
2	Debt Securities	-	2.509.135	32.275	2.476.860
3	Off-balance sheet exposures	11.665	4.064.955	7.349	4.069.271
4	Total	1.087.137	28.575.768	485.268	29.177.637

3. Changes in stock of defaulted loans and debt securities:

		31.12.2018
1	Defaulted loans and debt securities at end of the previous reporting period	1.075.472
2	Loans and debt securities that have defaulted since the last reporting period	1.522.197
3	Returned to non-defaulted status	-
4	Amounts written off	11.935
5	Other changes (*)	824.078
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1.761.656

(*) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 266.371 to Hayat Varlık (Asset Management Company) on December 26, 2018 for TL 50.000 and TL 91.833 of the commercial loans recognized as loss was sold to Hayat Varlık on December 24, 2018 for TL 25.

		31.12.2017
1	Defaulted loans and debt securities at end of the previous reporting period	688.443
2	Loans and debt securities that have defaulted since the last reporting period	804.461
3	Returned to non-defaulted status	-
4	Amounts written off	21.088
5	Other changes (*)	396.344
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1.075.472

(*) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

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X. Explanations on Risk Management Objectives and Policies (continued)

4. Additional disclosure related to the credit quality of assets:

a. Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	31.12.2018
Domestic	18.173.281
European Union Countries	142.435
OECD Countries (*)	3.983
Off-Shore Banking Regions	20.610
USA, Canada	139
Other	396.241
Total	18.736.689

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

	31.12.2017
Domestic	21.558.475
European Union Countries	2.582
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	-
Other	440.621
Total	22.001.678

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

Breakdown by sector (*):

	31.12.2018
Agricultural	383.837
Farming and raising live stock	328.933
Forestry	-
Fishing	54.904
Manufacturing	4.713.714
Mining	276.272
Production	2.778.533
Electricity, Gas, Water	1.658.909
Construction	5.096.695
Services	6.595.623
Wholesale and Retail Trade	1.278.041
Hotel, Food, Beverage Services	1.860.383
Transportation and Telecommunication	1.038.674
Financial Institutions	205.176
Real Estate and Lending Service	158.700
Self Employment Service	-
Education Service	812.311
Health and Social Services	1.242.338
Other	1.946.820
Total	18.736.689

(*) Breakdown of sector classified according to type of principal activity of costumers.

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X. Explanations on Risk Management Objectives and Policies (continued)

	31.12.2017
Agricultural	541.688
Farming and raising live stock	480.352
Forestry	-
Fishing	61.336
Manufacturing	5.306.942
Mining	471.255
Production	3.504.352
Electricity, Gas, Water	1.331.335
Construction	5.759.296
Services	7.286.813
Wholesale and Retail Trade	2.118.880
Hotel, Food, Beverage Services	1.518.388
Transportation and Telecommunication	1.156.597
Financial Institutions	219.320
Real Estate and Lending Service	152.062
Self Employment Service	-
Education Service	961.160
Health and Social Services	1.160.406
Other	3.106.939
Total	22.001.678

(*) Breakdown of sector classified according to type of principal activity of costumers.

Breakdown by outstanding maturity:

31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans	2.123.031	913.240	2.665.537	7.388.511	5.646.370	18.736.689

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans	1.575.646	970.211	2.964.722	10.293.348	6.197.751	22.001.678

f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

Breakdown by geographical area:

31 December 2018	Non-performing Loans	Provisions
Domestic	1.702.465	880.802
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	-	-
Other	59.191	49.150
Total	1.761.656	929.952

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

31 December 2017	Non-performing Loans	Provisions
Domestic	1.075.451	445.633
European Union Countries	15	8
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	-	-
Other	6	3
Total	1.075.472	445.644

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

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X. Explanations on Risk Management Objectives and Policies (continued)

Breakdown by sector: (*)

31 December 2018	Non-performing Loans	Provisions
Agricultural	55.289	44.932
Farming and raising live stock	55.289	44.932
Forestry	-	-
Fishing	-	-
Manufacturing	597.454	328.646
Mining	238.128	137.080
Production	266.075	119.049
Electricity, Gas, Water	93.251	72.517
Construction	442.650	182.716
Services	562.350	310.661
Wholesale and Retail Trade	346.302	198.662
Hotel, Food, Beverage Services	104.977	53.710
Transportation and Telecommunication	56.469	37.773
Financial Institutions	17.409	4.824
Real Estate and Lending Service	123	74
Self Employment Service	-	-
Education Service	-	-
Health and Social Services	37.070	15.618
Other	103.913	62.997
Total	1.761.656	929.952

(*) Classified according to type of principal activity of costumers.

31 December 2017	Non-performing Loans	Provisions
Agricultural	13.867	8.281
Farming and raising live stock	13.867	8.281
Forestry	-	-
Fishing	-	-
Manufacturing	204.358	73.397
Mining	79.635	14.715
Production	115.204	49.557
Electricity, Gas, Water	9.519	9.125
Construction	195.136	63.723
Services	447.436	176.010
Wholesale and Retail Trade	223.288	129.696
Hotel, Food, Beverage Services	188.150	31.974
Transportation and Telecommunication	15.425	6.503
Financial Institutions	1.191	514
Real Estate and Lending Service	338	154
Self Employment Service	-	-
Education Service	6.549	3.300
Health and Social Services	12.495	3.869
Other	214.675	124.233
Total	1.075.472	445.644

(*) Classified according to type of principal activity of costumers.

5. Credit risk mitigation techniques – overview:

The Bank considers appropriate collaterals mentioned in “Regulation on Measurement and Evaluation of Bank’s Capital Adequacy” published on Official Gazette numbered 29511 for the calculation of capital adequacy. Since mortgages determine a receivable class, collateral used in credit risk reduction consists of cash collaterals with blockage.

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X. Explanations on Risk Management Objectives and Policies (continued)

All expertise reports, get done by the Bank, are assigned to valuation institutions, which are authorized by Banking Regulation and Supervision Agency and also having CMB license. Expertise requests, received from branches for valuation reports issued for the purpose of collateral, are evaluated by Expertise and Mortgage Department and forwarded to contracted valuation institutions through expertise system of the Bank. Valuation institutions submits expertise report through using expertise system of the bank following the completion of expertise activity. The report, submitted by expertise institution, is reviewed by Expertise and Mortgage Department and delivered to branches via aforementioned system. If there exists elements, which are considered as risks, in collateralization, those elements are included in valuation report.

Mortgage transaction is performed by law firms following the collateralization decision. Mortgage request is submitted from branch to our mortgage department via mortgage system of the bank. Mortgage department forwards the request to contracted law firms after controlling the request in question. Authenticated deeds and mortgage receipt certificates are delivered to branches via aforementioned system following the finalisation of mortgage transaction.

If the mortgage is in release phase, release request, submitted by the branch, is delivered to directorate of land registry with release letter which is obtained on mortgage release system following getting approval of required approvers.

A review report is issued on an annual basis in scope of communique on risk mitigation techniques for received collaterals.

		Exposures not covered with cash collateral	Exposures secured by cash collateral	Exposures secured by cash collateral, of which: secured amount(**)	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans (*)	16.645.801	1.963.844	289.919	-	-	-	-
2	Debt securities	2.979.671	-	-	-	-	-	-
3	Total	19.625.472	1.963.844	-	-	-	-	-
4	Of which defaulted	1.760.771	885	407	-	-	-	-

(*) Shows loans that are covered with cash collateral

(**) Shows risk adjusted cash collaterals in line with related BRSA's credit risk mitigation regulation with the maturity profile of the loan.

6. Qualitative disclosures related to rating grades used by the Banks for the calculation of credit risk with standard approach:

The Bank uses external rating grades provided by Fitch Ratings for the calculation of credit risk with standard method. In this scope, risk weights in Receivables from Central Administrations or Central Banks class of the Bank are determined through taking ratings provided by Fitch Ratings and guidance given by BRSA for the aforementioned CRA into account.

