

KKB

ANNUAL

REPORT

2018



**AT KKB, WE PROVIDE THE FINANCE
SECTOR, REAL SECTOR AND
INDIVIDUALS WITH VALUE ADDED
SERVICE THANKS TO OUR INNOVATIVE
PRODUCT RANGE.**

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WHO ARE WE?

01. ABOUT KKB

Kredi Kayıt Bürosu (KKB) was founded on April 11, 1995 as a partnership between nine leading banks. As of year-end 2018, KKB, a highly regarded financial institution, had 159 members consisting of 45 banks, 59 factoring, 22 leasing, 5 insurance, 14 consumer finance, 7 asset management companies and 3 other types of companies. As required by Banking Law No: 5411 (Article 73/4), KKB was established by at least five banks to facilitate the exchange of information and documents between financial institutions. Under the same article, corporate members have been sharing customers' credit information since April 1999.

With the Law No. 6111 issued on February 25, 2011, Additional Article 1 and Provisional Article 28 were added to the Banking Law No. 5411. Pursuant to Additional Article 1, a Risk Center has been established within the organization of the Banks Association of Turkey (TBB) to collect the risk data of customers of credit institutions and any financial institutions deemed appropriate by the Banking Regulation and Supervision Agency and to share such data with the referenced institutions and with the customers themselves, or with any private legal entities and third natural persons if consent has been given by the customers. Upon transfer of the Risk Centralization Center within the organization of the Central Bank of Turkey, the Risk Center of the Banks Association of Turkey (hereinafter "BAT") started its operations on 28 June 2013. KKB conducted all operational and technical activities through its own organization as an agency of the Risk Center of TBB and is providing data collection and sharing services to 180 financial institutions which are members of the Risk Center ("RC").

KKB offers its services not only to financial institutions, but also to individuals and the real sector through "Cheque Report," "Risk Report" and "Electronic Report" systems launched in January 2013. In September 2014, KKB gathered its services aimed at individual customers and the real sector under the umbrella of Findeks, the consumer service platform of KKB. In addition to

developing new products and services during the year in 2015, KKB continued to create added value for the banking-finance industry primarily, as well as the real sector, through partnerships across different industries. Ultimately, through the QR Code Cheque System – launched by KKB in 2015, became mandatory by law in 2016, and entered into force as of January 1, 2017 – an important step was taken for a more transparent and secure commercial life. KKB Anadolu Data Center, which started operations in December 2016, provides data center, emergency center and cloud services as well as structured central products tailored for institutions and technology infrastructure services for all industries, especially the banking and finance sector. KKB has 426 employees as of year-end 2018.

Accounting Period of the Report

01.01.2018–31.12.2018

Trade Name

KKB Kredi Kayıt Bürosu A.Ş.

Trade Registration Number

329148-276730

MERSİS Number

0564-0004-2270-0011

Address

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Anadolu Kurumlar Tax Office/Tax Number

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Phone Number

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Fax Number

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Website

www.kkb.com.tr

Call Center

444 99 64 – info@kkb.com.tr

WE GIVE CONFIDENCE IN FINANCIAL LIFE

02. AWARDS AND ACHIEVEMENTS

In 2014,

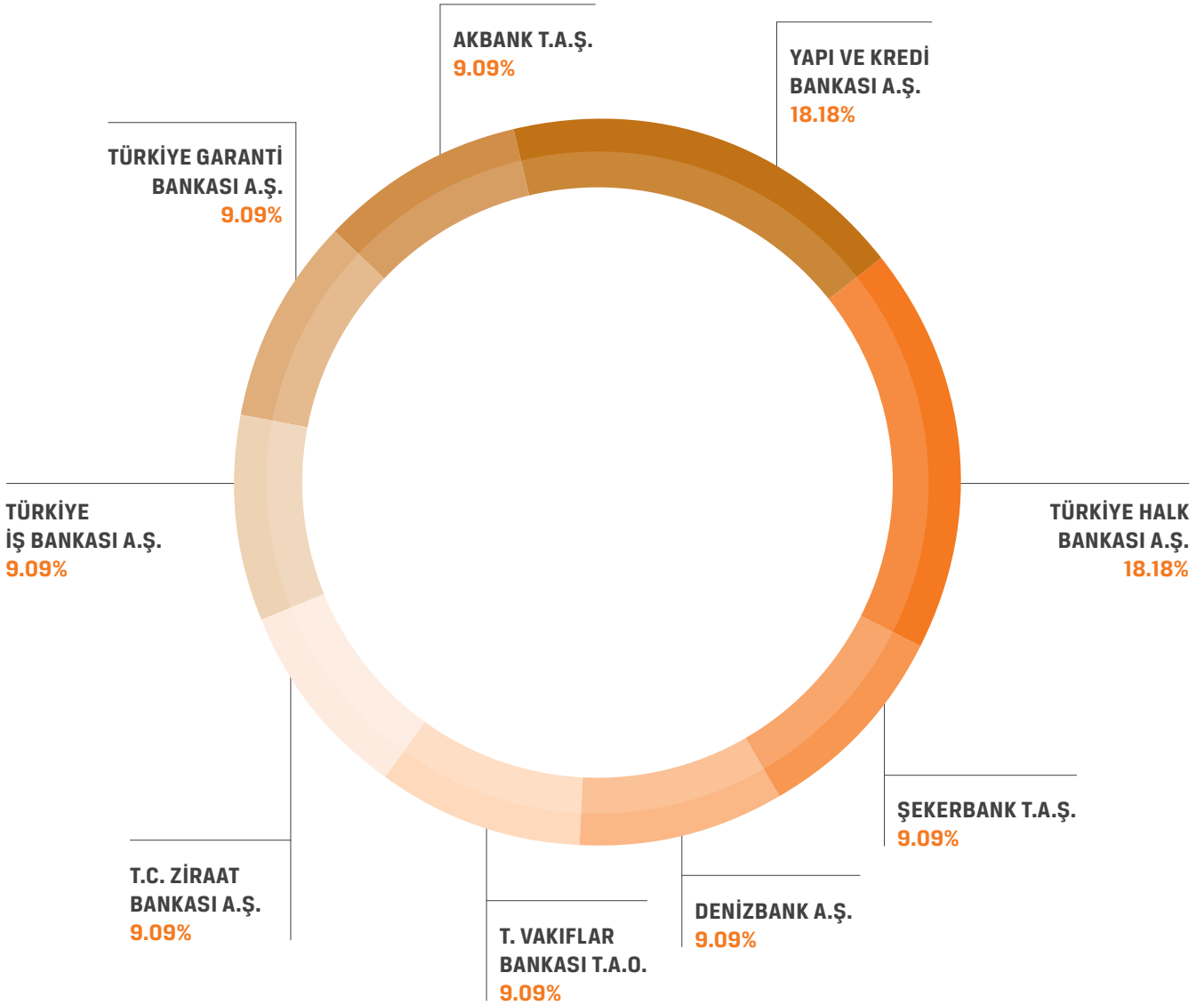
- » GeoMIS, the map-based reporting system, was presented with the "Oracle 2014 Innovator Excellence" award.

In 2018,

- » Kredi Kayıt Bürosu Information Security team was presented with the "Security Team of the Year" award in Europe, Middle East and Africa by the global cyber security company FireEye.
- » At the Best Financial Technology Projects of the Year Awards, organized as part of the IDC Turkey Finance Summit, KKB's Electronic Letter of Guarantee project was awarded first prize in the "Corporate Banking" category.
- » As part of the IDC Turkey Finance Summit, KKB won second prize with the Digital Transformation of Software Quality project in the "Data Infrastructure" category at the Best Financial Technology Projects of the Year Awards.
- » KKB's Audio Question Bank project received the "Most Successful Voluntary Project" award from the Private Sector Volunteers Association.
- » The Audio Question Bank project also won prizes at the Felis Awards, organized by MediaCat, in the categories of "Education" and "Voluntary Work for Disabled Persons" under the main heading of "Social Responsibility and Sustainability."

The logo for KKB KREDİ KAYIT BÜROSU is displayed in a dark, modern interior setting. The logo consists of the letters 'KKB' in a large, bold, stylized font, with the 'K' and 'B' having a unique, angular design. Below the 'KKB' is the text 'KREDİ KAYIT BÜROSU' in a smaller, sans-serif font. The background shows a person standing in a hallway with a grid of lights on the ceiling.

03. SHAREHOLDING STRUCTURE



**Kredi Kayıt Bürosu was founded on April 11, 1995
as a partnership between nine leading banks.**

04. VISION, MISSION AND STRATEGIES

VISION

TO BECOME AN EXEMPLARY, LEADING CREDIT BUREAU IN THE WORLD AND A GROWING VALUE FOR TURKEY, BY EXCEEDING EXPECTATIONS WITH INNOVATIVE PRODUCTS AND SERVICES.

MISSION

TO OFFER THE INFORMATION AND TECHNOLOGY THAT MEETS THE FINANCIAL NEEDS OF THE FINANCIAL INDUSTRY AND THE REAL SECTOR, IN THE BEST WAY, TO INCREASE THE OPERATIONAL EFFICIENCY OF THE INSTITUTIONS IT SERVES.

STRATEGIES

- » TO ENSURE THE ENRICHMENT OF THE EXISTING DATABASE BY BETTER MANAGING CUSTOMER RISK WITH VALUE ADDED PRODUCTS AND SERVICES, WHICH WE PROVIDE TO THE RISK CENTER(RC) OF THE BANKS ASSOCIATION OF TURKEY(TBB) AT THE HIGHEST SECURITY STANDARDS AND SERVICE LEVEL,
- » TO DEVELOP ANALYTICAL MODELS BASED ON DATA RICHNESS WITH THE "BIG DATA" CONCEPT AND TO MEET THE EFFECTIVE RISK MANAGEMENT NEEDS OF A DIVERSE RANGE OF INDUSTRIES,
- » TO INCREASE THE AWARENESS OF RECEIVABLE RISK MANAGEMENT AND FINANCIAL LITERACY BY DEVELOPING PRODUCTS AND SERVICES FOR THE REAL SECTOR AND INDIVIDUALS,
- » TO CONTRIBUTE TO DOMESTIC R&D ACTIVITIES THAT SUPPORT SERVICE DIVERSITY OFFERED THROUGH CLOUD COMPUTING AND THE CLOUD,
- » TO COOPERATE WITH COMPANIES THAT PRODUCE TECHNOLOGY AND TO RAISE AWARENESS BY REDUCING THE REAL SECTOR'S COSTS OF ACCESSING INFORMATION TECHNOLOGIES,
- » TO PROVIDE COMPREHENSIVE REPORT AND MACRO-ECONOMIC INDICATOR SERVICES ON THE ECONOMIC/FINANCIAL OUTLOOK AND STATUS ON BEHALF OF THE MEMBER ORGANIZATIONS OF THE KKB AND THE RC,
- » TO PROVIDE OPERATIONAL EFFICIENCY AND COST ADVANTAGES BY CENTRALIZING TRANSACTIONS REALIZED BY DIFFERENT INSTITUTIONS,
- » TO EFFECTIVELY ANALYZE THE NEEDS THAT MAY ARISE IN DIFFERENT INDUSTRIES AND PROVIDE APPROPRIATE SOLUTIONS,
- » TO BENEFIT THE SOCIETY AND THE ENVIRONMENT WITH CORPORATE SOCIAL RESPONSIBILITY PROJECTS, AND RAISE SOCIETY'S AWARENESS ON THIS SUBJECT,
- » TO BE AN INSTITUTION COMMITTED TO DELIVERING A HIGH LEVEL OF EMPLOYEE SATISFACTION, MAINTAINING A STRONG CORPORATE STRUCTURE AND UPHOLDING THE PRINCIPLE OF EQUALITY.

05. MILESTONES

1995

- » KKB was established on April 11.

1999

- » The Credit Reference System (CRS) was launched in April.
- » With an amendment to the Banking Law on December 17, 1999, in addition to companies such as banks, insurance providers and consumer finance companies, other corporate enterprises deemed appropriate by the Banking Regulation and Supervision Agency (BRSA) are allowed to become members of KKB.

2000

- » The Customer Objections Handling System (MIDES) was launched in April and False Information/Document/Statement/Application Alarm System (SABAS) became operational in September.
- » In November, MIDES migrated to an electronic platform, making it possible to reply to a customer's objection within two hours maximum.

2001

- » Credit Account Records as well as Credit Application Records were opened to sharing in June.

2002

- » The Information Verification System (IVS) became operational.

2004

- » Individual Credit Score (ICS) was introduced.

2005

- » The Commercial Bureau System was put into use for members in June.

2006

- » MIDES, Information Verification and the Emergency Update System were converted into an online, interactive information exchange platform.
- » The Limit Control System (LCS) was launched pursuant to Article 9 of the Debit Cards and Credit Cards Law.

2007

- » The Internet Frauds Alarm System (IFAS) was launched in February

2008

- » With the addition of the data from Mortgaged Real Estate, Persons Banned from Participation in Tenders, and Bounced Cheques to the Corporate Bureau System (CBS), the database was enriched.
- » The technical infrastructure of SABAS was improved and integrated with the KKB system.

2009

- » The Bounced Cheque Query System was launched for the inquiry of bounced cheque data, which are shared with the members on a daily basis.

2012

- » Undergoing a period of rapid transformation, KKB set out to create a system for the real sector, similar to the closed-circuit system between banks.
- » In parallel with the modified vision and needs, the organizational structure was revamped, and new corporate identity works were completed.
- » Concrete steps were taken to launch the infrastructure of the Risk Center. Risk and Cheque Reports were introduced and the E-Reporting System, enabling electronic report requests and delivery, became operational.

2013

- » E-Reporting System was launched.
- » Commercial Credit Rating (CCR) was launched.
- » Credit Rating and Cheque Index started to be provided together with the Cheque and Risk Reports.
- » E-Newsletter started to be sent to KKB members regularly.
- » GeoMIS, the map-based reporting service, was made available to CRS-member institutions.
- » TARDES and GeoMIS websites went live.
- » Data quality score rose from 80% to 90% with the support of member institutions.
- » Personal Credit Rating (PCR) was opened for use with an upgraded fourth version.
- » Following the agreement executed between the Banks Association of Turkey (TBB) and KKB, works on the Risk Center commenced. The entire infrastructure and operation related works were undertaken by KKB.
- » The website www.kkb.com.tr was renewed.

2014

- » The Findeks brand was introduced and www.findeks.com went live. Findeks was introduced to the press. A 360-degree communications campaign was initiated.
- » The first corporate social responsibility project, "You Imagine, We Realize," organized by KKB for all university students in Turkey, started. The www.hayaledingerceklestirelim.com website went live.
- » Cheque Status Inquiry was launched.
- » The Household Database and Trade Registry Sharing System (TRSS) was launched.
- » The Loans Analysis Portal went live.
- » The Address Processing System was launched.
- » Letter of Guarantee Status Inquiry (LGSİ) was launched.

2015

- » The Findeks QR Code Cheque System was launched in collaboration with the Banks Association of Turkey.
- » The National Fraud Detection and Prevention Service was launched.
- » The Factoring Invoice Pool of the Association of Financial Institutions (FKB) was created.
- » The foundation was laid for the Data Center, which will be built in Ankara.
- » The Cross Cheque Relations Inquiry Application was launched.
- » IBAN Verification Service was launched.
- » The daily sharing system went into service.
- » The Real Sector Credit Assessment System, designed in collaboration with the Auto Leasing and Rental Companies Association (TOKKDER) for the vehicle rental and leasing sector, was launched.
- » The second edition of the social responsibility project ideas competition, "You Imagine, We Realize," was organized.

2016

- » QR Code Cheque was enacted on August 9, 2016 with the announcement in the Official Gazette numbered 29796.
- » The construction and infrastructure of the Anadolu Data Center located in Ankara was completed.
- » Cheque Analysis Portal was launched.
- » Limit Control System (LCS) Customer Objection Assessment System (COAS) application was put into service.
- » KKB Unknown Number service was launched.
- » Collection Scores were introduced.
- » Inclination Scores were rolled out.
- » Commercial Credit Rating (CCR) Version 2 was put into service.
- » Total number of annual transactions exceeded 1 billion.
- » The social responsibility project ideas competition "You Imagine, We Realize" was held for the third time.

2017

- » QR Code Cheque implementation became mandatory as of January 1, 2017.
- » KKB's Emergency Center moved to the KKB Anadolu Data Center, which was completed in Ankara.
- » The Audio Question Bank was launched by KKB employees to provide equal opportunity for visually impaired students.
- » Force Majeure Inquiry and BKM Member Merchant Turnover Information Inquiry services were launched.
- » Individual Inquiry Reports were put into service.
- » Loan Utilization Instant Sharing Service (KAPS) was introduced.

2018

- » The Findeks QR Code Cheque Registration System was introduced on January 1, 2018.
- » The Electronic Letter of Guarantee project was launched. The first electronic letter of guarantee was issued on October 4, 2018.
- » The Foreign Currency Credit and Income Inquiry System, which enables the instantaneous monitoring of foreign currency income and risks of companies, was introduced.
- » Unpaid invoice information in the telecommunication sector was obtained and shared with the financial sector. In the World Bank's Doing Business Report, KKB received a comprehensive rating in terms of the scope and effectiveness of the credit bureau.
- » Information contained in the Information System of the Tradesmen and Craftsmen (ESBİS) started to be shared with KKB members via MERSİS.
- » Data richness was ensured by introducing leasing and factoring company notifications into the Corporate Bureau System.

06. FINANCIAL AND OPERATIONAL INDICATORS

THANKS TO ITS VALUE-ADDING PRODUCTS AND SERVICES COUPLED WITH A ROBUST SYSTEMS INFRASTRUCTURE, KKB MAINTAINED ITS SUCCESSFUL TRACK RECORD IN TERMS OF FINANCIAL RESULTS IN 2018.