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X. Explanations on Risk Management Objectives and Policies (continued)

7. Standard approach – credit risk exposure and credit risk mitigation (CRM) effects

Current Period - 31.12.2018		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Assets classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	7.414.986	11	8.165.819	2	1.723.392	%21
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	6	-	1	-	-
6	Exposures to institutions	2.971.428	7.495.294	2.971.426	99.605	928.172	%30
7	Exposures to corporates	11.026.815	3.522.505	10.329.486	2.456.328	12.785.814	%100
8	Retail exposures	1.486.712	711.735	1.301.430	36.673	1.005.926	%75
9	Exposures secured by residential property	1.154.650	60.496	1.105.991	30.115	397.637	%35
10	Exposures secured by commercial real estate	5.421.177	117.663	5.289.665	94.244	3.704.806	%69
11	Past-due loans	642.088	-	639.501	-	701.448	%110
12	Higher-risk categories by the Agency Board	13.551	-	13.545	-	13.253	%98
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	1.283.652	-	1.283.652	-	1.029.708	%80
17	Investments in equities	-	-	-	-	-	-
18	Total	31.415.059	11.907.710	31.100.515	2.716.968	22.290.156	%66

Prior Period - 31.12.2017		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Assets classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	5.415.110	147	6.545.425	5	931.441	%14
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	6	-	1	-	-
6	Exposures to institutions	1.104.999	316.583	1.104.999	16.057	414.278	%37
7	Exposures to corporates	12.425.016	2.392.336	11.459.039	1.158.190	12.617.229	%100
8	Retail exposures	2.849.696	1.164.263	2.573.132	77.667	1.994.132	%75
9	Exposures secured by residential property	1.116.077	42.090	1.050.078	20.309	374.636	%35
10	Exposures secured by commercial real estate	5.718.688	161.189	5.545.986	93.670	3.716.179	%66
11	Past-due loans	601.927	-	601.927	-	683.756	%114
12	Higher-risk categories by the Agency Board	6.758	-	6.758	-	8.073	%119
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	765.415	9.932	765.415	9.932	532.198	%69
17	Investments in equities	-	-	-	-	-	-
18	Total	30.003.686	4.086.546	29.652.759	1.375.831	21.271.922	%69

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X. Explanations on Risk Management Objectives and Policies (continued)

8. Standard approach – exposures by asset classes and risk weights

Current Period - 31.12.2018 Asset classes/ Risk weight(*)	0%	10%	20%	50%(*)	75%	100%	150%	200%	Other (35% - 50%(**))	Total credit risk exposure amount (***)
Exposures to central governments or central banks	5.532.734	-	-	-	-	813.696	-	-	1.819.391	8.165.821
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	1	-	-	-	-	-	-	-	-	1
Exposures to institutions	-	-	2.528.487	-	-	302.404	-	-	240.140	3.071.031
Exposures to corporates	-	-	-	-	-	12.785.814	-	-	-	12.785.814
Retail exposures	-	-	-	-	1.328.709	9.394	-	-	-	1.338.103
Exposures secured by residential property	-	-	-	-	-	-	-	-	1.136.106	1.136.106
Exposures secured by commercial real estate	-	-	-	3.358.206	-	2.025.703	-	-	-	5.383.909
Past-due loans	-	-	-	-	-	271.261	246.067	-	122.173	639.501
Higher-risk categories by the Agency Board	-	-	-	-	-	10.222	1.369	-	1.955	13.546
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-
Other assets	253.945	-	-	-	-	1.029.708	-	-	-	1.283.653
Total	5.786.680	-	2.528.487	3.358.206	1.328.709	17.248.202	247.436	-	3.319.765	33.817.485

(*) Collateralized with the Real Estate Mortgage

(**) Except that Collateralized with the Real Estate Mortgage

(***) After Credit Conversion Rate and after credit risk mitigation

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X. Explanations on Risk Management Objectives and Policies (continued)

Prior Period - 31.12.2017										Total credit risk exposure amount (***)
Asset classes/ Risk weight(*)	0%	10%	20%	50%(*)	75%	100%	150%	200%	Other (35% - 50% (**))	
Exposures to central governments or central banks	5.198.643	-	-	-	-	516.095	-	-	830.692	6.545.430
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	1	-	-	-	-	-	-	-	-	1
Exposures to institutions	-	-	515.472	-	-	16.783	-	-	588.801	1.121.056
Exposures to corporates	-	-	-	-	-	12.617.229	-	-	-	12.617.229
Retail exposures	-	-	-	-	2.626.670	24.129	-	-	-	2.650.799
Exposures secured by residential property	-	-	-	-	-	-	-	-	1.070.387	1.070.387
Exposures secured by commercial real estate	-	-	-	3.846.954	-	1.792.702	-	-	-	5.639.656
Past-due loans	-	-	-	-	-	241.210	262.187	-	98.530	601.927
Higher-risk categories by the Agency Board	-	-	-	-	-	3.043	3.172	-	543	6.758
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-
Other assets	243.150	-	-	-	-	532.197	-	-	-	775.347
Total	5.441.794	-	515.472	3.846.954	2.626.670	15.743.388	265.359	-	2.588.953	31.028.590

(*) Collateralized with the Real Estate Mortgage

(**) Except that Collateralized with the Real Estate Mortgage

(***) After Credit Conversion Rate and after credit risk mitigation

d. Counterparty Credit risk (CCR) explanations:

1. Qualitative disclosure related to counterparty credit risk:

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. The Bank monitors Counterparty Credit Risk in the framework of Counterparty Credit Risk and Exchange Risk Management Policy which is approved by Board of Directors. Counterparty Credit Risk and Exchange Risk Management Policy includes rules, limits and actions in case of non-compliance related to transactions in counterparty credit risk and exchange risk.

The Bank internally applies different action rules for each of the action groups determined for measurement of counterparty credit risk. Action groups are divided into Individual Business Line, Non-Individual Business Line (except for Stock Exchange and Banks) and Banks and Stock Exchanges.

Potential and current risk exposures of transactions are calculated/determined in order to determine CCR. Internal netting application is taken into account while calculating risk exposures.

Daily collateral management is performed in accordance with provisions of agreements related to transactions of counterparty credit risk and exchange risk with stock exchanges and banks having ISDA-CSA agreement.

Internal limits related to counterparty credit risk and exchange risk are evaluated by Credits Department with respect to requests from related departments and submitted to the approval of Director of Credits Department, General Manager, Credit Committee or Board of Directors according to magnitude of exposures.

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X. Explanations on Risk Management Objectives and Policies (continued)

The Bank legally calculates counterparty credit risk and exchange risk in accordance with the rules and explanations mentioned in "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Counterparty credit risk and exchange risk, calculated legally, is subject to limit of capital adequacy ratio.

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

		Revaluation Cost	Potential credit risk exposure	EBPRT(*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Year – 31.12.2018							
1	Standart Approach-CCR	364.921	200.276	-	1,4	527.507	457.771
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	3.273	655
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	3.273	655
6	Total	364.921	200.276	-	1,4	530.780	458.426

(*) Effective expected positive risk amount

		Revaluation Cost	Potential credit risk exposure	EBPRT(*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
Prior Year – 31.12.2017							
1	Standart Approach-CCR	400.737	289.703	-	1,4	663.039	360.767
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	-	-
6	Total	400.737	289.703	-	1,4	663.039	360.767

(*) Effective expected positive risk amount

3. Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Current Year – 31.12.2018			
Total portfolio value with comprehensive approach CVA capital adequacy			
1	(i) Value at risk component (3*multiplier included)	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	510.178	346.292
4	Total amount of CVA capital adequacy	510.178	346.292

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Prior Year – 31.12.2017			
Total portfolio value with comprehensive approach CVA capital adequacy			
1	(i) Value at risk component (3*multiplier included)	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	667.115	136.833
4	Total amount of CVA capital adequacy	667.115	136.833

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X. Explanations on Risk Management Objectives and Policies (continued)

4. Standard approach – CCR exposures by regulatory portfolio and risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk(*)
Risk Classes									
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Internatinal Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	16.802	116.431	-	237.508	-	-	299.086
Corporate receivables	-	-	-	-	-	157.242	-	-	157.242
Retail receivables	-	-	-	-	2.797	-	-	-	2.098
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-
Total	-	-	16.802	116.431	2.797	394.750	-	-	458.426

(*) Total credit risk; After applying counterparty credit risk measurement techniques that are related to the amount of capital adequacy calculation.

(**) Other assets: "Central to the counterparty risk" table includes amounts that are not included in the reported counterparty credit risk.

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk(*)
Risk Classes									
Central governments and central banks receivables	-	-	-	159	-	-	-	-	79
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Internatinal Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	74.224	483.015	-	484	-	-	256.836
Corporate receivables	-	-	-	-	-	99.934	-	-	99.934
Retail receivables	-	-	-	-	5.224	-	-	-	3.918
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-
Total	-	-	74.224	483.174	5.224	100.418	-	-	360.767

(*) Total credit risk; After applying counterparty credit risk measurement techniques that are related to the amount of capital adequacy calculation.

(**) Other assets: "Central to the counterparty risk" table includes amounts that are not included in the reported counterparty credit risk.

5. Composition of collateral for CCR exposure: Due to absence of derivative collateral considered in the calculation of capital adequacy, related table was not given.

6. Credit derivatives exposures: None.

7. Risk exposure to CCP: None.

e. Explanations Related to Securitization Positions: None.

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X. Explanations on Risk Management Objectives and Policies (continued)

f. Explanations on Market Risk

Market risk is the probability of impairment of in/off balance sheet positions based on fluctuations in market risk factors. Fluctuations in market risk factors states changes occurring in interest rates, exchange rates, share prices, commodity prices and volatility. Exchange rate and interest rate risks are considered as two of the most significant components forming market risk and derivative financial transactions are made in order to provide hedging from exposed financial risks, when required.

The Bank manages market risk in line with Market Risk Management Policy including rules and limits to be adopted related to management of trading portfolio and required actions to be taken in case of non-compliance. Trading Portfolio Strategy, approved by Board of Directors, determines which products shall be reviewed under trading portfolio. Principles, policies and risk limits with respect to management of market risk are approved by Board of Directors, reviewed periodically and applied by senior management of the Bank and related departments.

The Bank applies legal and internal limits which are determined in scope of measurement of market risk belonging to trading portfolio and approved by Board of Directors. Foreign exchange position, interest rate and volatility limits are included in various breakdowns under internal limits and compliance with limits are monitored and reported daily by Risk Management Department.

Legal capital requirement, sourcing from Market Risk, is calculated and reported using standard method in line with principles related to Calculation of Value at Market Risk of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

Responsibilities of Board of Directors, Member of Board of Directors Responsible from Internal Systems, General Manager, Asset-Liabilities Committee (ALCO), Treasury Department, Finance Department and Risk Management Department with respect to management of Market Risk are determined and detailed in Market Risk Management Policy.

Treasury Front-Office system and Banking Application is used related to measurement and reporting of Market Risk and integration process of a risk software application is still going on.

Standardised approach

Current Year – 31.12.2018

	RWA
Outright products	
1 Interest rate risk (general and specific)	677.963
2 Equity risk (general and specific)	-
3 Foreign exchange risk	74.500
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	62.750
7 Scenario approach	-
8 Securitisation	-
9 Total	815.213

Prior Year – 31.12.2017

	RWA
Outright products	
1 Interest rate risk (general and specific)	1.461.086
2 Equity risk (general and specific)	-
3 Foreign exchange risk	26.063
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	29.714
7 Scenario approach	-
8 Securitisation	-
9 Total	1.516.863

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X. Explanations on Risk Management Objectives and Policies (continued)

g. Explanations on Operational Risk

Basic indicator approach:

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified as financial assets at fair value through other comprehensive income (previously, available for sale) and financial assets measured at amortized cost (previously, held-to-maturity), extraordinary income and income derived from insurance claims at year-end.

The value at operational risk is calculated according to the basic indicator approach of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No. 28337 dated June 28, 2012.

	2 PY Amount	1 PY Amount	CY Amount	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross income	865.225	1.444.451	1.565.540	1.291.739	15	193.761
The amount subject to operational risk (Total*12,5)						2.422.013

XI. Explanations on Hedge Accounting

The Bank, utilize derivative instruments effectively in the process of asset and liability management. In this context, the Bank applies TAS 39 standard for hedge accounting.

As of December 31, 2018, The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL customer deposits partially amounting to 400 Million TL with short term cyclical basis (31 December 2017: None).

Within the scope of cash flow hedge accounting, the amount on balance sheet under "Derivative financial liabilities at fair value through other comprehensive income" is TL 116.041, the effective portion of the change in the fair value of the hedging instrument which is accounted for in the equity under "Other accumulated comprehensive income that will be reclassified in profit or loss" after tax is amounting to TL 68.858 and the ineffective portion of derivative financial liabilities accounted under "Profit/losses from derivative financial transactions" within the income statement is nil. (31 December 2017: None).

In the periods in which the cash flows (interest expenses) of the hedged item affects the income statement, the profit/loss of the hedging instrument is recognized in the income statement from equity. In this context, after tax loss of TL 20.299 was transferred from equity to income statement in 2018.

XII. Explanations on Business Segments

Organized to operate in all operational aspects of banking under the scope of 4th Article of the Banking Law, the Bank is providing diversified financial solutions focused on capital financing, foreign trade, project finance, non-cash products, cash management and internet banking services to commercial (segregated as Corporate, Commercial and SME prior to unification under Commercial Banking in 2018) customers. Retail Banking, formed under three major divisions, namely, Retail Loans, Bank and Credit Cards and Wealth Management, serves to the financial needs of customers through branches, internet and mobile channels. Treasury and Capital Markets department is managing TL and FCY liquidity in healthy and sustainable manner, performing profit oriented trading activities in the market within the limits given by the Board. In addition, Treasury sales unit delivers pricing services of government bills and bonds, Eurobonds and derivatives to the Bank customers.

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XII. Explanations on Business Segments (continued)

Current Period (1 January-31 December 2018)	Corporate, Commercial,SME	Retail Banking	Treasury	Other and Unallocated (*)	Bank's Total Activities
Net Interest Income	568.495	219.193	68.793	174.706	1.031.187
Net Fee and Commission Income	74.189	58.182	(1.703)	(11.762)	118.906
Dividend Income	-	-	-	17	17
Other Operating Income and Net Profit/Loss	21.555	21.841	49.735	96.276	189.407
Operating Income	664.239	299.216	116.825	259.237	1.339.517
Other Operating Expenses (**)	-	-	-	(658.072)	(658.072)
Credit and Other Provisions	(672.960)	(139.385)	-	147.530	(664.815)
Profit Before Tax	-	-	-	16.630	16.630
Tax Provision	-	-	-	520	520
Net Profit	-	-	-	17.150	17.150
Total Asset	18.246.462	1.637.463	4.638.411	6.878.282	31.400.618
Segment Assets	18.246.462	1.637.463	4.638.411	6.878.282	31.400.618
Total Liability	5.170.473	15.552.063	4.921.387	5.756.695	31.400.618
Segment Liability	5.170.473	15.552.063	4.921.387	900.861	26.544.784
Subordinated Loan	-	-	-	1.636.012	1.636.012
Equity	-	-	-	3.219.822	3.219.822

(*) Shows operating expenses, free provisions, general provisions and equity items and also funding return on capital, that is calculated as part of bank's asset liability management strategy as well as unallocated liquidity items and their income/expense amounts.

(**) Includes personnel expenses.

Prior Period (1 January-31 December 2017)	Corporate, Commercial,SME	Retail Banking	Treasury	Other and Unallocated (*)	Bank's Total Activities
Net Interest Income	654.165	245.727	21.595	437.383	1.358.870
Net Fee and Commission Income	107.750	51.732	(2.528)	(1.346)	155.608
Dividend Income	-	-	-	14	14
Other Operating Income and Net Profit/Loss	(21.997)	17.164	10.400	(27.712)	(22.145)
Operating Income	739.918	314.623	29.467	408.339	1.492.347
Other Operating Expenses	-	-	-	(737.782)	(737.782)
Credit and Other Provisions	(209.015)	(98.021)	-	(46.375)	(353.411)
Profit Before Tax	-	-	-	401.154	401.154
Tax Provision	-	-	-	(80.582)	(80.582)
Net profit	-	-	-	320.572	320.572
Total Asset	19.407.521	3.002.120	5.622.682	5.072.052	33.104.375
Segment Assets	19.407.521	3.002.120	5.622.682	5.072.052	33.104.375
Total Liability	6.820.104	16.994.776	3.393.822	5.895.673	33.104.375
Segment Liability	6.820.104	16.994.776	3.393.822	962.551	28.171.253
Subordinated Loan	-	-	-	1.174.992	1.174.992
Equity	-	-	-	3.758.130	3.758.130

(*) Shows operating expenses, free provisions, general provisions and equity items and also funding return on capital, that is calculated as part of bank's asset liability management strategy as well as unallocated liquidity items and their income/expense amounts.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

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

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Cash in Vault	35.273	139.924	86.483	95.952
Balances with the Central Bank of Turkey	987.509	2.836.234	1.403.639	2.145.746
Other	-	-	-	-
Total	1.022.782	2.976.158	1.490.122	2.241.698

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

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Demand unrestricted amount	276.490	1.449.846	1.403.639	164
Time unrestricted amount	711.019	-	-	-
Time restricted amount	-	1.386.388	-	2.145.582
Total	987.509	2.836.234	1.403.639	2.145.746

c) Explanations related to reserve deposits:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 1,5% and 8% for TL deposits and other liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 20% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

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

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

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

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

b) Positive differences related to derivative financial assets held-for-trading:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Forward Transactions	105.821	2.492	18.038	2.445
Swap Transactions	611.872	208.332	332.524	40.445
Futures Transactions	-	-	-	-
Options	144.883	11.901	23.886	3.778
Other	-	-	-	-
Total	862.576	222.725	374.448	46.668

3. Information on banks and bank accounts abroad:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Banks				
Domestic	1.058.065	1	203	1
Foreign	-	944.808	-	286.525
Branches and head office abroad	-	-	-	-
Total	1.058.065	944.809	203	286.526

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
European Union Countries	52.600	132.264	-	-
USA and Canada	885.337	153.673	-	-
OECD Countries (*)	837	524	-	-
Other	6.034	64	-	-
Total	944.808	286.525	-	-

(*) OECD countries other than European Union countries, USA and Canada

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

a.1) Information on financial assets given as collateral or blocked:

	December 31, 2018	
	TL	FC
Share certificates	-	-
Bond, treasury bill and similar securities	103.131	-
Other	-	-
Total	103.131	-

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

	December 31, 2017	
	TL	FC
Share certificates	-	-
Bond, treasury bill and similar securities	260.178	304.755
Other	-	-
Total	260.178	304.755

a.2) Information on financial assets subject to repurchase agreements:

As of December 31, 2018, there has no financial assets at fair value through other comprehensive income subject to repurchase agreements (31 December 2017: None).