BANKS
52

CONSUMER FINANCE
14

FACTORING
59

FINANCIAL LEASING
24

INSURANCE
9

OTHER
4

**ASSET MANAGEMENT
COMPANIES**
18

TOTAL MEMBERS
180*

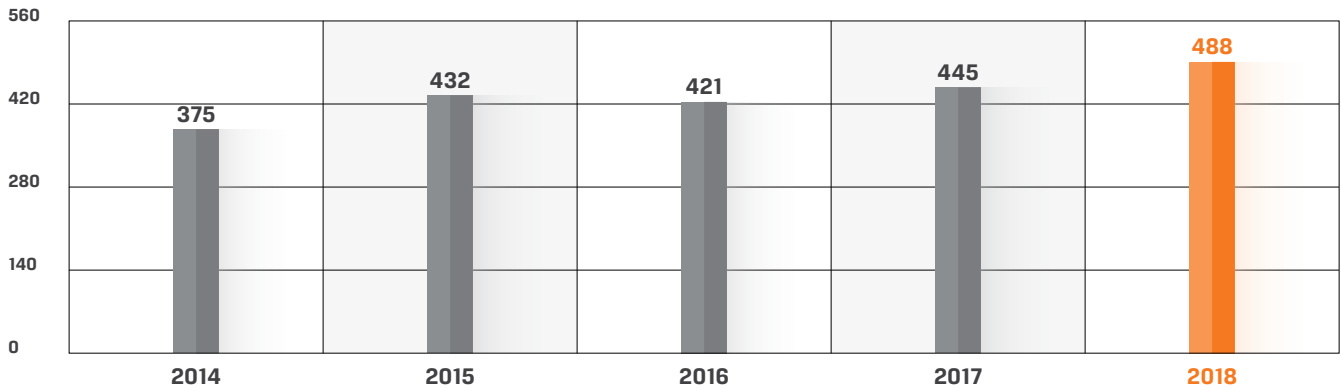
Main Operational Indicators

	2014	2015	2016	2017	2018
Individual Bureau Inquiries (Million Units)	375	432	421	445	488
Corporate Bureau Inquiries (Million Units)	12	24	18	30	40
Individual Credit Ratings (Million Units)	317	366	365	375	408
Monthly Inquiry Records (Million Units)	46	52	45	46	48
Objections on MIDES (Thousand Units)	221	303	267	288	205
LCS Inquiries (MILLION UNITS)	99	136	140	173	197
Produced Cheque Reports (MILLION UNITS)	12	21	30	45	47
Produced Risk Reports (MILLION UNITS)	6	11	13	15	17

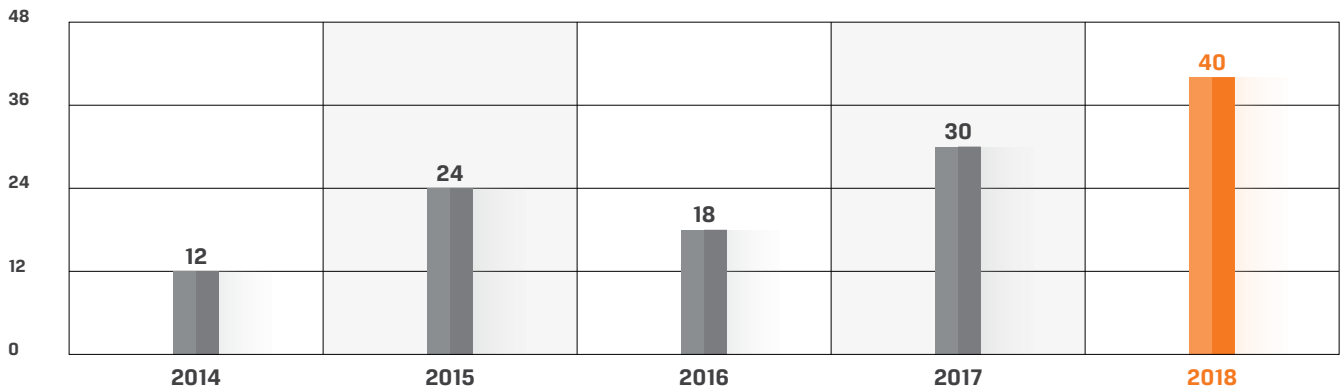
*As of 31 December 2018, the number of KKB members is 159 and this figure identifies the members who are served through the Risk Center.

06. FINANCIAL AND OPERATIONAL INDICATORS

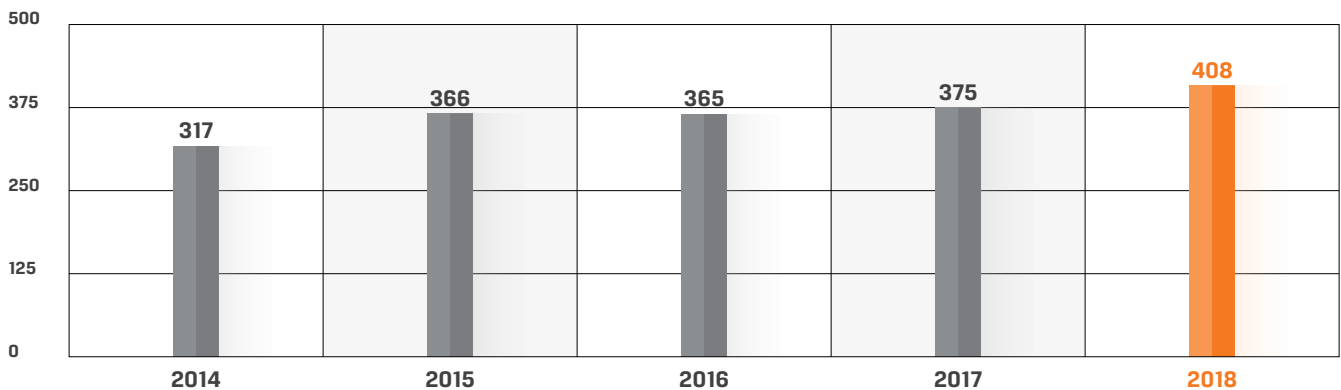
INDIVIDUAL BUREAU INQUIRIES (MILLION UNITS)



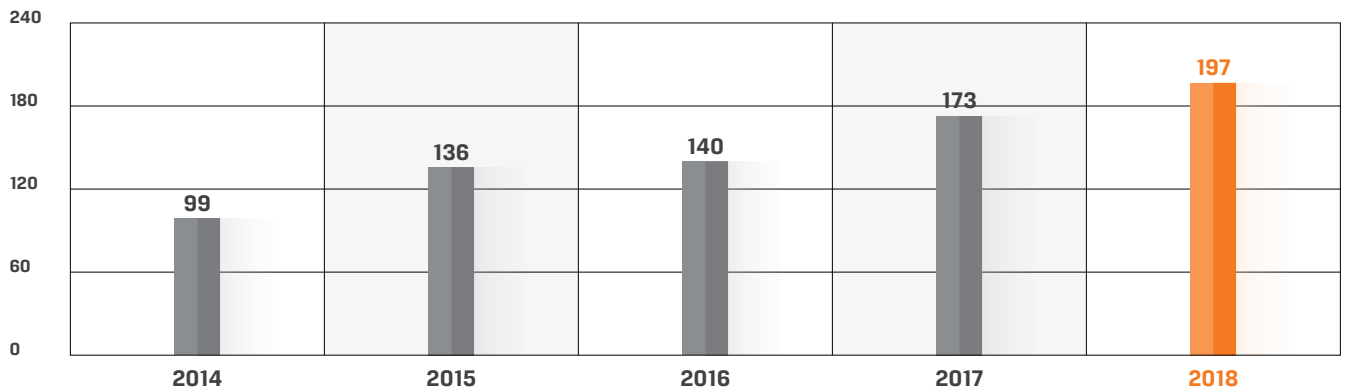
CORPORATE BUREAU INQUIRIES (MILLION UNITS)



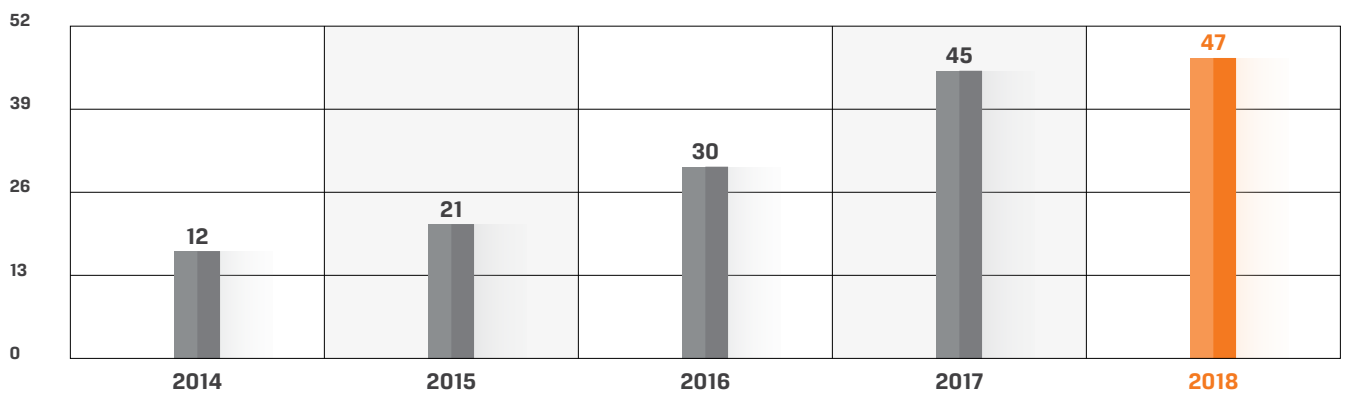
PERSONAL CREDIT RATING INQUIRIES (MILLION UNITS)



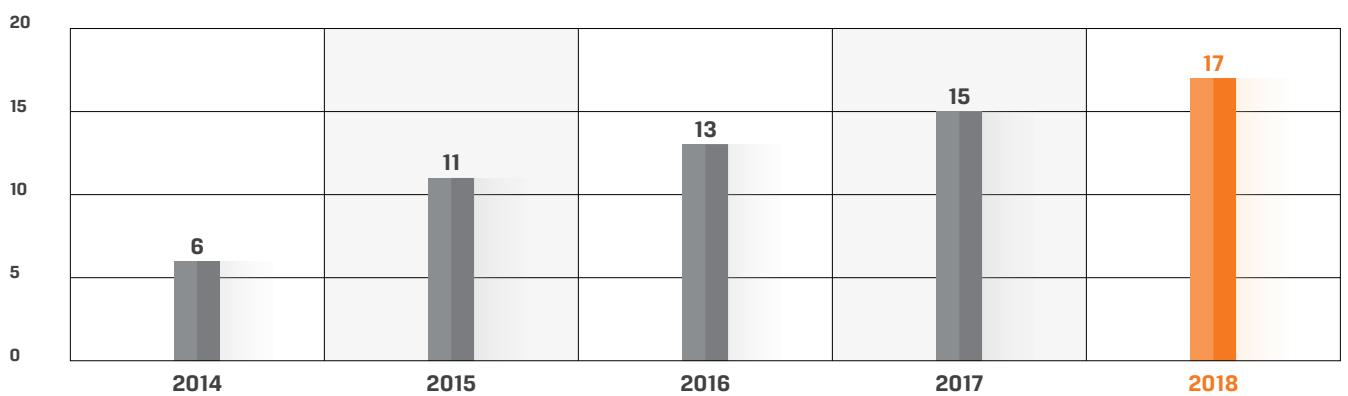
LCS INQUIRIES (MILLION UNITS)



PRODUCED CHEQUE REPORTS (MILLION UNITS)



PRODUCED RISK REPORTS (MILLION UNITS)





MANAGEMENT

A black and white portrait of Gökhan Ertürk, a middle-aged man with dark hair, wearing a dark pinstriped suit jacket, a white shirt, and a striped tie. He is standing with his arms crossed, looking directly at the camera with a slight smile. The background is a plain, light-colored wall. A large, semi-transparent orange circle is overlaid on the lower right portion of the image, containing white text.

**WE WILL CONTINUE TO
MAKE INVESTMENTS IN ALL
SECTORS, TO GROW,
AND TO CREATE VALUE.**

GÖKHAN ERTÜRK
CHAIRMAN OF THE BOARD OF DIRECTORS

07. LETTER FROM THE CHAIRMAN

IN 2019, WE WILL CONTINUE TO INVEST, GROW AND CREATE VALUE FOR ALL SECTORS THAT WE ARE A PART OF AND RENDER SERVICE TO, ESPECIALLY THE BANKING AND FINANCE SECTOR.

Dear Stakeholders,

Starting the first quarter of the year with stable growth, Turkey was affected by market volatility in the following months. Nevertheless, the economy grew 1.6% in the third quarter. Programs and measures taken by the public sector to stimulate and rebalance the economy helped stabilize the situation. However, the recent rise in foreign exchange rates is expected to pose a risk to inflation along with geopolitical developments and volatile investor sentiment toward emerging markets. Nevertheless, we believe that the Turkish banking system will remain sound in 2019.

We continue providing support to the national economy.

2018 was a year in which we experienced the impact of global and regional economic volatility. During the year, we transformed the problems experienced due to this market turbulence into positive developments via the New Economy Program.

Meanwhile, steps taken to ensure that enterprises experiencing economic difficulties have access to credit at reasonable and affordable costs had a positive impact on all segments of society. Against this backdrop, as a vital member of the ban-

king sector, we will act with the awareness of our responsibilities and support our nation's economy. We wish 2019 to be an even better year for all parties of the economy and our country.

We will continue to offer solutions that create value for our economy

This year, Kredi Kayıt Bürosu continued to contribute to the national economy by offering products and services that enable the banking and finance industry and the real sector to effectively manage their risks. For the coming period, we will continue providing new products and services and delivering innovative solutions that will benefit all our stakeholders on all fronts.

We will continue to invest, grow and create value for all sectors that we are a part of and render service to, especially for the banking and finance sector.

I would like to express my gratitude on behalf of KKB to the valued members of the Board of Directors. I also would like to congratulate all our employees with whom we have worked together in achieving this success. I believe that 2019 will be an even more successful year for Turkey and KKB.

Yours respectfully,



GÖKHAN ERTÜRK
Chairman of the Board of Directors

INNOVATIVE SOLUTIONS FOR ALL STAKEHOLDERS

A black and white portrait of Kasim Akdeniz, a middle-aged man with glasses, wearing a dark suit, white shirt, and orange tie. The image is partially overlaid with a large orange circle. The text is centered over the lower part of the circle.

**WE WILL CONTINUE TO BRIGHTEN
THE FUTURE AND MAINTAIN THE
TRUST WE HAVE BUILT SINCE OUR
FOUNDING.**

KASIM AKDENİZ
BOARD MEMBER AND GENERAL MANAGER

08. LETTER FROM THE GENERAL MANAGER

KKB ANADOLU DATA CENTER – ESTABLISHED BY CREATING CENTRALIZED, SHAREABLE SYSTEMS INFRASTRUCTURE AND APPLICATIONS – REDUCES OPERATING COSTS AND SUSTAINABLE SERVICES EXPENDITURES OF MEMBER INSTITUTIONS.

Dear Stakeholders,

We experienced a year marked by economic volatility and regional tensions. Despite the negative conditions in Turkey and worldwide, our country has emerged from this challenging period. We expect that Turkey, which continues to be one of the world's fastest-growing economies, will sustain its strong growth in the future with the economic management approach detailed in the New Economy Program.

The measures taken to stimulate the economy, as well as the productivity and commitment of the Turkish business community, are important sources of motivation for us.

Turkey's first Electronic Letter of Guarantee

With the Electronic Letter of Guarantee, one of the efforts that has revitalized commerce, paper-based letters of guarantee were transferred to the digital environment. As a result of completion of system integration work between banks and intermediary institutions, the first Electronic Letter of Guarantee was transferred between VakıfBank and Eximbank on October 4, 2018.

New feature in the QR Code Cheque System: Findeks QR Code Cheque Registration System

We have added a new feature to the Findeks QR Code System, which we initially implemented to create a secure trading environment for the cheque, a common lending tool in Turkey. Thanks to the Findeks QR Code Cheque Registration System we

launched in first quarter 2018, objections related to "non-authorization of the signatory" was eliminated. This emerged when institutions changed the authorized person after drawing and delivering the cheque to the creditor. In this way, the rights of the drawer and the creditor are secured in trades by cheque.

We meet the needs of the financial sector with new technology services

KKB Anadolu Data Center – which we established by creating centralized, shareable systems infrastructure and applications – reduces operating costs and sustainable services expenditures of member institutions, especially in the finance sector. The Center has provided services continuously for two years.

As for our shared platforms, LEED Platinum offers a national cloud infrastructure where the systems infrastructure costs are shared and the operational applications are centralized. Meanwhile, KKB Anadolu Data Center, designed as a data center with Tier IV standards, provides fast and secure access to large data storage spaces, positively affecting operational costs, and enabling management from a single center.

We create value with the services we offer to TBB Risk Center by proxy

Under the services provided by proxy to TBB Risk Center, unpaid invoice information in the telecommunications sector was obtained and shared with the finance sector. By doing so, we improved the risk management capabilities of the financial industry. We also received a full rating in terms of scope and effectiveness of the credit bureau in the World Bank Doing Business Report, which is an important indicator of the investible level of countries. With positive developments in other areas, our country rating has improved significantly, moving up 17 places in the overall rankings. To manage the effects of fluctuations in foreign exchange rates, the Foreign Exchange Credit and Income Inquiry System was developed in close cooperation with the Central Bank of Turkey. This system enables instant monitoring of the income and liabilities of companies in foreign currencies.

INNOVATIVE RISK MANAGEMENT PRODUCTS

08. LETTER FROM THE GENERAL MANAGER

KKB MAKES NEW INVESTMENTS AND MAINTAINS STEADY GROWTH WITH DETERMINATION AND COURAGE. OUR ACHIEVEMENTS SUSTAIN AND DRIVE THE CONFIDENCE WE HELPED BUILD ACROSS THE FINANCIAL SECTOR BY INTRODUCING TOOLS TO MANAGE RISK EFFECTIVELY.

We bolstered our achievements with awards

Our product and service offering was recognized by various institutions and awards competitions this year. Kredi Kayıt Bürosu Information Security team was named "Security Team of the Year" in Europe, Middle East and Africa by the global cyber security firm FireEye.

At the Best Financial Technology Projects of the Year Awards, organized as part of IDC Turkey Finance Summit, KKB won first prize in the category of "Corporate Banking" with the Electronic Letter of Guarantee project. In the "Data Infrastructure" category, we garnered second prize with our Digital Transformation of Software Quality project.

The Audio Question Bank project, which we implemented thanks to KKB volunteers, was presented with the "Most Successful Voluntary Project" award at the Awards from the Heart program organized by the Private Sector Volunteers Association. At the Felis Awards, the same project won prizes in the "Education" and "Voluntary Work for Disabled Persons" categories under the main heading of "Social Responsibility and Sustainability."

We continue to implement projects that benefit our country

We are excited to organize the sixth edition of the brainstorming competition of the social responsibility initiative "You Imagine, We Realize," which is a first of its kind in Turkey. Undergraduate, graduate and postgraduate students from universities across Turkey and Turkish students enrolled at foreign universities shared their ideas with us in groups or individually. The subjects covered included the Environment, Education, Findex Financial Literacy, Culture-Art, Health & Sport and Social.

We continue to brighten the future and maintain the confidence we have helped build across the finance sector over the years.

As the KKB family, we maintain our steady growth by making new investments with determination and courage. Our achievements sustain and drive the confidence we have helped build across the financial sector by introducing tools to manage risk more effectively. We are actively expanding the use of our services, taking the same confidence and quality approach to the real sector.

I would like to thank our shareholders and members for their trust and support in KKB; our Board of Directors for the working meetings conducted effectively throughout the year, and for the responsibility and support they have extended to us; and our entire staff for their dedicated efforts in all our successful operations.