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

	December 31, 2018
Debt securities	275.717
Quoted on a stock exchange	275.717
Not quoted	-
Share certificates	11.192
Quoted on a stock exchange	-
Not quoted	11.192
Value Decrease (-) / Increase (+)	(18.549)
Total	305.458

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

	December 31, 2017
Debt securities	1.219.449
Quoted on a stock exchange	1.219.449
Not quoted	-
Share certificates	8.646
Quoted on a stock exchange	-
Not quoted	8.646
Value Decrease (-) / Increase (+)	(34.338)
Total	1.262.433

5. Information on loans:

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

	December 31, 2018		December 31, 2017	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	2.587	-	304	-
Corporate shareholders	2.587	-	304	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	57.898	-	21.257
Loans granted to employees	4.972	-	7.304	-
Total	7.559	57.898	7.608	21.257

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

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

	Standard loans	Not under the scope of restructuring	Stage 2 (*)	
			Loans under restructuring	Refinancing
Cash Loans			Modifications on agreement conditions	
Non-specialized loans	12.702.468	4.929.231	-	1.104.990
Loans given to enterprises	-	-	-	-
Export loans	642.481	41.053	-	3.193
Foreign loans	514.379	-	-	49.029
Loans given to financial sector	12.353	-	-	-
Consumer loans	896.440	136.708	-	45.059
Credit cards	326.805	19.281	-	39.731
Other	10.310.010	4.732.189	-	967.978
Specialized lending	-	-	-	-
Other receivables	-	-	-	-
Total	12.702.468	4.929.231	-	1.104.990

(*) In accordance with TFRS 9 and the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside the loans subject to significant increase in the credit risk of the borrower are included in the above table amounting to TL 1.888.887.

First and Second Stage Expected Loss Provisions	Standard Loans	Loans Under Close Monitoring
12-Month provisions for possible losses	107.550	-
Significant increase in credit risk	-	851.197
Total	107.550	851.197

	December 31, 2017
General Provisions	256.804
I. Provisions for First Group Loans and Receivables	81.041
- o/w - Provision for extended loans	-
II. Provisions for Second Group Loans and Receivables	171.656
- o/w - Provision for extended loans	-
Provisions for Non-cash Loans and Derivative Financial Instruments	4.107
Total	256.804

In December 31, 2017, based on the new Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published on Official Gazette dated December 14, 2016 and numbered 29918 the Bank had excess general provisions. If the minimum reserve ratios specified in the Regulation had been applied, the general provision amount would be lower by TL 146.447.

c) Restructured or rescheduled loans according to their maturity structure:

Number of extensions	Standard loans	Loans under close monitoring
Extended by 1 or 2 times	63.746	1.104.990
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-
Total	63.746	1.104.990

Number of modifications made to extend payment plan	Standard loans	Loans under close monitoring (*)
0 - 6 Months	17.726	336.929
6 - 12 Months	8.136	76.182
1 - 2 Years	18.531	284.046
2 - 5 Years	19.353	407.833
5 Years and over	-	-
Total	63.746	1.104.990

(*) Represents the difference between the first term of the loan and extended term of the loan.

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

d) Information on consumer loans and credit cards given to customers and bank's personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans – TL	8.175	1.037.557	1.045.732
Housing Loans	-	427.651	427.651
Car Loans	-	7.654	7.654
General Purpose Loans	8.175	602.252	610.427
Other	-	-	-
Consumer Loans - Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	356.706	19.936	376.642
With Installments	80.742	19.936	100.678
Without Installments	275.964	-	275.964
Individual Credit Cards-FC	167	-	167
With Installments	-	-	-
Without Installments	167	-	167
Personnel Loans - TL	93	3.337	3.430
Housing Loans	-	-	-
Car Loans	-	50	50
General Purpose Loans	93	3.287	3.380
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards - TL	1.540	2	1.542
With Installments	386	2	388
Without Installments	1.154	-	1.154
Personnel Credit Cards - FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts – TL (Real Persons)	29.045	-	29.045
Overdraft Accounts – FC (Real Persons)	-	-	-
Total	395.726	1.060.832	1.456.558

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

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	228.345	4.000.830	4.229.175
Business Loans	-	5.597	5.597
Car Loans	-	9.870	9.870
General Purpose Loans	228.345	3.985.363	4.213.708
Other	-	-	-
Commercial loans with installment facility-Indexed to FC	2.356	458.277	460.633
Business Loans	-	-	-
Car Loans	-	121	121
General Purpose Loans	2.356	458.156	460.512
Other	-	-	-
Commercial loans with installment facility -FC	5.509	8.759.983	8.765.492
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	5.509	8.759.983	8.765.492
Other	-	-	-
Corporate Credit Cards-TL	7.418	-	7.418
With Installments	661	-	661
Without Installments	6.757	-	6.757
Corporate Credit Cards-FC	48	-	48
With Installments	-	-	-
Without Installments	48	-	48
Overdraft Accounts-TL (Legal Entities)	29.427	-	29.427
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	273.103	13.219.090	13.492.193

f) Distribution of domestic and foreign loans:

	December 31, 2018	December 31, 2017
Domestic loans	18.173.281	21.558.475
Foreign loans	563.408	443.203
Total	18.736.689	22.001.678

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	December 31, 2018
Specific provisions	
Loans with limited collectability	144.485
Loans with doubtful collectability	501.665
Uncollectible loans	283.802
Total	929.952

	December 31, 2017
Specific provisions	
Loans and receivables with limited collectability	21.322
Loans and receivables with doubtful collectability	105.043
Uncollectible loans and receivables	319.279
Total	445.644

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

i) Information on non-performing loans (Net):

i.1) Information on loans and other receivables which are restructured or rescheduled within non-performing portfolio: None.

i.2) The movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
December 31, 2017 balance	174.805	382.996	517.671
Additions (+)	1.522.197	-	-
Transfers from other categories of non-performing loans (+)	-	1.282.024	720.657
Transfers to other categories of non-performing loans (-)	1.282.024	720.657	-
Collections (-)	126.848	49.663	289.363
Write-offs (-)	-	-	11.935
Sold (*)	-	-	358.204
Corporate and commercial loans	-	-	91.833
Retail loans	-	-	266.371
Credit cards	-	-	-
Other (-)	-	-	-
December 31, 2018 balance	288.130	894.700	578.826
Specific provision (-)	144.485	501.665	283.802
Net Balances on Balance Sheet	143.645	393.035	295.024

(*) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 266.371 to Hayat Varlık (Asset Management Company) on December 26, 2018 for TL 50.000 and TL 91.833 of the commercial loans recognized as loss was sold to Hayat Varlık on December 24, 2018 for TL 25.

i.3) Information on foreign currency non-performing loans and other receivables: None. (31 December 2017: None)

i.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
December 31, 2018 (Net)	143.645	393.035	295.024
Loans to Real Persons and Legal Entities (Gross)	288.130	894.700	578.826
Specific provision (-)	144.485	501.665	283.802
Loans to Real Persons and Legal Entities (Net)	143.645	393.035	295.024
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2017 (Net)	153.483	277.953	198.392
Loans to Real Persons and Legal Entities (Gross)	174.805	382.996	517.671
Specific provision (-)	21.322	105.043	319.279
Loans to Real Persons and Legal Entities (Net)	153.483	277.953	198.392
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (Net)			
Interest Accruals, Discounts and Valuation Differences	4.414	31.110	17.415
Special Provision Amount (-)	4.414	31.110	17.415
Prior Period (Net)			
Interest Accruals, Discounts and Valuation Differences	-	-	-
Special Provision Amount (-)	-	-	-

j) Main principles of liquidation policies of non-performing loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree. As of December 31, 2018, the net amount after provisions of the non-performing loans and receivables in the fifth group (in Stage 3) is TL 295.024 (December 31, 2017: TL 198.392).

k) Explanations on write-off policy:

Loans and receivables considered as non-collectable are written-off pursuant to approval of Board of Directors (BoD) and treated accordingly as per the requirements of tax legislation. The Bank has written-off TL 11.935 of non-performing loans as approved by the BoD.

6. Information on financial assets measured at amortized cost:

a) Information on financial assets given as collateral or blocked: As of December 31, 2018, financial assets measured at amortized cost given as collateral is amounting to TL 1.590.108.

As of December 31, 2017, held-to-maturity investments given as collateral is amounting to TL 338.078.

b) Investments and legal liabilities subject to repurchase agreements: As of December 31, 2018, financial assets measured at amortized cost subject to repurchase agreements is amounting to TL 103 (December 31, 2017: None).

c) The Bank has TL 2.702.342 financial assets measured at amortized cost as of December 31, 2018.

The Bank has TL 447.133 held-to-maturity investments as of December 31, 2017.

d.1) Movement on financial assets measured at amortized cost:

	December 31, 2018
Beginning Balance	447.133
Foreign Currency Differences on Monetary Assets (*)	970.579
Purchases During Year	1.409.714
Transfers (**)	1.254.532
Disposals Through Sales and Redemptions	(1.379.616)
Impairment Provision (-)	-
Total	2.702.342

(*) Represents exchange differences and accrual interest.

(**) As of January 1, 2018, the Group has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.254.532 has been classified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortized cost".

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

d.2) Movement on held-to-maturity investments:

	December 31, 2017
Beginning Balance	428.155
Foreign Currency Differences on Monetary Assets	-
Purchases During Year	-
Disposals Through Sales and Redemptions	-
Impairment Provision	-
Change in Amortized Cost (*)	18.978
Total	447.133

(*) Represents exchange differences and accrual interest.

7. Information on associates (Net):

The Bank has no associates in the current period. (31 December 2017: None)

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period. (31 December 2017: None)

9. Information on jointly controlled entities:

The Bank has no jointly controlled entities in the current period. (31 December 2017: None)

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period. (31 December 2017: None)

11. Information on derivative financial assets for hedging purposes:

The Bank's derivative financial instruments held for hedging purposes is explained in Section Five – note II.8 (31 Aralık 2017: None).

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

12. Information on tangible assets (Net):

	Closing Balance December 31,				Change in estimate	Ending Balance December 31, 2018
	2017	Additions	Disposals	Other		
Cost:						
Land and buildings	9.174	-	-	-	-	9.174
Leased tangible assets	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	251.482	8.997	(9.714)	-	-	250.765
Total Cost	260.656	8.997	(9.714)	-	-	259.939
Accumulated Depreciation:						
Land and buildings	946	183	-	-	-	1.129
Leased tangible assets	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	155.327	26.374	(9.714)	-	-	171.987
Total Accumulated Depreciation	156.273	26.557	(9.714)	-	-	173.116
Net Book Value	104.383					86.823

- a) Disclosure for impairment losses or releases individually material for financial statements:
- a.1) Conditions for allocating/releasing any impairment: None. (31 December 2017: None)
- a.2) Amount of impairment losses provided or released in financial statements during current period: None. (31 December 2017: None)
- b) Disclosure on conditions and amounts of allocating / releasing any impairment as per asset class, which are not individually but on an aggregated basis material to financial statements: None. (31 December 2017: None)
- c) Restriction on tangible assets, capitalized expenditures and purchase commitments: None. (31 December 2017: None)

13. Information on intangible assets:

	Closing Balance December 31,				Change in estimate	Ending Balance December 31, 2018
	2017	Additions	Disposals	Other		
Cost:						
Software cost	191.131	5.089	-	-	-	196.220
Other intangible assets	-	-	-	-	-	-
Total Cost	191.131	5.089	-	-	-	196.220
Accumulated Depreciation:						
Software cost	101.206	32.072	-	-	-	133.278
Other intangible assets	-	-	-	-	-	-
Total Accumulated Depreciation	101.206	32.072	-	-	-	133.278
Net Book Value	89.925					62.942

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

14. Investment Property (Net): None (31 December 2017: None).

15. Explanations on deferred tax assets:

- a) As of December 31, 2018, the Bank has deferred tax asset amounting to TL 272.167 arising from deductible temporary differences (December 31, 2017: TL 64.664).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None (31 December 2017: None).
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None (31 December 2017: None).

	December 31, 2018		December 31, 2017	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Net Book Value and Tax Value Differences of Financial Assets:				
Free Provision	1.156.888	254.515	410.759	90.367
Deferred Commissions	16.385	3.605	257.700	56.694
Other provisions	53.399	11.748	63.296	13.925
Reserve for Employee Benefits	25.539	5.619	25.941	5.207
Other	11.141	2.451	11.002	2.420
	1.174.160	258.661	12.390	2.536
Deferred Tax Assets	2.437.512	536.599	781.088	171.149
Net Book Value and Tax Value Differences of Financial Liabilities:				
Amortization Differences	1.144.229	251.730	432.326	95.112
Other	15.109	2.842	34.696	7.323
	42.696	9.860	19.257	4.050
Deferred Tax Liability (-)	1.202.034	264.432	486.279	106.485
Deferred Tax Asset (Net)	1.235.478	272.167	294.809	64.664

16. Information on assets held for sale and discontinued operations:

As of December 31, 2018 the Bank has assets held for sale and discontinued operations amounting to TL 238.525 (December 31, 2017: TL 170.946).

The Bank, in some portion of the foreclosed assets, provides repurchase right to the debtor. As of December 31, 2018, the right of repurchase value of assets of the Bank is TL 109.922. (31 December 2017: TL 79.220).

17. Information on other assets

- a) Other assets do not exceed 10% of the balance sheet total (excluding off balance sheet commitments).
- b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.(31 December 2017: None)

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II. Explanations and Disclosures Related to the Liabilities

1. Information on maturity structure of deposits:

a.1) **December 31, 2018**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	181.519	-	2.178.815	3.514.392	884.176	180.701	214.209	-	7.153.812
Foreign currency deposits	824.303	-	1.783.651	8.800.322	276.357	109.017	29.399	-	11.823.049
Residents in Turkey	712.093	-	1.759.733	8.508.407	272.268	100.614	25.726	-	11.378.841
Residents abroad	112.210	-	23.918	291.915	4.089	8.403	3.673	-	444.208
Public sector deposits	21.063	-	-	23	2.897	-	-	-	23.983
Commercial deposits	159.718	-	331.912	635.614	26.447	14.265	24.095	-	1.192.051
Other institutions deposits	791	-	2.236	106.013	1.377	4.204	912	-	115.533
Precious metals deposits	98.043	-	-	-	-	-	-	-	98.043
Interbank deposits	1.783	-	694.775	416.915	15.727	25.377	-	-	1.154.577
Central Bank of Turkey	-	-	694.775	-	-	-	-	-	694.775
Domestic Banks	-	-	-	8.713	-	-	-	-	8.713
Foreign Banks	1.783	-	-	408.202	15.727	25.377	-	-	451.089
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1.287.220	-	4.991.389	13.473.279	1.206.981	333.564	268.615	-	21.561.048

December 31, 2017

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	181.982	-	1.972.880	5.832.781	3.461	30.579	16.522	-	8.038.205
Foreign currency deposits	534.925	-	1.467.526	10.623.894	112.731	203.330	48.771	-	12.991.177
Residents in Turkey	500.151	-	1.449.610	10.368.214	112.304	201.136	35.229	-	12.666.644
Residents abroad	34.774	-	17.916	255.680	427	2.194	13.542	-	324.533
Public sector deposits	2.464	-	-	-	11.404	-	-	-	13.868
Commercial deposits	112.401	-	238.861	1.803.250	-	1.995	120	-	2.156.627
Other institutions deposits	827	-	1.993	69.855	-	-	-	-	72.675
Precious metals deposits	43.487	-	-	-	-	-	-	-	43.487
Interbank deposits	160	-	-	562.830	21.237	10.121	-	-	594.348
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	9.413	-	-	-	-	9.413
Foreign Banks	160	-	-	553.417	21.237	10.121	-	-	584.935
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	876.246	-	3.681.260	18.892.610	148.833	246.025	65.413	-	23.910.387

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II. Explanations and Disclosures Related to the Liabilities

b.1) Information on saving deposits under the guarantee of saving deposits insurance:

Information on saving deposits and exceeding the limit of insurance saving deposits:

Saving deposits (*)	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Saving deposits	2.276.735	2.534.217	4.877.077	5.503.988
Foreign currency saving deposits	661.989	582.697	8.492.055	8.130.958
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	2.938.724	3.116.914	13.369.132	13.634.946

(*) Accruals were included to deposits under the guarantee of insurance in accordance with BRSA declaration numbered 1584 dated February 23, 2005.

b.2) Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

	December 31, 2018	December 31, 2017
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	5.939	3.261
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities at fair value through profit or loss:

a) Negative differences table related to derivative financial liabilities at fair value through profit or loss:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Forward Transactions	53.932	4.127	5.244	302
Swap Transactions	611.320	210.786	308.446	69.711
Futures Transactions	-	-	-	-
Options	190.009	6.405	16.133	4.635
Other	-	-	-	-
Total	855.261	221.318	329.823	74.648

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II. Explanations and Disclosures Related to the Liabilities (continued)

3. Information on borrowings:

a) Information on banks and other financial institutions:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
From Domestic Banks and Institutions	2.549	12.812	2.940	29.272
From Foreign Banks, Institutions and Funds	-	2.991.821	-	2.910.508
Total	2.549	3.004.633	2.940	2.939.780

b) Maturity analysis of borrowings:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Short-term	2.549	923.360	353	904.327
Medium and long-term	-	2.081.273	2.587	2.035.453
Total	2.549	3.004.633	2.940	2.939.780

4. Information on funds provided from repurchase agreement transactions:

a) Funds Provided Under Repurchase Agreements:

	December 31, 2018	December 31, 2017
Funds Provided Under Repurchase Agreements	100	-
Total	100	-

5. Marketable Securities Issued (Net):

	December 31, 2018	December 31, 2017
Bond	207.110	-
Total	207.110	-

6. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

None. (31 December 2017: None)

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II. Explanations and Disclosures Related to the Liabilities (continued)

7. Explanations on lease obligations (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank: None.
- b) Explanations regarding operational leases: The Bank enters into operating lease agreements for some branches. In operating leases, the lease prepayments are recorded as expense in equal amounts over the leasing period and recognized under prepaid expenses in the account of other assets. The Bank has no liability arising from operating lease agreement.
- c) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

8. Information on derivative financial liabilities at fair value through other comprehensive income:

	December 31, 2018	December 31, 2017
Fair Value Hedge	-	-
Cash Flow Hedge	116.041	-
Total	116.041	-

As of December 31, 2018, The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL customer deposits partially amounting to 400 Million TL with short term cyclical basis (31 December 2017: None).