Yours respectfully,



KASIM AKDENİZ
Board Member and General Manager

The KKB Information Security team was selected by FireEye as the "Security Team of the Year" in Europe, Middle East and Africa.



NUMBER OF INDIVIDUAL
CREDIT RATINGS

408 MILLION

NUMBER OF PRODUCED
CHEQUE REPORTS

47 MILLION

09. BOARD OF DIRECTORS

GÖKHAN ERTÜRK

Chairman of the Board of Directors and Audit Committee Member

ŞEKERBANK T.A.Ş.

Deputy General Manager, Retail Banking

Gökhan Ertürk was born in 1970 and graduated from Boğaziçi University with a double major in Political Science, International Relations and Business Administration and Electronic Programming. He began his banking career at İktisat Bank in 1996. In 1997, he set up the Cash Management Department at Türk Ekonomi Bank and served as Director of the department. From 2002 to 2006, Mr. Ertürk worked as Head of SME Banking at Akbank. Subsequently, he served as Vice President of SME and Agricultural Banking (2006), and Vice President of Retail Banking (2009) at DenizBank and Board Member at Deniz Pension and Life. Mr. Ertürk has been serving as Senior Vice President of Agriculture and Retail Banking Marketing at Şekerbank since April 2014. He also served as a Board Member at Şeker Factoring between 2014-2016. Mr. Ertürk who has been a member of the Board of Directors at KKB since March 2015, has become Chairman of the Board of Directors since March 2018.

VEYSEL SUNMAN

Vice Chairman of the Board of Directors and Audit Committee Member

T.C. Ziraat Bankası A.Ş.

Head, Credit Risk Monitoring Department

Veysel Sunman was born in Sakarya in 1967 and graduated from Marmara University, College of Press and Media, Department of Journalism and Public Relations. He worked as Specialist in the Credit Risk Monitoring Department at Pamukbank T.A.Ş. from 1988 to 1994. Mr. Sunman went on to work as Manager of the Credit Monitoring Department at Osmanlı Bankası A.Ş. between 1994 and 2001. Subsequently, he served as Head of the Credit Risk Monitoring Department at T. Halk Bankası A.Ş. from 2002 until 2005 and as Head of the Internal Control and Monitoring Center at MNG Bank from 2005 to 2007. Sunman has been serving as Ziraat Bankası A.Ş. Head of the Credit Risk Monitoring Department since 2007. Mr. Sunman has been serving as the Vice Chairman of KKB Board of Directors since March 2018.

MEHMET SEBAHATTİN BULUT

Member of the Board of Directors

Türkiye Halk Bankası A.Ş.

Deputy General Manager, Credit Policies and Risk Monitoring

Mehmet Sebahattin Bulut was born in Erzurum in 1965 and graduated from Uludağ University, Faculty of Economics and Administrative Sciences, Department of Econometrics. After working in the private sector for a time, he joined

Türkiye Vakıflar Bankası T.A.O. as an Assistant Financial Analysis Specialist in 1994. He later served, respectively, as Inspector, Supervisor Manager, Commercial/Project Credits Manager, Branch Manager and Department Head at the same bank. Serving as a member of the Board of Directors and Audit Committee in various subsidiaries of Türkiye Vakıflar Bankası T.A.O., Mr. Bulut was appointed the Deputy General Manager responsible for the Credit Policies and Risk Monitoring at Türkiye Halk Bankası A.Ş. as of July 10, 2014. Mr. Bulut has been a member of KKB Board of Directors since 2014.

DEMİR KARAASLAN

Member of the Board of Directors and Audit Committee Member

Yapı ve Kredi Bankası A.Ş.

Retail Credits, Deputy General Manager

Demir Karaaslan graduated from Marmara University, Department of Business Administration in 1999. He began his professional career as an Assistant at PricewaterhouseCoopers, working at the company between September 1999 and December 2004, lastly as Audit Manager. After starting to work at Koçbank A.Ş. in January 2005, he held the positions of Budget Planning Director and Head of the Planning and Control Department, respectively. Following the merger of Koçbank and Yapı ve Kredi Bankası in 2006, he served as Planning and Control Director until May 2011 and then as Planning and Control Group Director. He was appointed Deputy General Manager in charge of Retail Credits as of January 2016. During his career, Mr. Karaaslan served as Statutory Auditor and Board Member at various subsidiaries of Yapı Kredi Bankası. Since March 2016, Mr. Karaaslan has been the Member of the KKB Board of Directors.

EGE GÜLTEKİN

Member of the Board of Directors

AKBANK T.A.Ş.

Executive Vice President, Credit Monitoring and Follow Up

Ege Gültekin was born in Aydın in 1969 and graduated from Middle East Technical University, Department of Economics. Subsequently, she earned a Master's degree from the Johns Hopkins University Carey Business School. After graduating from Ziraat Bank's Banking School in 1992, she began her career at Osmanlı Bank on the Audit Committee. Mrs. Gültekin is currently Executive Vice President in charge of Credit Monitoring and Follow Up at Akbank T.A.Ş. She has been a member of the Board of Directors at KKB since May 2015.



BACK ROW (From Left to Right): Mehmet Sebahattin Bulut, Şükrü Alper Eker, Mehmet Emin Karaağaç, İzzet Oğuzhan Özark, Şahismail Şimşek, Demir Karaaslan

FRONT ROW (From Left to Right): Veysel Sunman, Gökhan Ertürk, Ege Gültekin, Kasım Akdeniz



İZZET OĞUZHAN ÖZARK

Member of the Board of Directors

Denizbank A.Ş.

Deputy General Manager, Retail Banking

İzzet Oğuzhan Özark was born in İstanbul in 1976 and graduated from İstanbul Technical University, Department of Mathematics Engineering. He started his professional career in the Retail Banking Department at Garanti Bankası in 1997. He worked as Supervisor in the SME Banking Department of the same bank from 1999 to 2002 and in the CRM Department between 2003 and 2004. Starting to work at DenizBank as Manager of the SME Banking Sales Department in 2004, Mr. Özark served as Group Manager of Retail Banking Sales Management from 2009 until 2013 and was appointed Deputy General Manager of the Retail Banking Sales Group in February 2014. Mr. Özark has served as a member of the Board of Directors at KKB since April 28, 2014.

ŞÜKRÜ ALPER EKER

Member of the Board of Directors

T. Garanti Bankası A.Ş.

Coordinator, Individual and SME Credits Risk Management

Şükrü Alper Eker was born in Eskişehir in 1973 and graduated from Boğaziçi University, Department of Chemical Engineering in 1996. He received his Master's degree from Texas A&M University – College Station in 1998, and his PhD from the University of Houston in 2001. He started his professional career in 2001 at GE Global Research Center in the United States as the System Control and Optimization Project Leader. After working on R&D projects for GE Energy, Medical Systems and other GE companies, he moved over to Risk Management at GE Capital in 2005. Between 2005 and 2011, he served in various positions and levels at GE Capital in the US, Europe and Turkey. He went on to work as Risk Director at Garanti Bankası-BBVA Representative Office between 2011 and 2015. Since September 2015, he has served as the Coordinator of Garanti Bankası Individual and SME Credits Risk Management Department. Since March 2016, he has been a member of KKB Board of Directors.

ŞAHİSMAIL ŞİMŞEK

Member of the Board of Directors

T. İş Bankası A.Ş.

Assistant General Manager; SME and Business Banking Sales Department, Commercial Banking Marketing Department and Commercial Banking Product Department

Şahismail Şimşek was born in Erzurum in 1968 and graduated from Ankara University, Faculty of Political Sciences, Department of Finance. Mr. Şimşek started his career as Officer at the Yenışehir/Ankara branch in 1992. Between 1995 and 2007, he worked in the Sultanhamam Branch as, respectively, Service Officer, Deputy Manager and Assistant Manager. Between 2007 and 2012, he assumed the roles of Assistant Manager and Unit Manager in the Commercial Banking Product Management De-

partment, and Branch Manager at the Avcılar Commercial Branch from 2012 to 2016. Having served as Commercial Banking Sales Department Manager since 2016, Şahismail Şimşek was appointed Assistant General Manager on November 28, 2017. Since March 2018, Mr. Şimşek has been a Member of the KKB Board of Directors.

MEHMET EMİN KARAAĞAÇ

Member of the Board of Directors

Türkiye Vakıflar Bankası T.A.O.

Assistant General Manager; Legal Consultancy, Legal Affairs and Credit Risk Liquidation and Credit Risk Planning and Monitoring

Mehmet Emin Karaağaç was born in Konya in 1963 and graduated from İstanbul University, Faculty of Law. He began his professional career in 1989 as an Attorney at Türkiye İş Bankası A.Ş. Until January 2, 2012, he served as Associate Counsel and Legal Counsel in various units of Türkiye İş Bankası A.Ş. As of January 3, 2012, he started to work as the Chief Legal Consultant at the Türkiye Vakıflar Bankası T.A.O. Legal Consultancy. On 25 October 2013, Mr. Karaağaç was appointed as the Assistant General Manager in charge of Legal Affairs and Credit Monitoring at Türkiye Vakıflar Bankası T.A.O. As of July 2017, he became the Assistant General Manager in charge of Legal Consultancy, Legal Affairs and Credit Risk Liquidation and Credit Risk Planning and Monitoring at the KKB. Since October 2018, he has served as Assistant General Manager in charge of Legal Consultancy, Legal Affairs and Credit Risk Liquidation and Credit Risk Planning and Monitoring. Since March 2013, Mr. Karaağaç has been a Member of the KKB Board of Directors.

KASIM AKDENİZ

Board Member and General Manager

Having about 32 years of experience in the banking industry, Kasım Akdeniz started his professional career at Yapı Kredi on the Inspection Board in 1987. Between 1996 and 2011, he held managerial responsibilities, working as manager, director, and group president primarily for the generation of credit products and processes, establishment and management of the credit allocation and monitoring systems, formulation of credit policies as well as compliance. During this period, he served as a Member of working groups within the Banks Association of Turkey in regards to the preparation of the Banking Law and its sub-regulations, and within KKB in regards to the establishment of the Corporate Bureau, Intermediary Costs on Credits, and Credits and Provisions. He also served as the Chairman of the Credit Guarantee Fund (CGF) Working Group and the Risk Center Working Group. In 2007, he was the Chairman of the Board of Directors of KKB Kredi Kayıt Bürosu A.Ş., and a Board Member between 2005 and 2011. Kasım Akdeniz was appointed General Manager of KKB Kredi Kayıt Bürosu A.Ş. as of October 2011; he continues to hold this position.

10. SENIOR MANAGEMENT



KASIM AKDENİZ



ABDULLAH BİLGİN



KORAY KAYA



İNCİ TÜMAY ÖZMEN



ORKUN DENİZ



ALİ KEMAL CENK



SERDAR ÇOLAK



HAKAN GÜMÜŞ



ERŞAN RASİM HOŞRIK



HAZAR TUNA

KASIM AKDENİZ

Board Member and General Manager

Having about 32 years of experience in the banking industry, Kasim Akdeniz started his professional career at Yapı Kredi on the Inspection Board in 1987. Between 1996 and 2011, he held managerial responsibilities, working as manager, director, and group president primarily for the generation of credit products and processes, establishment and management of the credit allocation and monitoring systems, formulation of credit policies as well as compliance. During this period, he served as a Member of working groups within the Banks Association of Turkey in regards to the preparation of the Banking Law and its sub-regulations, and within KKB in regards to the establishment of the Corporate Bureau, Intermediary Costs on Credits, and Credits and Provisions. He also served as the Chairman of the Credit Guarantee Fund (CGF) Working Group and the Risk Center Working Group. In 2007, he was the Chairman of the Board of Directors of KKB Kredi Kayıt Bürosu A.Ş., and a Board Member between 2005 and 2011. Kasim Akdeniz was appointed General Manager of KKB Kredi Kayıt Bürosu A.Ş. as of October 2011; he continues to hold this position.

ABDULLAH BİLGİN

Information Technologies Department General Manager

Abdullah Bilgin has 33 years of professional experience. He graduated from Middle East Technical University, Department of Computer Engineering in 1985. Mr. Bilgin received his Master's degree from Istanbul University, Department of International Relations in 2002. Starting his career at Bilpa A.Ş. in 1986, Mr. Bilgin later worked as System Manager at John Deere in the USA. Subsequently, he served as Director in charge of System and Network Management in the Information Technologies Department at Yapı Kredi Bankası and as Group Manager of Self-Service Banking in the Alternative Distribution Channels Department until 2012. Abdullah Bilgin, who has served as Assistant General Manager in charge of Information Technologies at KKB since November 2012, manages KKB's efforts related to digital transformation as well as the activities of the KKB Anadolu Data Center.

KORAY KAYA

Marketing and Business Development Department General Manager

Koray Kaya has 23 years of experience in the banking industry. He graduated from Yıldız Technical University, Faculty of Engineering, Department of Civil Engineering. After completing his MBA studies in the United States between 1991 and 1994, Mr. Kaya started his career at Garanti Bankası in 1995. He played a key role in the establishment of one of the first personal credits scoring systems in Turkey. During his tenure at Garanti Bankası, Mr. Kaya designed credit automation systems for consumer credits, credit cards and small enterprise credit applications. In 2004, he started work as a Consultant at Experian. Mr. Kaya went on to serve as a Consultant on projects pertaining to automation of credit decisions at almost all banks in Turkey. He created the good/bad definition at the customer level used in the scorecard infrastructure of KKB. Subsequently, Mr. Kaya served as Director of the Personal Credits Allocation Department at TEB from 2005 until 2009. During that period, he pioneered the modernization of the personal credits approval platform of TEB in accordance with the current conditions at that time. After starting to work as Head of the Personal Credits Monitoring and Collection Department at Akbank in 2009, Mr. Kaya joined the Board of Directors at Kredi Kayıt Bürosu. He was appointed Head of the Personal Credits Allocation Department at the same organization in January 2012. Mr. Kaya has worked as Deputy General Manager in charge of Marketing and Business Development at KKB since May 2012.

İNCİ TÜMAY ÖZMEN

Financial Reporting and Financial Affairs Department General Manager

İnci Tümay Kesici has 23 years of professional experience. She graduated from Boğaziçi University, Department of Business Administration with a degree in 1995. She started her career at Ernst & Young Denetim in 1995. İnci Özmen was involved in the audit services of many financial institutions while she worked at Ernst&Young. Having obtained the title of Certified Public Accountant in 2000, she left Ernst&Young as Manager. Ms. Kesici worked as Deputy General Manager in charge of Financial Affairs, Budget Reporting and Operations at Yapı Kredi Leasing from 2000 to 2012. Leasing played an active role in the adaptation process of the BRSA and Koçbank-YKB merger. İnci Tümay Özmen joined KKB in May 2012, and she has served as Deputy General Manager of Financial Reporting and Financial Affairs since October 2014. İnci Tümay Özmen was authorized as Independent Auditor in 2017 by the Public Oversight, Accounting and Auditing Standards Authority.

ORKUN DENİZ

Risk Center Coordination Department General Manager

Örkin Deniz graduated from Boğaziçi University, Department of Computer Engineering in 1995. He continued his academic studies at Yeditepe University, first receiving his MBA and later his doctorate degree in Management and Organization. He started his professional career at Akbank as a Software Developer in the IT Department. He was among the founding team of Kredi Kayıt Bürosu, which he joined in 1997; he played an active role during the launch of Turkey's first credit bureau system. Mr. Deniz designed the Corporate Bureau System - which was established by the KKB, entirely with its own resources - and managed the development process. He continued his career at Fortis Bank, serving as Director in charge of System Development, Reporting, Loan Policies and Rating in the Corporate Loans Department. He held several roles during the transformation process of KKB, which he rejoined at the beginning of 2011. Primarily, Mr. Deniz ensured the expansion of the product portfolio of KKB by developing new products and services as the Manager of Project and Process Management. Later, he directed all financial sector affairs as the Manager of the Banks and Financial Institutions Unit. Throughout his career of over 15 years at KKB, Mr. Deniz has provided consulting support for the attempts of many countries to establish credit bureaus. Since September 2016, Mr. Deniz has served as the Deputy General Manager responsible for Risk Center Coordination.

ALİ KEMAL CENK

Internal Audit Department General Manager

Ali Kemal Cenk has 18 years of professional experience. He graduated from Middle East Technical University, Department of Business Administration. Between 2000 and 2012, Mr. Cenk held various positions at the Banking Regulation and Supervision Agency, including Sworn-in Bank Auditor, Group Head, 2011 FSAP Meetings Coordinator, and Vice President of the Audit Department. He took key roles in the Working Group for the Risk-Focused Supervision Project, through which the BRSA has reestablished its audit system. He also took part in a one-month program geared towards the Risk-Focused Supervision Project involving Federal Reserve audits, and carried out FDIC-related studies. Mr. Cenk earned a dual MBA/MSF degree from Boston College between 2007 and 2009. In addition to BRSA audits concerning a range of legal issues, internal systems, and information management, he also conducted various audits in the Netherlands and Germany. Mr. Cenk attended a series of training courses on Risk Management in the USA, Basel II-III, internal control and banking; he also participated in training courses and has certificates of completion on COBIT, TFRS, International Accounting Standards, Oliver Wyman Risk Management, and European Central Bank Eurosystem Macro-Micro Financial Audit. Mr. Cenk has been serving as Deputy General Manager of Internal Audit since April 2012.

SERDAR ÇOLAK

Risk Management Department Director

Serdar Çolak has 13 years of professional experience. He graduated from Robert College and from Istanbul Technical University and State University of New York, Department of Economics, respectively, as the highest ranking student. He received his Master's degree from Boğaziçi University, Department of Management Information Systems. Mr. Çolak started his professional career as SAP Consultant in New York and after gaining experience there, he went on to work in the Istanbul office of PwC Turkey. In the Istanbul office of PwC Turkey, he served as Manager of the Risk, Process and Technology Services Department. Having broad experience in the finance industry, Mr. Çolak's areas of expertise include corporate risk management, information systems governance, information security, business continuity, SOX IT, organizational and process structuring of companies in the finance sector, and Banking Regulation and Supervision Agency information systems audits. At PwC Turkey, Mr. Çolak also served as Manager in charge of teams engaged in projects involving audit and consultancy services at various financial institutions such as banks, insurance providers, leasing companies, factoring companies and capital market intermediary firms. He submitted reports to the BRSA as independent auditor in charge of BRSA information systems audits conducted at many banks and their participations in Turkey, Germany, Greece and Portugal. Having the titles of Information Systems Auditor (CISA), ISO 27001 Information Security Management System and ISO 22301 Business Continuity Management System Chief Auditor, Mr. Çolak has served as Risk Management Manager at Kredi Kayıt Bürosu since April 2014. He is the Senior Management Representative in charge of the Information Security, Corporate Risk Management and Process Management teams. Under the direction of Mr. Çolak, the KKB Information Security team was named "Security Team of the Year" in Europe, Middle East and Africa at the FireEye Excellence Awards in 2018. This was the first time a Turkish team received the award.