Within the scope of cash flow hedge accounting, the amount on balance sheet under "Derivative financial liabilities at fair value through other comprehensive income" is TL 116.041, the effective portion of the change in the fair value of the hedging instrument which is accounted for in the equity under "Other accumulated comprehensive income that will be reclassified in profit or loss" after tax is amounting to TL 68.858 and the ineffective portion of derivative financial liabilities accounted under "Profit/losses from derivative financial transactions" within the income statement is nil. (31 December 2017: None).

In the periods in which the cash flows (interest expenses) of the hedged item affects the income statement, the profit/loss of the hedging instrument is recognized in the income statement from equity. In this context, after tax loss of TL 20.299 was transferred from equity to income statement in 2018.

9. Information on provisions:

- a) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: None (December 31, 2017: TL 1.020).
- b) Information on employee termination benefits and unused vacation accrual:
- b.1) Information on employee termination benefits and unused vacation accrual:

	December 31, 2018	December 31, 2017
Employee termination benefit provision	6.644	5.745
Unused vacation provision	5.203	5.257
Total of provision for employee benefits	11.847	11.002

In accordance with TAS 19 "Turkish Accounting Standard on Employee Benefits"; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct and reflected to the financial statements in accordance with TAS. The Bank has calculated retirement pay liability for personnels who deserve retirement pay in accordance with legal compliance.

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II. Explanations and Disclosures Related to the Liabilities (continued)

9. Information on provisions (continued):

Movements in the employee termination benefit provision during the year:

	December 31, 2018	December 31, 2017
Balance at the beginning of period	5.745	8.459
Service Cost	1.689	2.223
Interest expense	632	814
Actuarial gain/loss transferred to equity	706	-
The amount of provision	(2.128)	(5.751)
Balance at the end of period	6.644	5.745

	Current Period	Prior Period
Discount rate in real terms	3,83%	2,78%
Interest rate	13,90%	11,00%
Estimated salary/ Employee termination benefit increase rate	9,70%	8,00%

c) Information on other provisions:

c.1) Provisions for possible losses: TL 16.385 (December 31, 2017: TL 257.700).

c.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions: Other provisions consist of provision for employee benefits amounting to TL 25.000 (December 31, 2017: TL 25.000), litigation provision amounting to TL 20.000 (December 31, 2017: none), other provisions amounting to TL 9.250 (December 31, 2017: none) and promotions for credit cards and banking services amounting to TL 539 for the year of 2018 (December 31, 2017: TL 941).

c.3) Expected loss provisions for non-cash loans: TL 48.303. (December 31, 2017: TL 11.566 provision).

d) Liabilities on pension rights: None.

d.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2017: None).

d.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None (31 December 2017: None).

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II. Explanations and Disclosures Related to the Liabilities (continued)

10. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Information on corporate tax:

As of December 31, 2018, the Bank has no provision of corporate income tax. The Bank's corporate tax liability is netted with prepaid taxes and prepaid taxes amounting to TL 78.747 is shown in the assets (December 31, 2017: TL 1.495 Corporate Taxes Payable).

a.2) Explanations on taxes payable:

	December 31, 2018	December 31, 2017
Withholding tax on deposits	23.343	26.283
BITT	15.780	15.996
Payroll Tax	3.073	9.365
Property Tax	494	483
Value Added Tax Payable	1.692	735
Stamp Tax	94	273
Corporate Taxes Payable	-	1.495
Foreign Exchange Tax	-	-
Other	1.010	548
Total	45.486	55.178

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II. Explanations and Disclosures Related to the Liabilities (continued)

a.3) Information on premiums:

	December 31, 2018	December 31, 2017
Social Security Premiums-Employee	1.325	3.085
Social Security Premiums-Employer	1.491	3.417
Unemployment Insurance-Employer	187	435
Unemployment Insurance-Employee	93	217
Bank Social Aid Pension Fund Premium-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Other	-	-
Total	3.096	7.154

b) Explanations on deferred tax liabilities, if any: None.

11. Information on liabilities regarding assets held for sale and discounted operations: None.

12. Information on subordinated loans:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	-	-	-
From other foreign institutions	-	1.636.012	-	1.174.992
Total	-	1.636.012	-	1.174.992

The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed 7,625% coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 has been classified as contribution capital. Based on the approval of the BRSA on 26 September 2018, the Bank has taken a subordinated bond amounting to USD 670 thousand on December 5, 2018 and its contribution to the calculation of the related amount has been reduced. Equality. The shares are not canceled by the bank and the circulation is at the discretion of the bank.

13. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of December 31, 2018 the Bank's paid in capital consists of TL 3.288.842.000 shares which nominal value is TL 1(full TL).

TL	December 31, 2018	December 31, 2017
Common stock (*)	3.288.842	3.288.842
Preferred stock	-	-
Total	3.288.842	3.288.842

(*) Nominal Capital

b) The registered capital system is not applied in the bank.

c) Information on share capital increases and their sources: None.

d) Information on share capital increases from revaluation funds in the current period: None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

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II. Explanations and Disclosures Related to the Liabilities (continued)

The Bank takes timely action to strengthen its equity in accordance with previous indicators of the Bank's income, profitability and liquidity and taking into consideration and evaluations made within the frame of those indicators and changes in accounting policies.

- g) Information on preferred shares: None.
- h) Information on marketable securities value increase fund:

	December 31, 2018
Valuation Difference	(20.043)
Foreign Exchange Difference	-
Total	(20.043)

	December 31, 2017
Valuation Difference	(34.338)
Foreign Exchange Difference	-
Total	(34.338)

- i) Information on legal reserves:

	December 31, 2018 (*)	December 31, 2017
Primary Legal Reserves	25.291	9.263
Secondary Legal Reserve	-	-
Other Legal Reserves Per Special Legislation	-	-
Total	25.291	9.263

(*) The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on March 29, 2018 to book legal reserves of TL 16.028, which is 5% of the distributable net statutory profit of TL 320.572 and the remaining amount of TL 304.544 has been decided to be reserved as extraordinary reserves.

- j) Information on extraordinary reserves:

The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on March 29, 2018 to book legal reserves of TL 16.028, which is 5% of the distributable net statutory profit of TL 320.572 and the remaining amount of TL 304.544 has been decided to be reserved as extraordinary reserves. In accordance with the option provided by the transition provisions of TFRS 9, "Financial Instruments", the Bank adopted the method of reclassifying the transition effect of the standard amounting to TL 501.838 loss under "Extraordinary Reserves" line in shareholder's equity as of January 1, 2018 rather than restating the prior period financial statements.

14. Information on minority shares: None (31 December 2017: None).

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	December 31, 2018	December 31, 2017
Forward asset purchase and sales commitments	7.631.324	298.884
Loan granting commitments	231.914	237.158
Commitments for checks	58.384	72.796
Credit card limit commitments	534.388	883.203
Other irrevocable commitments	9.336	6.689
Total	8.465.346	1.498.730

b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:

	December 31, 2018	December 31, 2017
Letters of guarantee	1.795.569	1.460.185
Letters of credit	669.337	845.476
Bank acceptance loans	651.057	142.251
Other guarantees	569.819	129.978
Total	3.685.782	2.577.890

b.2) Guarantees, suretyships, and similar transactions:

	December 31, 2018	December 31, 2017
Definite letter of guarantees	927.740	1.016.686
Temporary letter of guarantees	55.550	40.364
Other letter of guarantees	812.279	403.135
Total	1.795.569	1.460.185

c) Total amount of non-cash loans:

	December 31, 2018	December 31, 2017
Non-cash loans given to cover cash loans	624.151	194.378
With maturity of 1 year or less than 1 year	624.151	194.378
With maturity of more than 1 year	-	-
Other non-cash loans	3.061.631	2.383.512
Total	3.685.782	2.577.890

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2018			
	TL	(%)	FC	(%)
Agricultural	5.163	0,61	11.603	0,41
Farming and raising livestock	4.406	0,52	11.603	0,41
Fores TL	-	-	-	-
Fishery	757	0,09	-	-
Manufacturing	169.533	20,12	1.886.571	66,35
Mining	23.530	2,79	15.463	0,54
Production	136.264	16,17	1.728.862	60,81
Electric, gas and water	9.739	1,16	142.246	5,00
Construction	411.845	48,88	129.768	4,56
Services	248.123	29,45	815.167	28,67
Wholesale and retail trade	156.790	18,61	434.364	15,28
Hotel, food and beverage services	2.144	0,25	82.706	2,91
Transportation and telecommunication	41.816	4,96	142.583	5,01
Financial institutions	3.133	0,37	120.881	4,25
Real estate and renting services	18.475	2,19	1.498	0,05
Self-employment services	6.566	0,78	10.863	0,38
Education services	340	0,04	111	-
Health and social services	18.859	2,24	22.161	0,78
Other	7.834	0,93	175	0,01
Total	842.498	100,00	2.843.284	100,00

(*) Classified according to type of principal activity of costumers.