HAKAN GÜMÜŞ

Human Resources Department Manager

Having about 26 years of business experience, Hakan Gümüş graduated from Hacettepe University, Department of Economics in 1989. Mr. Gümüş started his professional career in 1991 as Assistant Inspector at Akbank T.A.Ş., where he later served as Inspector, Deputy Human Resources Manager, Eskişehir and Istanbul Regional Manager, SME Banking Sales Manager, Head of the Marketing Department and Human Resources Career Manager. After leaving Akbank in October 2012, he worked as Human Resources Manager for four years at Türkiye Finans Katılım Bankası. Hakan Gümüş joined KKB as Human Resources Manager in October 2016, and continues to serve in this position.

ERŞAN RAŞİM HOŞRIK

Legal Compliance and Operations Department Manager

Erşan Rasim Hoşrik started his professional career in 2006 as Assistant Inspector at Yapı Kredi Bankası; he went on to hold various positions in the Branch Audit, Headquarters Audit and Investigation units at YKB. After resigning from his post with the Inspection Board in 2012, he worked in the Compliance Office as Financial Crimes Prevention Manager and Banking Legislation Manager, respectively. During his tenure in the Compliance Office, he was involved in coordinating the supervision of the Banking Regulation and Supervision Agency and the Ministry of Customs and Trade. In addition, Mr. Hoşrik served as representative in the working groups of the Banks Association of Turkey. He also participated in studies to prepare regulations related to banking of the Consumer Protection Law. Having joined KKB in June 2016, Erşan Hoşrik works as Manager of the Legal Compliance and Operations Department.

HAZAR TUNA

Internal Control Department Manager

Hazar Tuna has 13 years of professional experience. After completing his studies at Üsküdar American High School, he graduated from Purdue University, Department of Computer Engineering in 2005. He completed his Executive MBA at Boğaziçi University in 2012. Mr. Tuna started his career in the Corporate Risk Services Department at Deloitte Denetim in 2006. He took part in independent information systems audits at banks and information systems risk security and Sarbanes-Oxley audit related work in the real sector. Mr. Tuna continued his career in the Information Technologies Audit Department at Yapı Kredi Bankası from 2008 to 2013. In addition, he conducted pilot installation work of the audit work flow software program, which was designed for use within the entire UniCredit Group, playing a key role in shaping the final version thereof. Having served as the Information Systems Auditor (CISA), ISO 27001 Information Security Management System and ISO 22301 Business Continuity Management System Chief Auditor, Mr. Tuna has been the Internal Control Manager at KKB since April 2013.

11. MEMBERS

Member Type	2013	2014	2015	2016	2017	2018
Banks	39	42	53	52	52	52
Factoring	77	76	69	62	61	59
Financial Leasing	16	20	29	26	25	24
Consumer Finance	13	12	12	14	14	14
Asset Management Companies	-	-	12	15	13	18
Insurance and Others	4	4	10	11	12	13
Total	149	154	185	180	177	180*

*As of 31 December 2018, the number of KKB members is 159 and this figure identifies the members who are served through the Risk Center.

Member Banks

ADABANK A.Ş.
AKBANK T.A.Ş.
AKTİF YATIRIM BANKASI A.Ş.
ALBARAKA TÜRK KATILIM BANKASI A.Ş.
ALTERNATİF BANK A.Ş.
ANADOLUBANK A.Ş.
ARAP TÜRK BANKASI A.Ş.
BANK MELLAT
BANK OF CHINA TURKEY A.Ş.
BANKPOZİTİF KREDİ VE KALKINMA BANKASI A.Ş.
BİRLEŞİK FON BANKASI A.Ş.
BURGAN BANK A.Ş.
CITIBANK A.Ş.
DENİZBANK A.Ş.
DEUTSCHE BANK A.Ş.
DİLER YATIRIM BANK A.Ş.
FİBABANKA A.Ş.
GSD YATIRIM BANKASI A.Ş.
HABİB BANK LIMITED
HSBC BANK A.Ş.
İCBC TURKEY BANK A.Ş.
ING BANK A.Ş.
İNTESA SANPAOLO S.P.A. İTALYA İSTANBUL MERKEZ ŞUBESİ
İLLER BANKASI A.Ş.
İSTANBULTAKAS VE SAKLAMA BANKASI A.Ş.
JPMORGAN CHASE BANK
MERRILL LYNCH YATIRIM BANK A.Ş.
MUFG BANK TURKEY A.Ş.
NUROL YATIRIM BANKASI A.Ş.
ODEA BANK A.Ş.
PASHA YATIRIM BANKASI A.Ş.
QNB FİNANSBANK A.Ş.
RABOBANK A.Ş.
SOCIETE GENERALE
STANDARD CHARTERED YATIRIM BANKASI TÜRK A.Ş.
ŞEKERBANK T.A.Ş.
T.C. ZİRAAT BANKASI A.Ş.
TÜRKİYE SİNAI KALKINMA BANKASI A.Ş.
TURKISH BANK A.Ş.

TURKLAND BANK A.Ş.
TÜRK EKONOMİ BANKASI A.Ş.
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.
TÜRKİYE GARANTİ BANKASI A.Ş.
TÜRKİYE HALK BANKASI A.Ş.
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
TÜRKİYE İŞ BANKASI A.Ş.
TÜRKİYE KALKINMA BANKASI A.Ş.
TÜRKİYE VAKIFLAR BANKASI T.A.O.
VAKIF KATILIM BANKASI A.Ş.
YAPI VE KREDİ BANKASI A.Ş.
ZİRAAT KATILIM BANKASI A.Ş.

Financial Leasing Companies

A&T FİNANSAL KİRALAMA A.Ş.
AK FİNANSAL KİRALAMA A.Ş.
ALTERNATİF FİNANSAL KİRALAMA A.Ş.
ANADOLU FİNANSAL KİRALAMA A.Ş.
ARI FİNANSAL KİRALAMA A.Ş.
BNP PARIBAS FİNANSAL KİRALAMA A.Ş.
BURGAN FİNANSAL KİRALAMA A.Ş.
DE LAGE LANDEN FİNANSAL KİRALAMA A.Ş.
DENİZ FİNANSAL KİRALAMA A.Ş.
GARANTİ FİNANSAL KİRALAMA A.Ş.
HALIÇ FİNANSAL KİRALAMA A.Ş.
HALK FİNANSAL KİRALAMA A.Ş.
ING FİNANSAL KİRALAMA A.Ş.
İŞ FİNANSAL KİRALAMA A.Ş.
MERCEDES BENZ FİNANSAL KİRALAMA TÜRK A.Ş.
PERVİN FİNANSAL KİRALAMA A.Ş.
QNB FİNANS FİNANSAL KİRALAMA A.Ş.
SIEMENS FİNANSAL KİRALAMA A.Ş.
ŞEKER FİNANSAL KİRALAMA A.Ş.
VAKIF FİNANSAL KİRALAMA A.Ş.
VFS FİNANSAL KİRALAMA A.Ş.
YAPI KREDİ FİNANSAL KİRALAMA ANONİM ORTAKLIĞI
YATIRIM FİNANSAL KİRALAMA A.Ş.
ZİRAAT FİNANSAL KİRALAMA A.Ş.

Factoring Companies

ABC FAKTORİNG A.Ş.
ACAR FAKTORİNG A.Ş.
AK FAKTORİNG A.Ş.
AKDENİZ FAKTORİNG A.Ş.
AKIN FAKTORİNG A.Ş.
ANADOLU FAKTORİNG HİZMETLERİ A.Ş.
ANALİZ FAKTORİNG A.Ş.
ARENA FAKTORİNG A.Ş.
ATAK FAKTORİNG A.Ş.
ATILIM FAKTORİNG A.Ş.
BAŞER FAKTORİNG A.Ş.
BAYRAMOĞLU FAKTORİNG A.Ş.
C FAKTORİNG A.Ş.
CREDITWEST FAKTORİNG A.Ş.
ÇAĞDAŞ FİNANS FAKTORİNG HİZMETLERİ A.Ş.
ÇÖZÜM FAKTORİNG A.Ş.
DENİZ FAKTORİNG A.Ş.
DESTEK FAKTORİNG A.Ş.
DEVİR FAKTORİNG HİZMETLERİ A.Ş.
DOĞA FAKTORİNG HİZMETLERİ A.Ş.
DORUK FAKTORİNG A.Ş.
EKO FAKTORİNG A.Ş.
EKSPÖ FAKTORİNG A.Ş.
EREN FAKTORİNG A.Ş.
FİBA FAKTORİNG A.Ş.
GARANTİ FAKTORİNG A.Ş.
GLOBAL FAKTORİNG HİZMETLERİ A.Ş.
GSD FAKTORİNG A.Ş.
HALK FAKTORİNG A.Ş.
HUZUR FAKTORİNG A.Ş.

Consumer Finance Companies

ALJ FİNANSMAN A.Ş.
DORUK FİNANSMAN A.Ş.
EVKUR FİNANSMAN A.Ş.
HEMENAL FİNANSMAN A.Ş.
KOÇ FIAT KREDİ FİNANSMAN A.Ş.
KOÇ FİNANSMAN A.Ş.
MERCEDES BENZ FİNANSMAN TÜRK A.Ş.
ORFİN FİNANSMAN A.Ş.
ŞEKER FİNANSMAN A.Ş.
TEB FİNANSMAN A.Ş.
TIRSAN FİNANSMAN A.Ş.
TÜRKCELL FİNANSMAN A.Ş.
VFS FİNANSMAN A.Ş.
VOLKSWAGEN DOĞUŞ FİNANSMAN A.Ş.

Insurance Companies

AKSİGORTA A.Ş.
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
MERKEZİ İSPANYA TÜRKİYE İSTANBUL ŞUBESİ
COFACE SİGORTA A.Ş.
EULER HERMES SİGORTA A.Ş.
EUREKO SİGORTA A.Ş.
HALK SİGORTA A.Ş.
UNICO SİGORTA A.Ş.
ZİRAAT SİGORTA A.Ş.

ING FAKTORİNG A.Ş.
İSTANBUL FAKTORİNG A.Ş.
İŞ FAKTORİNG FİNANSMAN HİZMETLERİ A.Ş.
KAPİTAL FAKTORİNG A.Ş.
KENT FAKTORİNG A.Ş.
KREDİ FİNANS FAKTORİNG HİZMETLERİ A.Ş.
LİDER FAKTORİNG A.Ş.
MERKEZ FAKTORİNG A.Ş.
MERT FİNANS FAKTORİNG HİZMETLERİ A.Ş.
MNG FAKTORİNG HİZMETLERİ A.Ş.
OPTİMA FAKTORİNG A.Ş.
PAMUK FAKTORİNG A.Ş.
PARA FİNANS FAKTORİNG HİZMETLERİ A.Ş.
QNB FİNANS FAKTORİNG A.Ş.
SARDES FAKTORİNG A.Ş.
STRATEJİ FAKTORİNG A.Ş.
SÜMER FAKTORİNG A.Ş.
ŞEKER FAKTORİNG A.Ş.
ŞİRİNOĞLU FAKTORİNG A.Ş.
TAM FAKTORİNG A.Ş.
TEB FAKTORİNG A.Ş.
TUNA FAKTORİNG A.Ş.
ULUSAL FAKTORİNG HİZMETLERİ A.Ş.
VAKIF FAKTORİNG A.Ş.
VDF FAKTORİNG A.Ş.
YAPI KREDİ FAKTORİNG A.Ş.
YAŞAR FAKTORİNG A.Ş.
YEDİTEPE FAKTORİNG A.Ş.
ZORLU FAKTORİNG A.Ş.

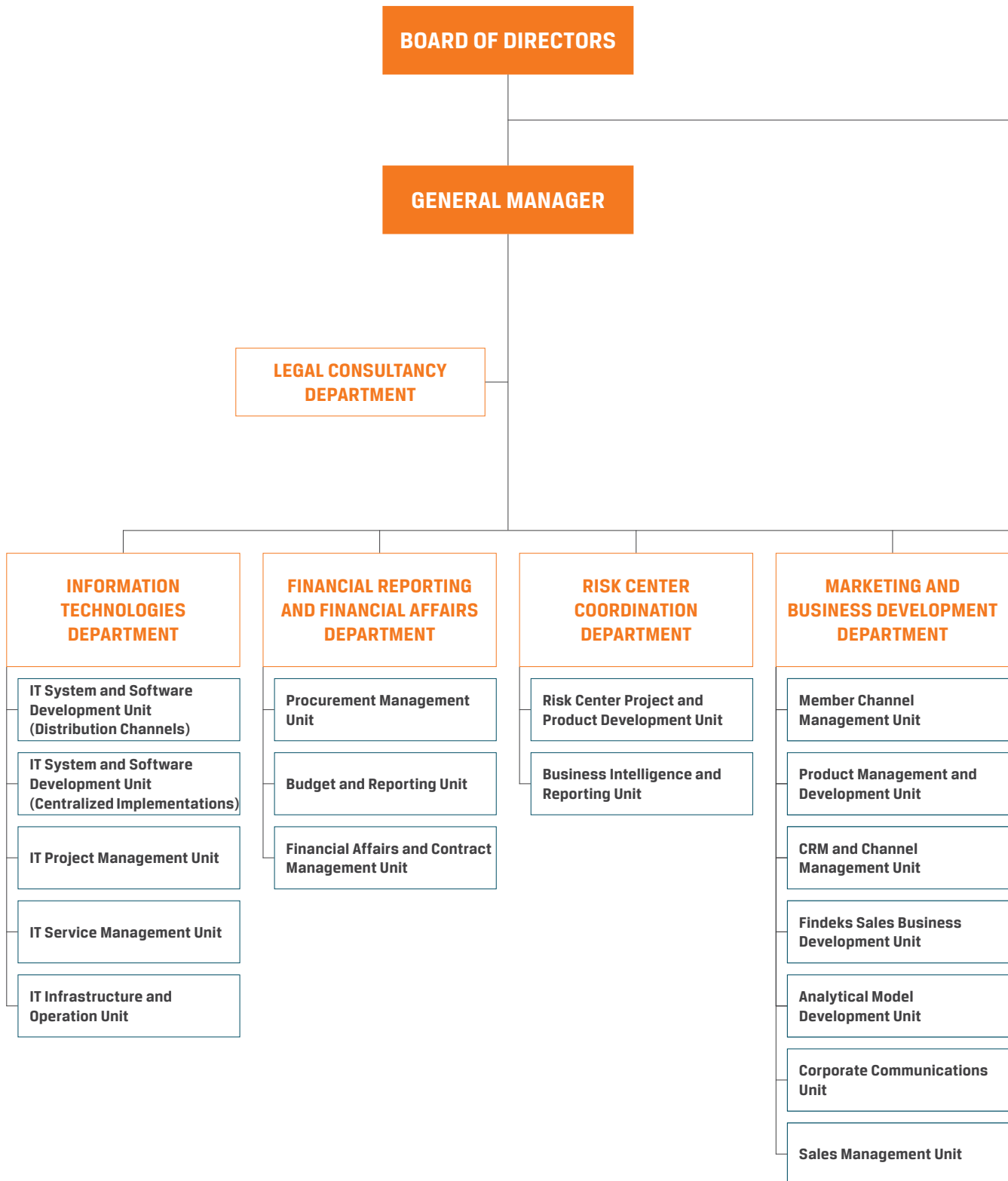
Asset Management Companies

ARMADA VARLIK YÖNETİM A.Ş.
ARSAN VARLIK YÖNETİM A.Ş.
BİRİKİM VARLIK YÖNETİM A.Ş.
BİRLEŞİM VARLIK YÖNETİM A.Ş.
BOĞAZIÇI VARLIK YÖNETİM A.Ş.
DESTEK VARLIK YÖNETİM A.Ş.
EFES VARLIK YÖNETİMİ A.Ş.
EMİR VARLIK YÖNETİM A.Ş.
GÜVEN VARLIK YÖNETİM A.Ş.
HAYAT VARLIK YÖNETİM A.Ş.
HEDEF VARLIK YÖNETİM A.Ş.
İSTANBUL VARLIK YÖNETİM A.Ş.
MEGA VARLIK YÖNETİM A.Ş.
MERKEZ VARLIK YÖNETİM A.Ş.
MET-AY VARLIK YÖNETİM A.Ş.
SÜMER VARLIK YÖNETİM A.Ş.
VERA VARLIK YÖNETİM A.Ş.
YUNUS VARLIK YÖNETİM A.Ş.

Other

BORSA İSTANBUL A.Ş.
KREDİ GARANTİ FONU A.Ş.
JCR AVRASYA DERECELENDİRME A.Ş.
TÜRKİYE TARIM KREDİ KOOPERATİFLERİ MERKEZ BİRLİĞİ

12. ORGANIZATIONAL CHART



AUDIT COMMITTEE

INTERNAL AUDIT DEPARTMENT

IT Control Unit

Finance and Business Units Audit Unit

Member Audit Analysis and Coordination Unit

INTERNAL CONTROL DEPARTMENT

Information Systems Control Unit

Business Processes and Financial Control Unit

RISK MANAGEMENT DEPARTMENT

Information Security Management Unit

Corporate Risk Management Unit

Process Management Unit

COMMUNICATION CENTER DEPARTMENT

HUMAN RESOURCES DEPARTMENT

Human Resources Unit

Administrative Affairs Unit

Security Unit

LEGAL COMPLIANCE AND OPERATIONS DEPARTMENT

Legal Compliance Unit

Operations Center Unit



BUSINESS UNITS



**TO DEVELOP ANALYTICAL MODELS
BASED ON DATA RICHNESS WITH
THE "BIG DATA" APPROACH AND
TO MEET THE RISK MANAGEMENT
NEEDS OF A DIVERSE RANGE OF
INDUSTRIES.**

ABDULLAH BİLGİN

13. BUSINESS UNITS

IN LIGHT OF THE LATEST TECHNOLOGICAL ADVANCES, THE IT SOFTWARE DEVELOPMENT UNIT RAMPED UP ITS ACTIVITIES IN 2018 TO MEET THE EVOLVING NEEDS OF THE SECTOR.

INFORMATION TECHNOLOGIES DEPARTMENT

IT System and Software Development Unit

In line with its role at KKB, the IT Software Development Unit worked intensively in 2018 and closely monitored emerging technological developments, in order to meet the evolving and changing needs of the sector. During the year, the Unit launched new projects and made modifications as needed, while taking into account quality, safety, performance and architecture improvement studies.

The IT Software Development Unit comprises eight different functions with particular areas of responsibility. The Unit aims to develop the most suitable technological solution by evaluating needs in view of requests, while upgrading the mainframe platform as well as the open systems. The Unit is responsible for system and software development activities that support analytical and reporting efforts. The needs of KKB's internal units – such as Member Communication Center, Financial Affairs and Human Resources – are met by in-house resources with the help of the Unit's staff responsible for the Oracle EBS and Siebel platforms.

The Unit is also charged with developing the Findeks web and mobile application for the real sector and individuals, as well as products for KKB and Risk Center Member institutions. In 2018, the IT Software Development Unit developed numerous projects for the Central Bank of the Republic of Turkey. Shaping its work with a continuous improvement and quality approach, the Unit aims to continuously expand the product range contributing to digitalization of the finance sector, such as electronic letters of guarantee and QR Code checks.

Work on RC Services continued rapidly throughout the year. As part of the RC Risk Report Revision Project, the Unit improved the architecture structure, decomposed the service layer and upgraded the Spring framework structure.

Under the effort to re-code the RC System Definitions Application, development work is ongoing on the recently established software architecture. The Unit is using Spring so that React JS and web service is used on the front-end, and web service layers are used separately on the back-end. Since it is the first application written using React, the experience gained in this effort will contribute to all KKB teams in the future.

This Unit is responsible for the LCS (Limit Control System) and the score software, as well as Bureau Applications – KKB's main operational area. It continued working to meet industry needs while aiming to achieve a sustainable service level in light of the increased workload. Following banks and consumer finance institutions, leasing and factoring service providers were allowed to make notifications and queries in the Corporate Bureau System, thanks to a systems infrastructure upgrade. The Unit established a structure that prevents notification of administrative collections in the Individual Bureau daily notifications.

FINANCIAL SOLUTIONS FOR THE DIGITAL WORLD

13. BUSINESS UNITS

THE PREPARATION OF SECTOR REPORTS AND INTEGRATION OF SUPPLY CHAIN FINANCING WERE THE MOST SIGNIFICANT PROJECTS OF 2018. MEANWHILE, EFFORTS TO MAINTAIN AND DEVELOP THE CENTRAL INVOICE REGISTRATION SYSTEM CONTINUED TO MOVE FORWARD.

The Digital Platforms team was established within the Unit to meet KKB's technical needs in the digital environment, in particular the web. The team carried out maintenance related work of all KKB websites in 2018. Taking into account the high quality standards, requests and information security approach of KKB, the Digital Platforms team added new features to the content management system application in order to enable end users to manage their websites safely and easily. The new functionality also allows CMS end users to rapidly present content that is most relevant to the visitor.

During the year, the IT Software Development Unit provided services to the Association of Financial Institutions and continued its development and maintenance activities for the Central Billing Registration System (MFKS).

As part of continuous improvement efforts, the Unit conducted periodic reviews of improvement alternatives and implemented upgrades to foster technical, cultural, individual and team development. Moreover, the Unit strived to promote a culture of sharing and development with regular internal technical trainings.

The team in charge of systems and software development efforts that support analytical and reporting activities worked on transforming data into value and assessing new generation data warehouses and reporting tools.

During the year, the IT Software Development Unit developed a platform to ensure the integrity of the data received in the data warehouse and checked the data on the basis of defined rules. These efforts boosted KKB's data quality.

The Unit created Findeks Report Datamart for Findeks data reporting. This effort ensured that sales made with the platform can be monitored at very short time intervals. In 2018, new services aimed at more effective risk management for the financial and real sectors were introduced at Findeks.

Under the Unit, the IT Mobile Technologies team continued its software development, maintenance and improvement efforts on KKB's mobile applications in 2018. The team initiated a project aimed at renewing the Findeks mobile application in line with the current technologies and user experience requirements.

IT Service Management Unit

In the 2018 operating period, the availability reports of Risk Center and KKB products and services continued to be shared with related persons on a monthly basis; meanwhile, the same reports were shared on the Risk Center side for 15-day and weekly periods. The KKB product/service catalog was updated and new services started to be reported to the related units and the management. The product/service catalog updates made on the Risk Center side were concluded, mutually agreeing with TBB Risk Center. The availability reports continued to be shared through the updated product/service catalog.

A catalog for internal services was updated on the KKB side. The availability measurement and reporting of the Risk Center Member Audit Tracking System (MATS) are continued. On the infrastructure side, server availability reporting is monitored and forwarded on a daily basis to the relevant teams for necessary interventions. The monthly SLA report of the SAP service offered to TBB by İnnova, and the monthly SLA report of the SAP service offered to TBB by KKB, continued to be delivered to TBB Risk Center. In 2017, KKB Anadolu Data Center started

Maintenance, improvement and software development activities for KKB's mobile applications were carried out during the 2018 operating period.

the monthly transmissions of SLA performance reports, Energy Consumption Data and Cabin Logs to three different customers. The Anadolu Data Center also continued to share the Service Bulletin, which is prepared with data received from the KKBBY application, with the related department managers via monthly reports. The Daily Service Quality Status Report is sent to the relevant teams at the end of each working day. As regards the KKB and KKB Anadolu Data Center, the works are ongoing concerning the carrying out of the SLA measurements by third party firms and sharing the results with companies.

IT Project Management Unit

The IT Project Management Unit supported the information technology projects as well as the needs of the entire KKB organization in 2018 through three different disciplines. Since 2018, the Unit has operated in remote cooperation with KKB's main locations and KKB Anadolu Data Center.

The Unit contributes to the timely implementation of KKB's objectives at the right cost by developing a three-year IT Strategy Plan and updating it in line with KKB corporate strategies. The Unit provides transparent and up-to-date information flow with the active role it plays in IT governance.

» IT Project Management Office

Having been submitted to the IT Project Management Unit by business units, the scope of these projects have already been determined and their legal and regulatory compliance have been evaluated. The IT Project Management Unit then planned, implemented and coordinated these projects in accordance with PMI methodology and KKB standards. The IT Project Management Unit, which focuses on planning of all requests submitted by the business units in line with PMI methodology, successfully realized all of the projects it planned by end-2017.

The IT Project Office ensures that: all requests/projects carried out within KKB are handled according to a plan and prioritized correctly; resources are used efficiently; a common language and methodology are used in all projects launched within the organization; and project performance measurements and lessons learned become part of organizational memory.

» IT Business Analysis and Test Management Unit

The IT Business Analysis and Test Management Unit provided analysis and carried out testing in all project and software change requests submitted during 2018 by taking into consideration the current functional and technical business requirements; screen requirements and operations; their impact on other systems; authorization structure; information that needs to be accessed; target service level; performance criteria; domain controls in screen and web services; and data requirements.

In 2018, research, development and planning were prioritized to move the test automation works carried out in previous years to a permanent infrastructure. This was performed with a perspective of continuity and sustainability of service quality as well as increased quality under the software development lifecycle. To this end, an automated and integrated system was prescribed throughout the entire SDLC, from analysis to the transition phase to the real environment. A test automation infrastructure was established for all actors in the SDLC to contribute. The analysis team automated 3 thousand test scenarios on the newly established test automation infrastructure. With the existing structure, support continued for automatically running 70% of the regression tests, and an error-free version goal was achieved. The applications are subjected to regression tests with an end-to-end testing perspective for all types of infrastructure, software and configuration changes with the aim of achieving total quality.

HIGHLIGHTS

- In 2018, new services aimed at more effective risk management for the finance and real sectors were introduced in the Findeks application.
- During the year, KKB conducted studies on transforming data into value as well as evaluating new generation data warehouses and reporting tools.
- The IT Project Management Unit, which focuses on planning of all requests in line with PMI methodology, successfully implemented all its scheduled projects in 2018.

13. BUSINESS UNITS

DURING 2018, IT TECHNOLOGY ARCHITECTURE MANAGEMENT CONTINUED TO DEVELOP APPLICATIONS TO WORK WITHIN THE CLOUD INFRASTRUCTURE.

As a result of the work targeting a more transparent and systematic method in the calculation of project analysis and testing costs, KKB created the Analysis and Test Costs Template. During the year, the Preliminary Analysis and Analysis Templates were updated with an approach that prioritizes effective resource use in addition to continuous improvement and change.

» IT Technology Architecture Management

In 2018, the IT Technology Architecture Management team created two separate development frameworks in respect to the middle layers and user interfaces of KKB's applications. The middle-layer framework was developed using Spring Boot technology. Meanwhile, the user interfaces were designed with JavaScript-based REACT UI.

During the year, the IT Technology Architecture Management developed some projects to use the PowerDesigner product for data architecture studies at KKB. While customization of the product was completed by the end of 2018, dissemination efforts are ongoing across the organization. At the same time, work to differentiate application database users was carried out to control access to data of applications used at KKB.

In 2018, IT Technology Architecture Management revised and renewed all documentation as part of updating efforts in accordance with the PO3 Determination of Technological Direction.

The API Gateway Portal, which is an extension of API Gateway product, was created during the year. Infrastructure work for API key usage in internal services was completed in 2018.

IT Technology Architecture Management also continued to develop model applications that will work on cloud infrastructure. The team created a roadmap to upgrade application servers to the WebLogic Server 12c version. The relevant upgrades were completed within KKB's two largest domains.

IT Infrastructure and Operation Unit

» KKB Anadolu Data Center Studies

KKB Anadolu Data Center, which was established by KKB to serve the financial sector, was awarded Tier IV certification – the highest level certification granted by Uptime Institute, a widely recognized global authority. In addition, KKB received LEED Platinum certification, the highest level possible, from LEED, a green building certification program. Besides delivering cabin hosting service for the finance sector via KKB Anadolu Data Center, KKB aims to create a National Cloud platform guaranteeing that all kinds of data will stay within the borders of the country. FraudNet, the first product of its kind, will be made available to the financial sector in the first months of 2019 as a fraud prevention tool.

Under the "Rendering of KKB Services Via the Emergency Center for an Entire Day" practice, which was repeated for the fifth time during the 2018 reporting period, both the open systems and the mainframe environments were rerouted to the systems located in the Emergency Center (ESC) in Ankara. In 2018, the automation rate of the related processes reached 95%, reducing dependence on system administrators. On November 24, 2018, all KKB services were provided from ESC for an entire day, and all operations were conducted below the predefined RTO and RPO values.

» System Infrastructure Management Studies

During the year, KKB carried out work to establish a TOKEN infrastructure to ensure secure access for members who receive services from KKB mainframe environments. IBM zAware and IBM Operations Analytics products are used to monitor and analyze mainframe reports and logs. Additionally, the zSecure product is used to ensure SIEM systems integration. KKB upgraded the Mainframe OS version to zOS 2.2 and the database (DB2) version to V12.

R&D efforts in the systems infrastructure included the following:

- » A project was initiated to establish an artificial intelligence and machine learning based monitoring framework for anomaly detection in system log and reports.
- » Testing was conducted with statistical learning, Isolation Forest and artificial neural network-based models.

KKB CONDUCTED TESTING STUDIES USING STATISTICAL LEARNING, ISOLATION FOREST AND ARTIFICIAL NEURAL NETWORK BASED MODELS UNDER R&D EFFORTS INITIATED BY SYSTEM INFRASTRUCTURE.

- » To determine the risk group of companies in corporate loans, a model was developed on the basis of graph/network-based community detection and machine learning. In preliminary studies, significant results were obtained in identifying the most risky groups in the credit risk network. R&D studies were conducted on subjects such as risk group detection and systemic risk analysis in large networks using multi-layer network and original community detection algorithms.

Network management efforts included the following:

- » Investments were made in new generation load balancer devices, which support virtualization; these devices were deployed after being configured.
- » High-performance new generation Firepower IPS (intrusion prevention systems) devices are used in Data Center infrastructure.
- » To provide centralized access to the network devices, console servers were installed at KKB and KKB Anadolu Data Center.
- » Video conferencing infrastructure was established at KKB and KKB Anadolu Data Center.
- » Internal load balancers and intrusion prevention systems (Firepower IPS) were deployed and activated at the Emergency Center for internal application access and internet access.
- » Segmentation infrastructure of user networks was designed on the basis of tasks; the transition process was commenced during the year.

KKB consolidated change, configuration, event, problem and infrastructure demand management processes on the ServiceNow platform established at KKB data centers. Deployment of the system detecting weaknesses in open-source libraries was completed in 2018.

Open systems efforts included the following:

- » DMZ infrastructure was provided for a three-layered application structure.
- » Corporate applications became more secure and more current on the updated application servers.
- » To control and identify license use, a supervision infrastructure was built. A logical separation project was initiated on all server lines to reduce annual license costs.
- » The infrastructure of the National FraudNet project was designed.
- » Desktop Virtualization infrastructure (VDI) was created instead of PCs used by end users.
- » Authentication systems were developed for Corporate File Transfer systems.
- » The application servers on Solaris operating systems were migrated to Linux OS to improve Emergency Center capabilities.
- » Platform studies were conducted to develop cloud software.
- » As part of capacity assessment studies, new hardware was put into operation.
- » Work commenced to design an architecture suitable for the cloud to accommodate logging infrastructure.
- » Network virtualization tests and trials between KKB Anadolu Data Center and KKB locations were completed.
- » As part of work related to ISO 20000, studies were carried out on the alpha service portal infrastructure.
- » The three-layered institutional certificate infrastructure was designed; work was conducted to replace certificates used within the organization.
- » As part of operating system standardization work, the legacy operating systems were replaced with updated operating systems.
- » Systems managing the IPs and wireless identities of end users were migrated to an architecture with backup support.
- » Improvements were made to render applications on server virtualization layers more secure and efficient.

13. BUSINESS UNITS

OUR PRODUCTS AND SERVICES HELP CREATE A TRUSTWORTHY COMMERCIAL ENVIRONMENT, ENSURING THAT FINANCIAL DECISIONS ARE MADE IN LIGHT OF KKB ANALYSIS.

MARKETING AND BUSINESS DEVELOPMENT DEPARTMENT

Member Channel Management Unit

Member Channel Management is responsible for managing KKB's relations with the financial sector. Believing in the importance of reaching out broadly in today's world and being always accessible, KKB reaches out to the financial sector via the channels positioned under the Member Channel Management team.

The team serves consumer financing companies, factoring and financial leasing firms, asset management companies, Borsa Istanbul, Agricultural Credit Cooperative, and credit insurance companies that are members of the Risk Center. Member representatives are assigned to each institution and maintain one-to-one contact with the individual members. They ensure that these members are familiar with KKB and Risk Center services while supporting them to benefit from these service offerings in the best way possible.

Taking into account the rapid technological development and the widespread use of the Internet, KKB uses the website managed by the Member Channel Management team and specifically designed for members as information, notification and feedback channel about the KKB and Risk Center products.

In addition to the management of the member relations, Member Channel Management regularly monitors the budget and the sales performance of products, while making sure the necessary efforts are undertaken to extend KKB and Risk Center services.

From the moment the membership process begins, Member Channel Management aims to stand by KKB members, whenever they are in need. The Unit forwards all kinds of feedback and suggestions obtained from the member base during one-on-one visits, working groups, and via the website that it maintains to the relevant teams. These efforts ensure that KKB products and services are shaped within the framework of the feedback and suggestions received.

Product Management and Development Unit

Taking into account the needs and expectations of the finance, public, and real sectors as well as individuals, the Product Management and Development Unit helps formulate KKB and Findeks' product/service strategies, designs new offerings for these strategies, monitors systems developments, introduces and manages the product and service offerings.

The Unit designs services that support a secure commercial environment, enabling financial decisions to be made in light of KKB expertise and analyses. The Product Management and Development Unit has undertaken efforts to digitize Turkey's financial infrastructure. In addition, KKB raises the awareness of individuals and companies via trainings designed to improve financial literacy.

The team operates in five core areas: Product Management, Product Development, Process Management, Usability/Interaction Design, Training Design and Planning.

The CRM and Channel Management Unit, which places the customer at the center of its strategy, is focused on boosting customer loyalty and acquiring new customers.

To meet the needs and demands of users in accordance with current technological trends, and embracing a continuous improvement approach, KKB is committed to developing value-added products and services for the financial industry, real sector and individuals.

Corporate Communications Unit

The Corporate Communications Unit is responsible for creating, maintaining and protecting the brand identity of KKB and its sub-brands. To that end, the Unit conducts internal and external communication activities with marketing communication, media relations, reputation management, event and sponsorship management, media planning, marketing and business development teams.

During the year, KKB and Findeks communication efforts included creating product and service promotion materials, conducting media planning in line with communication strategies, organizing sponsorship activities at sector events and holding press meetings. Sponsorship activities were carried out within sector-specific events and press meetings were organized during the year. To boost staff motivation and loyalty, KKB formulated an internal communication strategy and conducted various trainings, activities and events thereof throughout the year.

KKB continues to execute corporate social responsibility projects at full speed. In 2018, the fifth edition of the "You Imagine, We Realize" competition was successfully completed. KKB supported the active participation of KKB Volunteers in corporate social responsibility projects by helping to create a corporate volunteering program. Additionally, KKB supported the activities of internal social clubs that aim to bolster organizational culture; encouraged voluntary participation in social responsibility projects; and carried out CSR projects in collaboration with civil society organizations.

CRM and Channel Management Unit

CRM and Channel Management Unit operates with a focus on new customer acquisition and with the aim of increasing the loyalty of existing customers by placing them at the focal point of the strategy. The Unit also works to ensure that the right product is offered to the right person, at the right time. To this end, it continues to develop new communication channels and improve existing ones by monitoring technology developments and trends.

CRM and Channel Management are in charge of the activities with the aim of:

- » Determining the strategies for the presentation and dissemination of Findeks products on digital platforms;
- » Following technology developments, trends and customer demands in line with these strategies, adaptation and pursuit of identified needs to digital channels
- » Developing, implementing, monitoring and reporting effective customer and campaign management techniques by combining intelligent technologies with analytical approaches;
- » Improving performance using innovative digital publicity methods and following trends.

Throughout 2018, the Unit focused on providing Findeks campaign management activities, which included targeting and segmentation studies supported by analytical approaches. These campaigns were mainly offered through digital channels and digital marketing platforms. In addition to that, in 2018, the Unit continued campaign management practices to offer products and services, as well as intensive studies to develop and improve channel infrastructure and focused on data warehouse projects that will lay the groundwork for analytical studies. Moreover, works were carried out for the renewal of findeks.com. Thanks to the consultancy services that the Unit received, it gained customer orientation, and also reflected its innovative approaches and efforts to its designs, to support the purchase and use of the product on digital platforms.

HIGHLIGHTS

➤ KKB focused on work related to the processes of banks' alternative distribution channels in order to be active on digital platforms, which are becoming more widespread.

➤ In 2018, we focused on data warehouse projects that will lay the groundwork for analytical studies. We also commenced efforts to renew the findeks.com website.

➤ KKB launched the first False Application Detection and Prevention service in Turkey and aimed to expand the use of this service in 2018.

13. BUSINESS UNITS

KKB IS COMMITTED TO DEVELOPING VALUE-ADDED PRODUCTS AND SERVICES FOR THE FINANCIAL INDUSTRY, REAL SECTOR AND INDIVIDUALS.

The Unit renewed the web site, which is a promotional platform for the range of services specifically offered to KKB members. The upgrade turned the web site into a user portal. The Unit also initiated necessary work to create a communication database for KKB members, ensuring quick and effective communication.