	December 31, 2017			
	TL	(%)	FC	(%)
Agricultural	8.965	0,98	21.642	1,30
Farming and raising livestock	8.654	0,95	12.541	0,75
Fores TL	-	-	-	-
Fishery	311	0,03	9.101	0,55
Manufacturing	165.901	18,18	1.080.296	64,87
Mining	27.587	3,02	17.279	1,04
Production	120.906	13,25	931.512	55,94
Electric, gas and water	17.408	1,91	131.505	7,90
Construction	415.105	45,49	95.312	5,72
Services	310.773	34,05	448.189	26,91
Wholesale and retail trade	192.830	21,13	229.048	13,75
Hotel, food and beverage services	1.846	0,20	43.732	2,63
Transportation and telecommunication	25.108	2,75	108.172	6,50
Financial institutions	3.472	0,38	38.491	2,31
Real estate and renting services	60.025	6,58	14.571	0,87
Self-employment services	6.986	0,77	10.138	0,61
Education services	340	0,04	-	-
Health and social services	20.166	2,21	4.037	0,24
Other	11.868	1,30	19.839	1,19
Total	912.612	100,00	1.665.278	100,00

(*) Classified according to type of principal activity of costumers.

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

c.3) Information on I st and II nd group non-cash loans:

31/12/2018	I st Group		II nd Group	
Non-cash loans	TL	FC	TL	FC
Letters of guarantee	694.020	673.466	130.374	284.462
Bank acceptances	3.423	646.200	1.434	-
Letters of credit	-	668.281	-	1.056
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Factoring Commitments	-	-	-	-
Other commitments and contingencies	-	564.139	-	5.680
Total	697.443	2.552.086	131.808	291.198

31/12/2017	I st Group		II nd Group	
Non-cash loans	TL	FC	TL	FC
Letters of guarantee	892.289	543.357	14.728	9.811
Bank acceptances	5.595	136.656	-	-
Letters of credit	-	843.684	-	1.792
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Factoring Commitments	-	-	-	-
Other commitments and contingencies	-	129.978	-	-
Total	897.884	1.653.675	14.728	11.603

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

2) Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading December 31, 2018	Hedging December 31, 2018	Trading December 31, 2017	Hedging December 31, 2017
Types of trading transactions				
Foreign currency related derivative transactions (I):	36.489.506	-	38.791.495	-
Forward transactions	4.497.318	-	2.771.445	-
Swap transactions	20.933.937	-	30.390.205	-
Futures transactions	-	-	-	-
Option transactions	11.058.251	-	5.629.845	-
Interest related derivative transactions (II) :	36.393.422	-	12.830.048	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	35.637.562	-	12.395.812	-
Interest option transactions	755.860	-	434.236	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)	-	-	-	-
A. Total trading derivative transactions (I+II+III)	72.882.928	-	51.621.543	-
Types of hedging transactions				
Fair value hedges	-	-	-	-
Cash flow hedges	-	800.000	-	-
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	800.000	-	-
Total Derivative Transactions (A+B)	72.882.928	800.000	51.621.543	-

Forward foreign currency, swap and option transactions include mainly proprietary transactions as well as customer deals, which are entered into for hedging of foreign exchange and interest rate risk purposes regardless of them being subject to hedge accounting and measured at fair value in line with Turkish accounting Standards. Both legs of every derivative transaction are aggregated in the table.

As of December 31, 2017 and 2018, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

December 31, 2018	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Interest Swap Buy	Interest Swap Sell	Interest Option Buy	Interest Option Sell	Total
TL	1.516.808	466.860	1.287.179	3.164.239	2.321.435	2.320.503	1.799.201	1.799.201	-	-	14.675.426
USD	492.458	1.261.868	7.043.135	2.681.686	2.338.024	2.423.822	13.488.685	13.488.686	377.930	377.930	43.974.224
EURO	291.496	452.170	1.504.721	3.794.302	759.346	755.515	2.930.895	2.930.894	-	-	13.419.339
Other	2.340	13.318	631.852	826.823	58.313	81.293	-	-	-	-	1.613.939
Total	2.303.102	2.194.216	10.466.887	10.467.050	5.477.118	5.581.133	18.218.781	18.218.781	377.930	377.930	73.682.928

December 31, 2017	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Interest Swap Buy	Interest Swap Sell	Interest Option Buy	Interest Option Sell	Total
TL	765.077	359.101	3.961.120	6.857.515	957.383	1.044.772	361.983	361.983	-	-	14.668.934
USD	313.328	860.154	9.759.043	4.590.527	890.679	1.196.851	3.033.614	3.033.613	217.118	217.118	24.112.045
EURO	288.792	144.307	700.359	3.045.302	874.370	509.802	2.802.309	2.802.310	-	-	11.167.551
Other	28.675	12.011	761.171	715.168	71.864	84.124	-	-	-	-	1.673.013
Total	1.395.872	1.375.573	15.181.693	15.208.512	2.794.296	2.835.549	6.197.906	6.197.906	217.118	217.118	51.621.543

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

3. Information related to credit derivatives and risk exposures:

None.

4. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: None.

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: None.

5. Custodian and intermediary services:

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off-Balance Sheet.

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IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Interest on loans				
Short term loans	713.448	47.031	728.594	45.256
Medium and long term loans	1.208.346	728.746	1.441.356	698.180
Interest collected from non-performing loans	8.104	-	-	-
Total	1.929.898	775.777	2.169.950	743.436

b) Information on interest received from banks:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
From The Central Bank of Republic of Turkey	53.223	-	-	-
From domestic banks	143.778	3.298	129.988	3.039
From foreign banks	20	11.464	7	5.826
From branches and offices abroad	-	-	-	-
Total	197.021	14.762	129.995	8.865

c) Interest received from marketable securities portfolio:

	December 31, 2018	
	TL	FC
Financial assets at fair value through profit or loss (Net)	1.061	1
Financial assets at fair value through other comprehensive income	45.387	20.046
Financial Assets Measured at Amortized Cost	67.367	115.197
Total	113.815	135.244

	December 31, 2017	
	TL	FC
Financial assets at fair value through profit and loss	270	16.168
Available-for-sale securities	43.828	34.334
Held-to-maturity securities	-	17.205
Total	44.098	67.707

2. a) Information on interest on funds borrowed:

	December 31, 2018		December 31, 2017	
	TL	FC	TL	FC
Interest on funds borrowed				
Banks	153	131.361	510	113.549
The Central Bank of Turkey	-	-	-	953
Domestic banks	153	584	510	612
Foreign banks	-	130.777	-	111.984
Branches and offices abroad	-	-	-	-
Other institutions	-	-	-	-
Total	153	131.361	510	113.549

b) Information on interest expense to associates and subsidiaries: None.

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

c) Information on interest expense to marketable securities issued: As of December 31, 2018, the Bank has interest expense to Tier II sub-loan issued amounting to TL 126.590 (December 31, 2017: TL 40.488).

d) Distribution of interest expense on deposits based on maturity of deposits:

December 31, 2018								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TL								
Bank deposits	-	5.008	-	-	-	-	-	5.008
Saving deposits	240	360.462	863.501	31.375	5.382	6.275	-	1.267.235
Public sector deposits	-	64	28	1.706	-	-	-	1.798
Commercial deposits	67	52.195	192.373	5.493	885	1.543	-	252.556
Other deposits	-	563	11.259	36	161	43	-	12.062
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	307	418.292	1.067.161	38.610	6.428	7.861	-	1.538.659
Foreign Currency								
Foreign currency deposits	176	46.401	455.622	2.944	6.333	952	-	512.428
Bank deposits	-	16.347	-	-	-	-	-	16.347
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	176	62.748	455.622	2.944	6.333	952	-	528.775
Grand Total	483	481.040	1.522.783	41.554	12.761	8.813	-	2.067.434
December 31, 2017								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TL								
Bank deposits	-	501	-	-	-	-	-	501
Saving deposits	237	250.427	762.485	3.293	8.280	2.089	-	1.026.811
Public sector deposits	1	26	655	64	-	-	-	746
Commercial deposits	44	32.782	305.939	6.180	639	99	-	345.683
Other deposits	-	481	28.938	590	1.336	-	-	31.345
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	282	284.217	1.098.017	10.127	10.255	2.188	-	1.405.086
Foreign Currency								
Foreign currency deposits	163	46.054	453.493	10.582	12.986	1.626	-	524.904
Bank deposits	-	17.792	-	-	-	-	-	17.792
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	163	63.846	453.493	10.582	12.986	1.626	-	542.696
Grand Total	445	348.063	1.551.510	20.709	23.241	3.814	-	1.947.782

3. Information on Dividend Income: At the end of September, the Bank has TL 17 dividend income collected from share certificates (December 31, 2017: TL 14).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

4. Information on net trading income:

	December 31, 2018	December 31, 2017
Income	69.473.595	23.262.509
Gains on capital market operations	1.132	227.254
Gains on derivative financial instruments	5.253.656	1.794.610
Foreign exchange gains	64.218.807	21.240.645
Losses (-)	69.428.557	23.298.672
Losses on capital market operations	59.562	479
Losses on derivative financial instruments	4.456.976	1.927.837
Foreign exchange losses	64.912.019	21.370.356
Net Amount	45.038	(36.163)

5. Information on other operating income: As of December 31, 2018, other operating income includes the adjustment account for previous years' expenses and other operating income. The revenues related to receivables sales and the fines paid in previous years are included in other operating income.