The Unit held one-on-one interviews with persons in charge of related digital platforms of the banks. In line with the feedback received, the Unit modified and enhanced the notifications where Findeks takes place. This effort helped increase awareness of the member institutions and the real sector about the Findeks platform and the products it provides.

Analytical Model Development Unit

Established in 2013, the Analytical Model Development Unit's activities are focused on three areas: Statistical Model Development, Central Decision Support Systems and Fraud Prevention. In addition to ensuring the continuity of existing risk prediction (scoring) models, the Analytical Model Development Unit has built new models to respond to the needs and requests of KKB members. The unit considers widening the use of the Personal Credit Rating, Personal Indebtedness Index, Cheque Score, Commercial Credit Rating, Personal Collection Score, Personal Inclination Score applications among its main priorities, attaches great importance to innovative works and develops effective models that support activities of prevention and supervision of fraud.

In addition to banks and financial institutions, the Central Decision Support Systems applications were also made available to factoring companies and the real sector. As a result, decision-making that involves risks became faster, more consistent and more accurate. The team launched the first False Application Detection and Prevention Service in Turkey and aimed to expand the use of this service in 2018. In order to take the fight against fraud to a higher level, the Credit Extension Instant Sharing Service (KAPS) and Fraud Information Sharing

Platforms were developed. In addition, studies are underway to implement a new national system on the basis of device identification in order to prevent fraud attempts in online transactions.

Sales Management Unit

The Sales Management Unit was established to increase awareness of the Findeks brand, establish a culture of risk management in both real sector representatives and individuals, and to instill this culture in the end consumer. To effect this cultural change, the Unit contributes to the cooperation between the Findeks brand and member banks' branches and alternative distribution channels. The Sales Management Unit also helps deliver the products of the institution to the target audience by effectively using the channels formed as a result of this cooperation.

Since 2015, the Findeks Banking Channel has directly supported increasing financial literacy and risk management awareness among businesses and individuals. KKB focused on work related to the processes of banks' alternative distribution channels to be active on digital platforms, which are becoming more widespread. Since 2015, an ever-increasing number of product sales has led to rising momentum in Findeks' awareness and use. To raise awareness of Findeks, the Banking Channel basically transforms Findeks into a product at the headquarters business line of banks and ensures its dissemination to the branch network. The Unit strengthened its product design thanks to Findeks awareness and product/process information obtained through one-to-one interviews conducted in the regional and branch channels. As of 2018, more than 50,000 visits have been made to branch locations of banks mediating product sales by Findeks Communications Consultants working in the field.

As part of sales management efforts, the Business Partnership Channel is expected to expand Findeks products and packages to the extreme points. The channel will facilitate the development of business models together. Prospective partners include the industry's leading software giants, which have widespread customer networks, ERP solution partners, operators, e-commerce sites that have a wide customer base, and Fintech firms.

Findeks Sales Business Development Unit

Since its establishment, the Findeks Sales Business Development Unit has been the gateway to the real sector in terms of identifying financial risk management needs and providing access to KKB's services. Real sector actors, public institutions and organizations, and non-governmental organizations are

THE FINDEKS CREDIT RATING IS NOW USED IN THE INSURANCE SECTOR FOR PRICING OF CAR INSURANCE POLICIES. THE RATING IS A KEY FACTOR IN EFFECTIVE PRICING AND REDUCES PREMIUM COSTS FOR INDIVIDUALS.

solution partners of the Unit in its efforts to manage receivable risks based on rational data, increase financial literacy via business models, establish standards in financial information sharing processes, and ensure transparency.

In 2018, the Findeks Sales Business Development Unit continued to represent KKB in non-finance sectors, create and develop new markets and new businesses. The Unit is in constant contact with its counterparts in the sector. This effort aims to improve the quality of KKB's products and services through the feedback it receives, in addition to generating solutions to identified needs.

As of 2018, the Findeks reports are used in nearly all of the decision-making processes of the automotive leasing sector. Providing significant advantages in managing the financial risks of the sector's companies, this service is also beneficial to individuals who lease cars by introducing them to Findeks Credit Rating, Cheque and Risk Reports. In this way, it also increases their awareness in terms of financial literacy. Deepening of the Findeks services in the sector ensured discussion of new issues with the important representatives of the sector such as office services and correlation studies.

The Findeks Credit Rating is now used in the pricing of car insurance policies in the insurance sector. The rating is a key factor for the sector in effective pricing and offers the advantage of reducing premium costs for individuals. The slogan "Discount on insurance policies for those with good Findeks Credit Ratings" paved the way for consumers to recognize the advantages of the Findeks Credit Rating.

In 2018, KKB expended efforts to use the Findeks Credit Rating as an effective calculation tool in individual and commercial insurance policies. KKB provided support to the projects of insurance companies in this area. IBAN-TRID and Mobile Phone-TRID validation services, which were and continue to be developed for the insurance industry, were generalized in the same industry. As a result, companies received a boost in operational efficiency. Besides the Risk and Cheque Reports product used in agency risk management for the insurance sector, KKB aims to provide Electronic Letter of Guarantee services with its Letter of Guarantee Status Inquiry offering, and thus contribute to digital transformation in the coming period.

In 2018, KKB conducted studies in cooperation with energy market actors. As a result, the Commercial Credit Rating (CCR) was used for the first time in electricity markets in the process of securing market participants. Studies in the energy industry will continue in the coming year.

Thanks to Findeks reports, new projects have continued to provide advantages to the relevant sector and end consumers in sales of durable consumer goods by promissory note. Another area that benefits the end consumer is the bonded sales of second-hand cars. Findeks became an indispensable advisor in the second-hand car market for bonded sales. The use of Findeks in bonded retail sales is increasing day by day. In this way, Findeks also contributes to raising awareness on financial literacy.

Fintech companies are the new emerging actors of digital finance that are seeking to meet the needs of the real sector and individuals. During the year, KKB made efforts to support the technological financial solutions of payment institutions and electronic money firms operating under the supervision of BRSA in terms of financial risk and operational efficiency.

Findeks Sales Business Development Unit directly provides services to Turkey's largest corporations. The Unit also maintains contact with commercial enterprises as well as SMEs via projects carried out in cooperation with foundations, unions, cooperatives and chambers. To explain all of KKB's products and services, especially the QR Code Cheque System, KKB participated in dealer and regional meetings of companies, and in member informational meetings of chambers and associations.



**OPERATING AS A COHESIVE TEAM,
WE ACHIEVE SUCCESS TOGETHER**

HAKAN GÜMÜŞ

13. BUSINESS UNITS

HUMAN RESOURCES DEPARTMENT

In 2018, KKB formulated an entirely new human resources management approach shaped by its vision, mission, strategies and culture. All human resources management functions were made transparent and put down in writing. KKB also initiated a new career management model called "Ideal."

During the year, KKB recruited 119 new staff members. In addition, KKB promoted 34 employees under the Ideal Career Management Model in 2018.

To accelerate the adaptation process of new staff recruits to the organization, KKB implemented the Mentor-Mentee Program. Under this effort, Mentors are assigned to recent hires for six months. Seventeen managers who were appointed as Mentors were prepared for the Mentor-Mentee Program by receiving technical training under the Developing Together Mentor Training Program. Mentors also had the opportunity to practice during the program.

In line with the Competence Inventory, developed with the organization-specific core competencies on the basis of job title, 17 employees who are expected to be future KKB executives participated in the Competency Assessment Center. These staff members received feedback on their strengths and improvement areas from an objective assessment and evaluation methodology. With this effort, employees are provided with development plans for the future, and KKB created a Candidate Pool for Executive Positions.

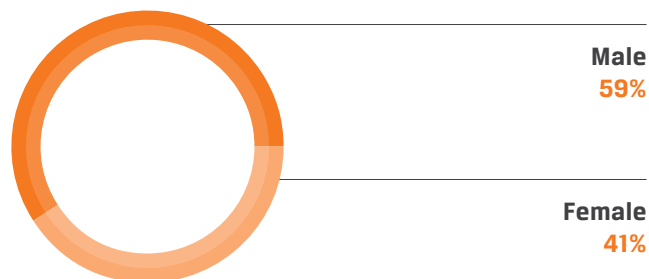
As part of KKB's corporate culture and corporate governance approach, all executives improve their ability to think and work together as a team for four days by participating in the Achieve Together Camp. This effort is designed to improve the leadership competencies of senior managers.

In 2017, KKB introduced a series of meetings to bolster communication between employees and senior management. Held regularly in 2018, the "Tête-à-tête with the General Manager," "This Side of Business" and "Between HR and Us" meetings, respectively, provided KKB staff with the opportunity to speak with the General Manager, Deputy General Managers and Human Resources Department. In this way, each employee had the chance to participate in at least one communication meeting during the year.

The Employee Motivation, Commitment and Satisfaction Survey, which is conducted annually, was also administered in 2018 with employee participation. Survey results indicated an increase in employees' commitment, motivation and satisfaction.

In 2018, the ratio of KKB employees who resigned to start work at another organization was 3% – the lowest figure in the last five years.

Gender Distribution



Education Level



Profile of Human Resources

- » TOTAL MEMBERS
426
- » AVERAGE AGE
37
- » AVERAGE TRAINING DAYS PER EMPLOYEE IN 2018
7 DAYS
- » NUMBER OF PEOPLE EMPLOYED IN 2018
119
- » MARITAL STATUS
35% SINGLE 65% MARRIED

13. BUSINESS UNITS

THANKS TO TECHNOLOGICAL AND WORK FLOW IMPROVEMENTS IN RISK MANAGEMENT, INFORMATION SECURITY, STRATEGIC PLANNING AND PROCESS MANAGEMENT, KKB SUCCESSFULLY CARRIED OUT BUSINESS CONTINUITY AND EMERGENCY TESTING EFFORTS IN 2018.

RISK MANAGEMENT DEPARTMENT

Shaping its activities according to superior quality standards, the KKB manages strategic, operational, financial, and reputational risks in light of international corporate risk management standards (e.g. COSO ERM, ISO 31000). The Risk Management Department operates directly under the General Manager and reports to the Audit Committee.

The Department works to assess risks and opportunities that should be managed by taking into consideration the reason of KKB's existence, in terms of the organization's strategic targets. It also ensures that KKB products and services are offered in the most effective, efficient and controlled manner. On the corporate front, strategic planning/targeting and risk management activities are carried out. Technically, risk studies compatible with the Information Security Management (ISO 27001), Business Continuity Management (ISO 22301), and Service Management (ISO 20000) standards are undertaken.

In August 2014, KKB received ISO 27001 and ISO 22301 certifications as part of efforts to ensure business continuity and information security. In 2018, KKB went on to obtain the ISO 20000 Service Management System certificate. Having successfully passed renewal audits, KKB retained all its certificates during the operating year. KKB also included KKB Anadolu Data Center within the scope of its certifications. Thanks to technological and work flow improvements in risk management, information security, strategic planning and process management, KKB successfully conducted business continuity and emergency testing efforts in November. Following the independent audit carried out in respect to KKB Anadolu Data Center in 2018, a report was issued stating that KKB was in compliance with ISAE 3402 reporting service standards. The report was published and shared with KKB's customers, giving them confidence and reducing the audit workload.

The IT and business processes related to all KKB activities are established and carried out under the COBIT framework, the ISO 27001, ISO 22301, and ISO 20000 standards and the Communiqué on the Principles Applicable to the Management of Information Systems of Information Exchange, Clearing and Settlement Entities and on the Audit of Business Processes and Information Systems. With the Process Management application, KKB conducts analyses regarding the efficiency and optimization of all corporate processes electronically in accordance with its corporate structure. Works is underway to boost the maturity level of the processes. Thanks to the Document Management System, which launched in 2018, KKB has the capability to manage corporate documents and executive approvals on a single platform. The DMS also enables creating new documents, reviewing existing documents and making necessary revisions.

In 2018, KKB successfully passed renewal audits for its ISO 27001 and ISO 22301 certifications. KKB retained all its international standards certificates and included KKB Anadolu Data Center within the scope of its certifications.

TO BRING ITS INFORMATION SECURITY INFRASTRUCTURE AND PROCESSES UP TO THE LEVEL OF GLOBAL LEADERS, KKB CONTINUED TO INVEST IN THIS CRITICAL AREA IN 2018.

In 2018, as part of KKB's strategy to achieve the same level of information security infrastructure and processes as the most mature companies in this area, KKB invested in information security infrastructure while contributing to the sector with exemplary studies. By establishing an independent security monitoring team under the Information Security Unit, the maturity level in detecting and tracking the cyber risks and threats was increased. In addition, the number of security-focused staff was doubled compared to the previous year. Under the human-centered approach to information security, KKB continued to conduct information security awareness studies related to current events and global threats at full speed. In line with these efforts, KKB's Information Security team was named "Security Team of the Year" in Europe, Middle East and Africa at the FireEye Excellence Awards, which took place in the United States in 2018.

The Risk Management Unit also assumes responsibility for operating the Business Continuity Management system to provide the continuity of services KKB offers to its customers. In 2018, the Unit continued working to reduce the risks of potential crises and maintain KKB's crisis readiness with business impact analyses and emergency drills.

KKB's risk management policy includes the following activities:

- » Defining KKB's primary business goals,
- » Identifying threats that may hinder KKB from achieving its goals,
- » Identifying risks that may give rise to such threats and ascertaining the potential impact and likelihood of such risks,
- » Implementing risk management and controls as necessary to reduce risks to levels determined by senior management,
- » Establishing the coordination and communication network necessary for risk management within KKB,
- » Proactively assessing new risks that may emerge in credit recording and information technology systems, and developing recommendations on the mitigation of potential risks,
- » Providing KKB executives with training programs on risk management on a regular basis and raising employee awareness,
- » Determining and regularly reviewing key risk indicators to measure and monitor existing risks.

This policy is supported with written procedures and job definitions; the first-level controls of risks identified by business units in the course of daily activities; and the periodic evaluation of the operating results of risk management by senior management.

HIGHLIGHTS

➤ Work continued in 2018 to reduce the risk of potential crises and maintain KKB's crisis readiness.

➤ Under the human-centered approach to information security, KKB continued to conduct information security awareness studies related to current events and global threats at full speed.

➤ Thanks to the Document Management System, which launched in 2018, KKB has the capability to manage corporate documents and executive approvals on a single platform.



**WE CONTINUE TO MEET THE
REQUIREMENTS OF THE SECTOR
WITH PRODUCTS AND SERVICES
THAT CREATE ADDED VALUE.**

İNCİ TÜMAY ÖZMEN

13. BUSINESS UNITS

KKB SUCCESSFULLY CONDUCTED ACCOUNTING AND FINANCE OPERATIONS THROUGHOUT 2018.

FINANCIAL REPORTING AND FINANCIAL AFFAIRS DEPARTMENT

Operating in accordance with KKB's strategic targets and legal and regulatory requirements, the Financial Reporting and Financial Affairs Department is responsible for planning financial activity; monitoring and recording the results of activities systematically, in accordance with the timely and accurate fulfillment of obligations related to financial activities; and reporting by taking public interest into account.

The Department is also charged with carrying out tax issues; performing cash flow analysis to derive optimum benefit; providing necessary reports to senior management; and compiling and submitting information, documents, and reports required by public authorities, quickly. The Department ensures that all kinds of support needed by the operational units is within the legal and regulatory framework so they can entirely focus on their areas of expertise and maximize their efficiency.

Financial Affairs and Contract Management Unit

The Financial Affairs and Contract Management Unit successfully carried out accounting and finance operations in 2018, by taking into account the procedures and principles related to the accounting standards.

To this end:

- » In addition to preparing financial reports in line with rules and regulations set forth by public authorities and sharing these reports with related business units and the public, the Unit precisely carried out tax responsibilities on time.
- » Cash flows were planned in a way that generates optimal return. The amendments to the legislation considering the financial activities were followed and necessary arrangements were made.
- » The Financial Affairs and Contract Management Unit monitors collections and reports its findings to relevant departments to ensure efficient resource utilization and planning.
- » The Unit paid the expenses related to the maintenance, insurance expenses for the maintenance of assets and repairs of fixed assets, project expenditures, management and general expenses; it also fulfilled its financial liabilities arising from applicable laws and contracts.
- » As an organization subject to the regulations of the Banking Regulation and Supervision Agency (BRSA), all legal reporting and independent external audit work conducted at Turkey Accounting and Financial Reporting Standards was supported. In addition to these activities, all opinion requests from within KKB were answered within the framework of tax legislation.

Budget and Reporting Unit

In 2018 operating period, the Budget and Reporting Unit carried out the following activities:

- » Provided assistance in formulating the financial strategy, harmonizing financial management and control systems; preparing the budget in line with KKB's policies and goals; performing budget implementation and control.
- » Established the principles to be taken into account by business units included in the consolidated budget during budget preparation; coordinated the budget preparation process.

SIGNIFICANT SAVINGS WITH EFFICIENT COST MANAGEMENT

13. BUSINESS UNITS

- » Reviewed the budgets prepared by business units to ensure their conformity to financial plans; created a financial scenario by consolidating budgets; and presented it to the Board of Directors, explaining the rationale.
- » Ensured that the budget is implemented in accordance with the goals described in the annual financial plan and carried out work related to the actualized budget.
- » Reviewed additional and extraordinary requests submitted by the departments in line with emerging needs; made year-end estimates; and prepared a new budget for the requests deemed appropriate.
- » Compiled income and cash flow data and evaluated them against the expense budget; prepared a detailed income and expense budget by taking into account the cash flow statement prepared at the beginning of each fiscal year; revised these plans as necessary and monitored them for each department.
- » Ensured dissemination of fast and effective information flow in the most accurate way, with all business units within KKB and senior management and verified the accuracy of data in the MIS systems.
- » Undertook feasibility studies for new projects and products; and oversaw their management within KKB to ensure the implementation of an appropriate strategy.
- » Measured financial performance and guided managers accordingly,
- » Ensured dissemination of fast and effective information flow in the most accurate way, with all business units within KKB and senior management;
- » Facilitated the formulation process of the financial strategy and carried out the necessary reporting and analysis in line with KKB's needs;

- » Monitored the channel-basis sales performance of the units operating under consolidated budget;
- » Conducted performance monitoring of distribution channels by supporting the planning of the campaign plans in line with the budget and targets set in the annual financial plan;
- » Examined the budgets prepared by the units and facilitated the processes or the budget monitoring and preparation of the objectives; ensured that the information flow and budget are in compliance with the income/expense balance by drawing up reports required to define the targets;
- » Carried out turnover and income monitoring as well as budget target realization monitoring and established the reporting and system infrastructure required for these to be monitored by the business units as well;
- » Created projects to provide more efficient information flow to business units.

Procurement Management Unit

In 2018, the Procurement Management Unit successfully executed purchasing activities in accordance with KKB's corporate structure, audit processes and internal procedures. The Unit is responsible for supporting KKB's needs in the most cost-effective and fastest way in tender processes conducted with suppliers. The electronic tender platform is used where suppliers can share and update their bids electronically.

Thanks to effective improvement efforts regarding its internal needs, KKB significantly reduced procurement costs in 2018. The existing ERP system processes were modified to be more effective, efficient and controlled.

Thanks to effective improvement efforts regarding its internal needs, KKB significantly reduced procurement costs in 2018.

A modern office hallway with glass-walled meeting rooms on the left and desks on the right. The floor is light-colored and reflective. The ceiling has recessed circular lights. A large orange circle is overlaid on the center of the image, containing white text.

**KKB AIMS TO BOOST FINANCIAL
LITERACY ACROSS TURKEY WITH
THE INNOVATIVE AND ADVANCED
TECHNOLOGY PRODUCTS IT OFFERS.**

13. BUSINESS UNITS

RISK CENTER COORDINATION DEPARTMENT

The Risk Center Coordination Department is responsible for activities carried out by KKB on behalf of TBB Risk Center. The Department consists of the Project and Product Development, and Business Intelligence and Reporting Units. In addition to data collection and sharing functions, which are core bureau activities, the Unit also focuses on the development of new products and services that will create value added for the member institutions. The Department's primary aims include receiving new data and services both from private and public sources, and developing new products over existing data for the needs of members in line with KKB's strategies, in coordination with the Risk Center. On the business intelligence side, regular reports are produced on the collected data, and statistics are published. Additionally, efforts to improve the quality of the data are continuously carried out.

Risk Center Project and Product Development Unit

The Risk Center Project and Product Development Unit is responsible for obtaining data from the finance sector, public resources and entities in other sectors that might be resource organizations; developing products and services on behalf of the Risk Center using these data; providing all kinds of maintenance and support throughout the life cycle of products and services; carrying out product management activities on Risk Center services; managing communication and coordination with members and the Risk Center.

Risk Center Project and Product Development Unit consists of the "Risk Center Product Development Team" and "Risk Center Member and Product Management Team."

» Risk Center Product Development Unit is responsible for:

- » Collecting data from financial institutions, which are Risk Center members, and other sectors, on behalf of the Risk Center;
- » Developing products and services that will offer the collected data for the use of Risk Center member institutions;
- » Providing necessary technical support for members in relation to the products and services.

» The Risk Center Member and Product Management Unit is responsible for:

- » Providing the necessary support by establishing one-to-one communication with members and meeting their information needs related to their RC services;
- » Engaging in product management activities;
- » Implementing the suggestions from the Risk Center and its members related to existing products and services;

- » Ensuring communication between the Risk Center, member organizations and KKB.

The Risk Center Project and Product Development Unit launched 11 projects in 2018. The Unit also carried out about 300 additional improvements related to existing products and services. These efforts boosted the quality of the service offerings and enriched their content. Major projects in 2018 included the following:

- » Debt information of real persons and legal entities who failed to pay their debts in due time was obtained from telecommunication companies at monthly intervals and made available for inquiry.
- » Thanks to the Foreign Currency Credit and Income Inquiry System, information was shared in respect to foreign currency loans granted to legal entities resident in Turkey, loans issued to these entities from abroad with the mediation of banks, as well as their foreign currency income of the last three fiscal years.
- » Under the CBS Simplification project, commercial credit risks of financial leasing and factoring companies are now reported.
- » Data of asset management firms and the daily performance of their individual credit risk and overdue information are now included in the Risk Report.
- » Information contained in the Information System of Tradesmen and Craftsmen (ESBIS) was shared with members via the Central Registration System (MERSIS); as a result, MERSIS Inquiry results were improved.

Business Intelligence and Reporting Unit

The Business Intelligence and Reporting Unit is organizationally affiliated with the Risk Center Coordination Department; it is charged with conducting business intelligence and reporting activities within KKB. The Unit has responsibilities to both KKB and the Risk Center (RC) of TBB.

With its reporting responsibility, KKB aims to shed light on the strategic decisions that the Risk Center and the financial sector will make, while executing all its services with a business intelligence perspective and using today's advanced technologies at the highest level. Besides being committed to automation and innovation, the Unit's staff is equipped with both technical skills and banking know-how.

Business Intelligence and Reporting Unit's core activities include the portal and GeoMIS products offered to KKB members through Oracle BI; all reports and bulletins that are offered to the public via the Risk Center website; information on paid and unpaid cheques, protested bills and credits of the entire financial industry.

One of Business Intelligence and Reporting Unit's most basic functions is to plan and execute the activities required to control, measure the quality of, and improve the data, which is the main raw material of all the products and services offered both by KKB and the Risk Center.

THE OPERATIONS CENTER CARRIES OUT ITS ACTIVITIES WITH THREE TEAMS: AUTHORIZATION MANAGEMENT, MEMBER TRANSACTIONS COORDINATION AND OFFICIAL CORRESPONDENCE. THE CENTER IS RESPONSIBLE FOR MINIMIZING OPERATIONAL RISKS.

LEGAL COMPLIANCE AND OPERATIONS DEPARTMENT

Legal Compliance Unit

The Legal Compliance Unit ensures that KKB's products and services comply with applicable laws, rules and regulations. The Unit also makes sure that KKB's product and service offerings adhere to any new or amended legal and regulatory requirements. Today, many companies across industries, in particular those in banking and finance, target moving their products and services to the digital environment in order to boost efficiency and reduce costs with the use of advanced technology. Against this backdrop, the Legal Compliance Unit aims to conduct studies to establish the necessary legal infrastructure to help implement these corporate digitization strategies. In addition, the Unit coordinates inspections carried out by the administrative authorities within the KKB.

Operations Center Unit

The Operations Center ensures the continuity and functioning of business processes at KKB. To this end, it responds to the requests of members, customers and the units within the organization by proxy, both on behalf of KKB and the Risk Center of the Banks Association of Turkey. The Unit operates with three teams: Authorization Management, Member Transactions Coordination and Official Correspondence.

The Authorization Management Team's activities include authorizing internal and external web applications of KKB; defining memberships and subscriptions; meeting customer report requests related to the RC Risk Report, while ensuring that the data types, which are notified to the members on a daily basis, are logged in the system. In addition, the Unit registered companies with the CBRT Systemic Risk Data Tracking System in 2018.

The Member Transactions Coordination team monitors and controls the membership procedures at KKB and the Risk Center. These activities include processing new memberships, revoking current members' operating permit, including and excluding members' decision-making from the Risk Center in accordance with the prescribed processes.

The Official Correspondence Team's activities include responding to correspondence from customers as well as official institutions such as the Courts, Public Prosecutor's Office, Security Department, Ministry of Finance, Capital Markets Board (CMB), Social Security Institution (SSI) and the Directorate of Execution within the legally required time frame. The team also ensures that the reports requested by the official institutions are produced accurately and completely and become ready for submission.

The Operations Center will continue its efforts to minimize operational risks in 2019.

The Legal Compliance Unit aims to establish the necessary legal infrastructure to launch products and services transferred to the digital environment.

13. BUSINESS UNITS

THE CUSTOMER COMMUNICATION CENTER (CCC), WHICH RESPONDS TO THE CALLS OF FİNDEKS CUSTOMERS, DEMONSTRATED ITS SERVICE QUALITY EXCELLENCE ONCE AGAIN IN 2018 BY MAINTAINING THE HIGHEST SERVICE LEVEL IN THE SECTOR – 94%.

COMMUNICATION CENTER DEPARTMENT

In line with KKB's product and service strategies, the Communication Center Department focuses on two main business lines: Member Communication Center and Customer Communication Center. The Department aims to render services to existing members and customers in line with the high standards of KKB. The Communication Center is committed to meeting the demands from the members and customers as soon as possible and at the highest quality. To ensure member and customer satisfaction, KKB uses its advanced technology facilities in the most effective manner. In addition, it provides for continuous development of the human resources who provide this service.

» Member Communication Center (MCC)

The Member Communication Center aims to respond accurately and promptly to requests of KKB member financial institutions. MCC also provides services in support of KKB, Risk Center and Association of Financial Institutions (FKB) products. In 2018, MCC started to provide services for the CBRT Systemic Risk Data Tracking System. During the year, the number of notifications received by the Member Communication Center increased 5% compared to 2017, while the number of phone calls exceeded 40 thousand. Despite this increase, MCC's average record-closing time was below the previous year at 1.6 hours. The average response speed of all corporate notifications within KKB was 286 minutes.

As part of quality review efforts, e-mails sent by MCC were reviewed and the results of the satisfaction questionnaire sent to members in respect to answered notifications were examined. Members were contacted to exchange information on issues that caused dissatisfaction and efforts were made to boost the satisfaction level. To increase the knowledge level of MCC staff, product training sessions were conducted regularly by KKB's product management teams. MCC, which is responsible for management of 80% of all notifications at the first level, continues to shorten the response time for the questions and requests of KKB members.

» Customer Communication Center (CCC)

The Customer Communication Center responds to calls of FİNDEKS customers. In 2018, CCC maintained its superior service approach.

Thanks to a customer focused service approach and high-quality standards, the Customer Communication Center maintained the highest service level in the industry – 94%. In addition to developing infrastructure and customer usage experience, CCC's activities in 2018 included the following:

The number of incoming calls to CCC decreased 20% compared to a year earlier and amounted to 295 thousand.

The number of FİNDEKS Rating Consultancy appointments was 21,400 during the year.

At the Risk Center's Customer Communication Center, a total of 90 thousand calls were responded to with a 95% service level.

To boost customer satisfaction, the Customer Communication Center responded to 740 notifications via social media in 2018. With a 49% satisfaction ratio in the complaint management channels, CCC achieved the highest satisfaction ratio in the finance sector*.

* (Source: ŞikayetVar.com Comparative Sector Reports)

HIGHLIGHTS

↗ The number of incoming calls to the Customer Communication Center decreased 20% compared to a year earlier and amounted to 295 thousand.

↗ In 2018, the Risk Center Customer Communication Center received 90 thousand calls with a service level of 95%.

↗ The number of notifications received by the Member Communication Center increased 5% year-on-year, while the number of telephone calls exceeded 40 thousand.

INTERNAL AUDIT DEPARTMENT

IT Audit and Business Processes Audit Units

The Internal Audit Department operates under the supervision of the Audit Committee. The Department successfully completed 2018 process and management statement audits, in line with the audit plan approved by the Board of Directors. For the fifth time, the Internal Audit Department participated in studies related to the management statement and the audits of support services organizations in 2018. In regard to the referenced efforts, KKB's 2018 Management Statement Report and Management Statement Report Related to the Risk Center Operations Carried Out by KKB were prepared successfully. The reports were shared with the independent audit company and TBB Risk Center. In addition, the QAR International Quality Assurance Independent Audit was performed during the year. As a result of the audit conducted by the Deloitte audit firm, the audits carried out by KKB's Internal Audit Department were deemed to be in full compliance with International Internal Audit Standards and the code of professional ethics set forth by the International Institute of Internal Audit.

Under the audit plan prepared on the basis of a risk-based methodology, taking into account KKB's expanding product range, technological advances, legislative changes and digital innovations, the Internal Audit Department performed process audits in terms of Analytical Model Development, Sales Management and Human Resources in 2018. The Department completed the planned Support Service Audits on the basis of product criticality. Fraud detection studies addressing fraud risks to which KKB and the finance world may be exposed in various scenarios were prepared by taking into account the systems subject to KKB's products and services and the data processed on these systems. The first results were obtained from these studies. The study results are being used to drive new projects. The Department completed the audit of 32 IT and business units and three support service processes – including System Security, Software Development Life Cycle, Business Intelligence and Reporting, CRM and Channel Management, and Operation Center processes – based on KKB's service continuity and information security requirements.

Taking into account KKB's growing license inventory, Snow License Manager software installations were completed to ensure that license costs and license inventory are effectively managed by avoiding legal risks. Following the monitoring process, license compliance checks carried out for all licenses started to be managed via the Snow application.

Using technology effectively in every aspect of its operations, the Internal Audit Department monitors findings and actions through automatic reporting via the GRC system. Monitoring results are reported monthly to KKB and TBB Risk Center administrations.

Member Audit Analysis and Coordination Unit

The Risk Center Member Audit Tracking System, which has ensured centralized management of member audits since 2016, serves all member organizations and independent audit companies via e-signature verification and dual component identity authentication infrastructure.

As a result of analysis and evaluation studies made by the Unit, risk performance of member organizations can be tracked. With the rising awareness, the maturity level was increased in the presence of member organizations during the security, integrity and authenticity process of Risk Center data.

In 2018, the Internal Control Department performed risk analyses and previous period comparisons with respect to 95 audits conducted by independent audit firms before member institutions. Results of the audits were shared with the Risk Center administration.

In accordance with the circular published by TBB Risk Center in 2017, the Internal Control Department's Member Inspection team conducted on-site studies in relation to risk analysis of six Risk Center member organizations in 2018. This effort boosted the level of awareness and maturity in the security, integrity and accuracy process of Risk Center data. In addition, the Department developed an early warning system that analyzes the risk structures of members according to various criteria based on an analytical model. During the year, the Department held meetings with executives of independent audit firms to increase general awareness in the sector. In addition, the Department made major strides toward creating best practices guidelines. Studies were also carried out in order to improve the number and effectiveness of the control objectives. The Department conducted a study to improve the number and effectiveness of the control objectives.

13. BUSINESS UNITS

INTERNAL CONTROL DEPARTMENT

The Exhaustive Audit Trail Infrastructure Project is designed to bolster KKB's audit trail structure with open source software and big data platforms in line with its growing product range, expanding number of customers and continuously progressing technology. The Internal Control Department launched this effort in 2017. Thanks to the accumulation of data in 2018 and with the integration of third-party service applications in 2019, the project has established a strong foundation to monitor internal control systems using artificial intelligence.

Information Systems Control Unit

Information Systems Control Unit executes control activities in regard to the information systems processes within KKB pursuant to existing legislation and KKB internal procedures. The identified violations are recorded on the GRC application; relevant action plans are regularly monitored. Additionally, verification studies are conducted within the institution in relation to the obligations of the ISO 27001, ISO 22301 and ISO 20000 certifications.

Business Processes and Financial Control Unit

Business Processes and Financial Control Unit executes control activities related to all business and financial processes other than the information systems processes within the scope of applicable legislation and KKB procedures. Breaches and violations detected as a result of the control activities are managed by creating a finding and action plan on the application (GRC) in use.

LEGAL CONSULTANCY DEPARTMENT

All transactions before legal authorities are executed by the Legal Consultancy Department. The Department is charged with preparing contracts to be signed between KKB and its members, customers and suppliers. The Legal Consultancy Department is also responsible for coordinating KKB's patent processes with the patent offices, ensuring coordination with the contracted law offices, and providing support to General Assembly preparations.

Audits Conducted, Sanctions and Penalties Imposed During the Period

As of December 31, 2018, the pending lawsuits filed against the Company with pecuniary compensation claims are as follows:

- » The lawsuit filed on November 28, 2013, with a claim of TRY 100,000 for pecuniary and non-pecuniary damages, each of which amount to TRY 50,000 and with a claim to at least 20% of the possible earnings,
- » a lawsuit filed on July 23, 2008, with the claim of recovery of TRY 2,000 in respect of non-pecuniary damages with interest from the XX Bank and the correction of the KKB registration,
- » a lawsuit filed on 27.10.2016 against XX Bank and KKB with a claim of TRY 1,000 for pecuniary damages and TRY 30,000 for non-pecuniary damages.
- » The lawsuit filed on July 30, 2018, with a non-pecuniary damages claim amounting to TRY 20,000.
- » 4 reinstatement lawsuits.

In 2018, a total of TRY 80,443 was imposed on the Company in respect of administrative fines.

Competition Status of the Executives of the Company


The members of the Board of Directors of KKB did not engage in any business or transactions that violate the non-competition agreement, neither for themselves nor on behalf of others.

Dividend Distribution Proposal

During the Board of Directors Meeting dated February 27, 2019 and in line with the decision numbered 2019/09, it was unanimously resolved by the attending members to submit for the approval of the General Assembly: i) not to distribute the net profit remaining from the Company's 2018 Gross Profit after setting aside the legal reserves, to the shareholders; and to keep it in the Extraordinary Reserves Account, ii) to distribute to the shareholders, the remaining net amount after setting aside legal reserves of TRY 15,000,000.00 (TRY 4,303,209.72 from the 2013 profits and 10,696,790.28 from 2014 profits), recorded in the Extraordinary Reserves Account and which was not previously distributed.

**KKB CONTINUES ITS EFFORTS
TO SUPPORT THE GROWTH AND
DEVELOPMENT OF THE NATIONAL
ECONOMY.**

KKB
KREDİ KAYIT BÜROSU



**WE TRANSFERRED OUR RISK
MANAGEMENT PROCESSES TO THE
DIGITAL ENVIRONMENT.**

SERDAR ÇOLAK

13. BUSINESS UNITS

COMMITTEES

Audit Committee

The Audit Committee convenes to review the activities of the Internal Audit, Legal Compliance and Operations, Internal Control, Risk Management Departments. The Committee aims to share the results of these activities with KKB senior management. Information on the results of audit activities conducted within the organization is provided to the participants, which include some members of the Board of Directors.

Disciplinary Committee

The Disciplinary Committee is responsible for determining situations contrary to the Human Resources Discipline Regulation and for implementing the disciplinary sanction decisions that are deemed appropriate. To determine situations contrary to the Disciplinary Regulations, the Manager of the Legal Compliance and Operations Department and other KKB Department Executives come together to evaluate the results of the inquiry on the related issue.

KKB Steering Committee

The KKB Steering Committee is responsible for the current status of the institution's finances, assessment of the compatibility with the strategic objectives, and evaluation of the new products/services planned. In addition, the Committee evaluates information from the related Department Executives about the activities realized within the month that are strategically important.

Information Security Committee

The Information Security Committee aims to assess KKB's information security weaknesses, primarily the changes to the operations of the information security function, as well as the evaluation of the need for resource and coordination to eliminate these weaknesses. The Committee's responsibilities include informing senior management about information security violations within the organization and global information security incidents.

Crisis Management Committee

The Crisis Management Committee convenes to determine crisis scenarios, prepare relevant action plans, review changes in the operations of the business continuity function and evaluate resource needs, on the basis of the mentioned scenarios. The Crisis Management Committee is responsible for providing information on the current status of business continuity risks, actions and drills.

IT Steering Committee

The IT Steering Committee is responsible for ensuring alignment of IT strategies with business objectives; prioritizing resource requirements in this direction; developing strategies; monitoring and improving the developed strategies. The Committee

also prepares the annual IT budget and submits it for approval, plans IT investments and assesses the impact of new investments on the KKB risk profile and resource requirements.

Project Steering Committee

The Project Steering Committee is responsible for informing senior management about the strategic conformity of projects, requests to be added to the annual project plan (Master Plan), assessing the costs and priorities of projects, evaluating the risks related to existing projects and potential risks.