6. Provision for impairment of loans and other receivables:

a) Expected credit loss provisions:

	December 31, 2018
Expected Credit Loss Provisions	664.815
12-Month Expected Credit Losses (Stage 1)	-
Significant Increase In Credit Risk (Stage 2)	-
Credit-Impaired (Stage 3) (*)	664.815
Impairment Provisions For Financial Assets	-
Financial Assets At Fair Value Through Profit Or Loss	-
Financial Assets At Fair Value Through Other Comprehensive Income	-
Impairment Provisions Related To Investments In Associates, Subsidiaries And Jointly Controlled Partnerships (Joint Ventures)	-
Investments in associates	-
Subsidiaries	-
Jointly controlled partnerships (joint ventures)	-
Other	-
Total	664.815

(*) Includes the reversal of the general reserve amounting to TL 206.891 by the Bank Management in the future for possible results of the circumstances which may arise from possible changes in the economy and market conditions.

b) Provision for impairment of loans and other receivables:

	December 31, 2017
Specific provisions for loans and other receivables (*)	307.443
III. Group Loans and Receivables	26.701
IV. Group Loans and Receivables	117.242
V. Group Loans and Receivables	163.500
General loan loss provision expenses / (income)	1.968
Provision expenses for possible losses (**)	44.000
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Investment securities available for sale	-
Impairment provision expense on investments	-
Associates	-
Subsidiaries	-
Jointly controlled entities	-
Investments held to maturity	-
Other	-
Total	353.411

(*) Includes reversal of provisions relating to collections from non-performing loans.

(**) In addition to the possible effects of developments in the economy and in the markets in the future by the Bank administration, the additional allocated 120.500 TL free of charge in the current period with the corresponding cancellation of 76.500 TL.

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

7. Information on other operating expenses:

	December 31, 2018	December 31, 2017
Personnel expenses (*)	188.806	307.185
Amortization expenses of intangible assets	32.072	33.130
Depreciation expenses of fixed assets	26.557	46.018
Employee termination benefit provision	193	285
Depreciation expenses of assets to be disposed	-	-
Taxes and duties	55.455	48.406
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	1.035
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	354.989	301.723
Rent expenses	83.696	74.845
Advertisement expenses	24.309	40.421
Maintenance expenses	4.597	4.926
Other expenses (**)	242.387	181.531
Loss on sales of assets	-	-
Total	658.072	737.782

(*) Personnel expenses in the current period are not included in other operating expenses item as they are presented as separate account items in the financial statements.

(**) As of December 31, 2018, other operating expenses include IT expenses amounting to TL 65.748, premiums for saving deposit insurance fund amounting to TL 18.061, auditing and consultancy services amounting to TL 16.334, credit card related expenses amounting to TL 16.546, support services amounting to TL 11.796, communication expenses amounting to TL 9.880 and other expenses amounting to TL 104.022.

8. Information on profit/(loss) from continued and discontinued operations before taxes:

As of December 31, 2018, the Bank's profit before tax from continued operations is TL 16.630.

9. Information on tax provision for continued and discontinued operations:

As of December 31, 2018, The Bank has deferred tax expense amounting to TL 520 (December 31, 2017: TL 29.328 deferred tax expense and TL 51.254 current tax expense).

10. Information on net profit/(loss) from continued and discontinued operations:

As of December 31, 2018, the Bank's net profit from continued operations is TL 17.150 (December 31, 2017: TL 320.572).

11. The explanations on net income / loss for the period:

- Subsequent to the reversal of TL 34.424 as an opening adjustment into equity and TL 206.891 during the first three quarters, the Bank released free provisions amounting TL 241.315 that was provided in prior years.
- Financial effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.
- Profit or loss attributable to minority shares: None.

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

None.

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V. Explanations and notes related to consolidated statement of changes in shareholders' equity

1. Information on dividends :

The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on March 29, 2018 to book legal reserves of TL 16.028, which is 5% of the distributable net statutory profit of TL 320.572 and the remaining amount of TL 304.544 has been decided to be reserved as extraordinary reserves.

2. Explanations on share certificates position risk from banking book:

Bank, Section III. Section and Section Four XI. As explained in the section, it applies cash flow hedge accounting and as of December 31, 2018, there is TL (68.858) after tax in the hedging funds (effective part) account in equity (31 December 2017: None).

3. Changes on after revaluation of financial assets at fair value through other comprehensive income :
None (December 31, 2017 : None)

4. Reconciliation of currency rate differences at the beginning and end of the period: None (December 31, 2017 : None)

5. Effects of previous adjustments on the opening balance sheet: This information is presented in Section Three –“XXIV. Explanations on TFRS 9 Financial Instruments Standard” (31 Aralık 2017: None).

6. Explanations on issuance of share certificates None (December 31, 2017 : None)

VI. Explanations and Disclosures on Statement Of Cash Flows

1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:

“Others” line amounting to TL 424.131 also includes the effect of change in foreign exchange rate on cash and cash equivalents.

“Net increase/decrease in other liabilities” line amounting to TL 341.834 in “Changes in bank operations assets and liabilities” consists of changes in miscellaneous payables, other liabilities and tax liability.

“Net increase/decrease in other assets” line amounting to TL 1.069.042 consists of changes in temporary accounts.

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

End of the period	December 31, 2018	December 31, 2017
Cash	2.595.355	1.571.107
Cash in TL/foreign currency	175.198	182.435
Central Bank of Republic of Turkey	2.420.157	1.388.672
Cash equivalents	2.692.188	3.026.729
Receivables from banks and other financial institutions	2.002.188	286.729
Receivables from money market placements	690.000	2.740.000
Total cash and cash equivalents	5.287.542	4.597.836

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VII. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) December 31, 2018:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities and real persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	304	21.257	-	147
Balance at end of period	-	-	2.587	57.898	-	125
Interest and commission income	-	-	61	-	-	-

December 31, 2017:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities and real persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	1.154	16.028	32	80
Balance at end of period	-	-	304	21.257	-	147
Interest and commission income	-	-	1	-	-	-

b.1) Information on related party deposits balances:

December 31, 2018:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities and real persons included in the risk group
	December 31, 2018	December 31, 2018	December 31, 2018
Deposits			
Balance at beginning of period	-	584.775	-
Balance at end of period	-	452.934	1.326
Interest on deposits	-	10.727	15

December 31, 2017:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities and real persons included in the risk group
	December 31, 2017	December 31, 2017	December 31, 2017
Deposits			
Balance at beginning of period	-	1.202.909	8.623
Balance at end of period	-	584.775	-
Interest on deposits (**)	-	20.344	1.195

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VII. Explanations on the Risk Group of the Bank (continued)

b.2) Information on forward and option agreements and other similar agreements made with related parties:

December 31, 2018:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities and real persons included in the risk group
Financial assets at fair value through profit and loss	December 31, 2018	December 31, 2018	December 31, 2018
Balance at beginning of period	-	64.525	-
Balance at end of period	-	10.673.688	-
Total loss/ profit (*)	-	156.621	-

(*) Represents derivative financial assets due to outstanding IRS transactions with the Bank's parent company, Bank Audi sal and does not have any material impact on the Bank's performance as such transactions are backed-to-back with third parties almost with similar terms.

December 31, 2017

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities and real persons included in the risk group
Financial assets at fair value through profit and loss	December 31, 2017	December 31, 2017	December 31, 2017
Balance at beginning of period	-	66.908	-
Balance at end of period	-	64.525	-
Total loss/ profit	-	(833)	-

b.3) Explanation on the benefits granted to the executive management of the Bank:

Gross payment made to the executive management as of December 31, 2018 is TL 16.035 (December 31, 2017: TL 31.981).

Convenience translation of unconsolidated financial statements and independent auditor's limited review report originally issued in Turkish, See Note I. of Section three

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VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of bank

	Number of Branches	Number Of Employees			
Domestic Branches	45	1.088			
			Country		
Foreign Representative Offices	-	-	-		
				Total Assets	Legal Capital
Foreign Branches	-	-	-	-	-
Off-shore Banking Branches	-	-	-	-	-

IX. Explanations and Disclosures Related To Subsequent Events

None.

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SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on the Operations of the Bank

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor's Report

The unconsolidated financial statements for the period ended December 31, 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The auditor's review report dated February 27, 2019 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared By Independent Auditor

None.