Data Governance Committee

The Data Governance Committee is responsible for making decisions to ensure the quality and integrity of the data that the organization has provided, stored and shared. The Committee also decides on the types of data and sharing methods to be used within the scope of the product/service provided by KKB, identifies the needs related to the data, and assesses data validation rules and methods. In addition, the Data Governance Committee evaluates the information architecture and makes decisions on the compatibility of projects that may affect the information architecture.

Process Committee

The Process Committee convenes to assess changes to be made in the functioning of the institutional processes. The Committee is also responsible for eliminating gray areas as to which units should undertake the process activities; determining and monitoring the performance goals of the processes. In addition, the Process Committee coordinates all optimization and automation efforts of the processes in terms of design and operation with senior management support.

Internal Audit Committee

The Internal Audit Committee compiles information on the audit plan, holds briefings on completed audits, gathers information on actions/findings, which are either overdue or incomplete and the action date revision requests. The Committee discusses the audit findings and results with executives and/or the staff of the audited units and departments.

Service Management Committee

The Service Management Committee is responsible for determining the scope, policy and objectives of KKB's service management in line with the corporate strategy, planning and monitoring efforts; raising awareness with respect to meeting service requirements; ensuring that activities are regularly reviewed and carried out in accordance with applicable laws, rules and regulations; providing adequate resources to conduct service management activities; identifying and managing risks related to service management.



ACTIVITIES

14. OUR HOLISTIC PRODUCTS AND SERVICES

Service Name	1999	2000	2001	2002	2003	2004	2005
Credit Reference System (CRS)	●	●	●	●	●	●	●
Individual Customer Objection Assessment System (Individual MIDES)		●	●	●	●	●	●
False Information/Document/Declaration/Application Alert System (SABAS)		●	●	●	●	●	●
CRS Information Verification System				●	●	●	●
Personal Credit Rating (PCR)						●	●
Corporate Bureau System (CBS)							●
Limit Control System (LCS)							
Internet Frauds Alert System (IFAS)							
Bounced Cheque Inquiry and Information Sharing							
Personal Indebtedness Index (PII)							
Cheque Report							
Risk Report							
Credit Limit Credit Risk Inquiry and Sharing Services							
Sharing Information about Protested Bills							
Individual Cheque Inquiry							
Risk Center Customer Report Service							
GeoMIS - Map-Based Reporting Service							
Agricultural Loan Assessment System (TARDES)							
Cheque Index							
Central Decision Support Systems (CDSS)							
Commercial Credit Rating (CCR)							
Prescribed Accounts							
Corporate Customer Objection Assessment System (Corporate MIDES)							
Cheque Report Raw Data Presentation							
Risk Report Raw Data Presentation							
Bounced Cheque Warning System							
Inquiry and Warning about Entities Prohibited from Participation in Tenders							
Data Sharing about Derivative Transactions							
Data Updating Application							
Data Validation and Sanction Application							
Acceptance & Rejection Notifications Related to Loan Applications							
Sharing of Internal Rating Scores							
Rating Scores Sharing Service							
Official Institution and Customer Information Request Services							
Member Request Management Services							
Risk Center Bulletin and Statistics Publication Services							
Address Processing Service							
Cheque Status Inquiry							
Farmer Registry System (FRS)							
My Findeks Rating Consultant							
Findeks Warning Services							
Findex Tracer							
Trade Registry Sharing System (TRSS)							
Paid Bills Inquiry Service							
Sharing Information about Cheques under Interim Injunction							
Sharing Information about Companies that have Declared Bankruptcy/Suspended Bankruptcy/Debt Composition							
Sharing Service about Customers Banned from Using Cheques							
Customer RA Personal Record Search							
Cross Cheque Relations Inquiry							
Credit Insurance Inquiry Service							
Findeks QR Code Cheque System							
Letter of Guarantee Status Inquiry (LGSİ)							
Collection Scores							
Inclination Scores							
Central Invoice Registration System (CIRS)							
IBAN Validation Service							
LCS Customer Objections Handling System (MIDES)							
Fraud Attempt Detection and Prevention Service							
Credits Analysis Portal							
CTMCRS Inquiry Service							
Cheque Analysis Portal							
KKB Unknown Number							
Address Processing - Maps Service							
RC Warning Services							
Force Majeure Inquiry							
BKM Member Merchant Turnover Information Inquiry							
Loan Utilization Instant Sharing Service (KAPS)							
Electronic Letter of Guarantee							
Individual Inquiry Unit Reporting							
Findeks QR Code Cheque Registration System							
Telecommunications Information Inquiry							
Foreign Currency Credit and Income Inquiry							

15. KKB'S PRODUCTS AND SERVICES*

Service Name	2010	2011	2012	2013	2014	2015	2016	2017	2018
Limit Control System (LCS)	●	●	●	●	●	●	●	●	●
Personal Credit Rating (PCR)	●	●	●	●	●	●	●	●	●
False Information/Document/Declaration/Application Alert System (SABAS)	●	●	●	●	●	●	●	●	●
Internet Frauds Alert System (IFAS)	●	●	●	●	●	●	●	●	●
Personal Indebtedness Index (PII)			●	●	●	●	●	●	●
Cheque Report			●	●	●	●	●	●	●
Risk Report			●	●	●	●	●	●	●
GeoMIS - Map-Based Reporting Service				●	●	●	●	●	●
Agricultural Loan Assessment System (TARDES)				●	●	●	●	●	●
Cheque Index				●	●	●	●	●	●
Central Decision Support Systems (CDSS)				●	●	●	●	●	●
Commercial Credit Rating (CCR)				●	●	●	●	●	●
Prescribed Accounts				●	●	●	●	●	●
Address Processing Service					●	●	●	●	●
Cheque Status Inquiry					●	●	●	●	●
Farmer Registry System (FRS)					●	●	●	●	●
My Findeks Rating Consultant					●	●	●	●	●
Findeks Warning Services					●	●	●	●	●
Findex Tracer					●	●	●	●	●
Trade Registry Sharing System (TRSS)					●	●	●	●	●
Findeks QR Code Cheque System						●	●	●	●
Letter of Guarantee Status Inquiry (LGSI)						●	●	●	●
Collection Scores						●	●	●	●
Inclination Scores						●	●	●	●
Central Invoice Registration System (CIRS)						●	●	●	●
IBAN Validation Service						●	●	●	●
LCS Customer Objections Handling System (MIDES)						●	●	●	●
National Fraud Attempt Detection and Prevention Service						●	●	●	●
Credits Analysis Portal						●	●	●	●
Cheque Analysis Portal							●	●	●
KKB Unknown Number							●	●	●
Address Processing - Maps Service							●	●	●
Loan Utilization Instant Sharing Service (KAPS)								●	●
Electronic Letter of Guarantee								●	●
Findeks QR Code Cheque Registration System									●

*Products and services offered to the TBB Risk Center by proxy are presented in Chapter 15.

LIMIT CONTROL SYSTEM (LCS)

Pursuant to the Bank Cards and Credit Cards Law, the total limit of credit cards that may be granted by a card issuing organization to a customer, who will begin using a credit card for the first time, may not exceed twice their income for the first year and four times thereof for the second year. Pursuant to the regulation dated October 8, 2013, credit limits apply to all credit card holders.

KKB initiated works on this issue in collaboration with the TBB Credit Cards Working Group, commencing the test run of the Limit Control System (LCS) in late 2013. As of January 2014, all members uploaded customers' credit card data into the system.

Designed and developed by KKB in line with the country's needs, the Limit Control System runs in real-time.

LCS enables credit card issuers to manage the single limit application by combining credit card limits assigned by credit card issuers for each customer.

Starting on March 1, 2014, sanctions are implemented within the Limit Control System (LCS) under the following conditions:

- » If there are missing records in the first notification file transmitted, or if a subsequent addition is attempted,
- » If FTP notification does not comply with the standards or is not made within the specified time,
- » If the final limit is notified wrongly,
- » If the current limit is communicated incorrectly,

As a result of the latest improvements to LCS; Reduction and closure transactions, which are carried out in batch, can now be performed online. Allocation and additional allocation transactions can be cancelled online.

With the launch of the LCS Urgent Updating service, members were enabled to perform reduction, closure and record correction transactions without document circulation in order to facilitate correction of limits notified to the LCS.

LCS CUSTOMER OBJECTIONS HANDLING SYSTEM (MIDES)

LCS MIDES provides a platform for KKB members to handle customer complaints related to incomplete or incorrect information shared via the Limit Control System.

If a customer thinks that the information shared via LCS is incomplete or incorrect, they can initiate the objection process in LCS MIDES by using the reference number generated for the inquiry. Regarding complaints submitted by members, the process runs between objecting and responding parties through LCS MIDES screens. If the responding member replies to an objection with a value lower than the LCS value, then the process continues via the LCS Urgent Updating screen with the responding member updating their reply.

LCS MIDES was developed to respond to customer objections in a quick and clear manner, and to carry out all related communications in accordance with the standards. It aims to shorten the objection process and increase customer satisfaction.

RISK REPORT

The Risk Report is a KKB product that shows the past loan repayment performance of natural persons and legal entities.

The credit registry data owned by KKB consists of customer information shared between KKB's members. In the report which was prepared on the basis of this information and submitted without making changes and is beyond its peers in the world in terms of design and content as a result of the enrichment activities carried out in 2014, includes:

- » Findeks Credit Rating,
- » Limits, risks, past payment performance and credit card payment details of the respective individual
- » Number of financial institutions which made the notification
- » Total number of credit accounts
- » Total limit and balance data
- » Date of the last loan utilization
- » Number of overdue credit accounts
- » Total amount of overdue balance
- » Longest overdue period to date
- » Details of non-performing loans, if any
- » Leasing – Factoring combined data
- » The rating percentiles which indicate customer's credit rating percentile throughout Turkey
- » Worst case in the repayment history
- » Longest overdue period to date
- » Liabilities of credit card holders, outstanding balance under prosecution, credit utilization ratio, balance of outstanding installments
- » For consumer loans: outstanding balance under prosecution, credit utilization ratio, number of installments, amount of installments, and the like.



**WITH OUR SUPERIOR CONTROL
MECHANISMS, KKB FURTHER
STRENGTHENS THE CONFIDENCE
IT HAS BUILT UP SINCE ITS
FOUNDING.**

ALİ KEMAL CENK

15. KKB'S PRODUCTS AND SERVICES

The Risk Report also shows repayment performance for each loan over the past 18 months, while providing an overview of repayment performance in the financial sector. The Report contains not only negative information, such as overdue payments or records under prosecution, but also positive information, such as timely repayment of loans. Therefore, the Risk Report offers a significant advantage for persons who pay off their debts by the due date.

Since September 2012, KKB has also shared the Risk Reports with report-issuing persons/institutions and third parties authorized by these issuers through bank branches. In addition to the financial industry, the Reports have been shared electronically via the Findeks platform with individuals and the real sector since 2014.

CHEQUE REPORT

The enactment of the Law Amending Cheque Law No. 6273, which was promulgated in the Official Gazette No. 28193 (Repeating) dated February 3, 2012, abolished the sanction imposed on issuers of bounced cheques and ushered in a new era in the Turkish economy in terms of credit risk management.

Platforms through which information required for proper management of risk and for accurate decision making by a cheque bearer whether to accept the cheque aim to protect both the cheque issuer and bearer.

The Cheque Report Presentation System was introduced by KKB in April 2012 to make the cheque more secure as a common instrument of payment. The system offers a service that provides the cheque payment history information needed by cheque bearers about the cheque issuers in order to make sound decisions via the Cheque Reports the system produces. Thanks to the system, the past cheque payment data of a cheque issuer is accessible.

The Cheque Report contains the following information:

- » Banks where the customer has cheque accounts
- » Number of cheques presented since 2007
- » Number and amount of cheques paid upon presentation
- » Number and amount of cheques bounced and still unpaid since 2009
- » Number and amount of cheques bounced but subsequently paid since 2009
- » Date of first cheque presented
- » Date of first cheque presented and dishonored
- » Date of last cheque presented and dishonored
- » Date of last cheque paid upon presentation
- » Number and amount of cheques paid during the last 1-, 3- and 12-month periods
- » Number and amount of cheques dishonored during the last 1-, 3- and 12-month periods
- » List of dishonored cheques, limited to the most recent 50 cheques
- » Number of open cheques remaining unpaid or non-dishonored
- » Number and amount of postdated cheques remaining unpaid or non-dishonored
- » Number of cheques unreturned to the banking system,
- » Cheque Index,
- » Table showing the lowest, highest and average amounts of cheques by year,
- » Data of open cheques in addition to collection guarantee cheques,
- » Issuers' postdated and open cheques, in addition to bounced and paid cheques.

The Cheque Report enables tracking of the cheque payment performance of an account holder, whether positive or negative. The report also shows how many banks have issued cheque books to the account holder and gives an idea about the credibility of the person in question. If the Cheque Report is used at the time of cheque acceptance, it is possible to predict the probability of the cheque bouncing with up to 80% accuracy.

RELIABLE PAYMENT PERFORMANCE WITH THE CHEQUE REPORT

15. KKB'S PRODUCTS AND SERVICES

The Cheque Report is receivable via mobile devices or online. Reports can be required by real sector players from the counter party at every platform of commercial transaction. Through online report applications, real sector players can obtain a Cheque Report or a Risk Report of a debtor from said debtor or, with their approval, directly from the KKB inquiry system to control their credit risk. KKB has set an example worldwide with its unique infrastructure, which enables the requesting of Cheque Reports by obtaining online consent from third parties; moreover, the system is integrated with all banks in Turkey.

CHEQUE STATUS INQUIRY

The Cheque Status Inquiry service was developed to prevent cheque fraud, which has been on the rise of late. With this service, one can find out whether a cheque is in circulation by making an online inquiry about the status of accepted cheques. The service makes it possible to discover whether the cheque is in circulation through an online inquiry via the issuing bank.

With the Cheque Status Inquiry Service, the institution can inquire the bank code, branch code, checking account number and cheque row number of the cheques accepted as guarantee or for collection, and the status of the cheques.

CHEQUE INDEX

The Cheque Index summarizes cheque using habits and the reliability of a cheque issuer while serving as a risk indicator in graphic form. The Cheque Index is based on a score for the market, which is derived from the cheque payment data of natural and legal persons.

The Cheque Index evaluates the cheque payment behavior of legal entities and natural persons as a measurable factor. If there has been a problem, the Cheque Index's calculation reflects the number and amount. The cheque bearer can easily see the standing of a cheque issuer on a simple diagram and compare his/her position with other cheque issuers.

The Cheque Index, calculated statistically through an analysis of detailed data in the Cheque Report, facilitates interpretation of the reports and sound decision-making, hence ensuring time and resource savings. The Cheque Index is based on statistical data obtained through the analysis of detailed information pertaining to cheque history. Therefore, corporations can use the Cheque Index before engaging in a cheque transaction instead of attempting to interpret the detailed information in the Cheque Report. The Cheque Index enables companies to: Have an idea about the reliability of cheques, which they accept as a guarantee, Make consistent predictions as to whether the cheque will be paid by the maturity date, and Minimize any financial loss they may incur if the cheque bounces.

PERSONAL CREDIT RATING (PCR)

The Personal Credit Rating (PCR) is a numerical indicator calculated by KKB for individual customers to predict and compare customers' ability to repay the loans they have obtained or will obtain from KKB-member institutions. PCR is a decision support product developed using a statistical model; it provides a summary of data pertaining to loan repayments of customers, obtained via the Credit Reference System (CRS).

PCR enables lending institutions to make rational, standardized risk decisions while shortening the decision-making process substantially. As a result, customers can access loan products in a shorter time. Lastly, KKB launched the fifth version of PCR in 2017.

PERSONAL INDEBTEDNESS INDEX (PII)

The Personal Indebtedness Index (PII) is a score-based risk index developed by KKB to introduce a new risk perception to the banking-finance industry and to enable better prediction of potential risks. PII aims to identify persons who are inclined to run up excessive debts, even though they may not have shown any signs of repayment problems in the past.

The Cheque Report enables tracking of cheque payment performance of an account holder, whether positive or negative, and gives an impression about the relevant party's credibility.

The objectives of PII include:

- » Establishing an early warning system by identifying those persons who use a new loan to pay off an existing debt and who therefore are increasingly incurring more debt, even though they may not have shown any signs of repayment problems in the past.
- » Ensuring responsible lending,
- » Enabling users to make more accurate decisions concerning matters such as determining credit limits, risk-based pricing, and the like,
- » Improving the quality of the lending decision systems of banks.

The Personal Indebtedness Index (PII) was developed to predict those persons who will become excessively indebted within one year following the date of the inquiry, even if they are not expected to become insolvent within the same period.

In addition to the definition of "non-performing loan" (i.e. persons who failed to pay three installments in succession, persons who are under legal prosecution, persons who are classified as uncollectible account), which Personal Credit Rating and similar risk prediction models try to forecast, PII also detects signs of "excessive indebtedness." PII was developed to identify persons who have an outstanding non-guaranteed debt higher than TRY 250 and to predict excessive indebtedness.

COMMERCIAL CREDIT RATING (CCR)

The Commercial Credit Rating (CCR) is an evaluation of the creditworthiness of a firm in order to facilitate commercial credit analysis. CCR is notified to member banks and other financial institutions as part of inquiries made through the Corporate Bureau, which keeps record of credit histories.

CCR is based on demographic data, loan and collateral data, and cheque payment performance to predict to what extent an enterprise will fulfill the repayment requirements of a loan obtained from a member. CCR measures a firm's default probability within 12 months following the date of inquiry; therefore, if the CCR is high, then it means that default probability is low.

Financial institutions consider many variables in the lending process. As financial institutions take into consideration a number of variables during the lending process, loan repayment history is an important variable. CCR fills an important gap by providing the information needed to evaluate the loan repayment behavior of legal persons. As a result, monitoring the external behavior of loan customers becomes easier.

The Commercial Credit Rating (CCR) is calculated statistically through analysis of detailed data contained in the Risk Report. CCR provides the following advantages:

- » Risk decisions made by lending institutions can be evaluated more accurately.
- » A standard can be established in the commercial segment.
- » Decision-making processes are shortened so that customers can access loan products in a shorter time.

KKB offers its corporate members two different Commercial Credit Rating models, derived from data modeling carried out on the Corporate Bureau System.

HIGHLIGHTS

- In addition to identifying "non-performing loan," which Personal Credit Rating and similar risk prediction models attempt to forecast, PII also detects signs of "excessive indebtedness."
- The Personal Credit Rating enables lending institutions to make rational, standardized risk-based decisions while shortening the decision-making process substantially.
- The Commercial Credit Rating is notified to member banks and other financial institutions as part of inquiries made through the Corporate Bureau, which keeps record of credit histories.



**WE AIM TO PAVE THE WAY FOR
SERVICE DELIVERY IN A DIGITAL
ENVIRONMENT.**

ERŐAN HOŐRIK

15. KKB'S PRODUCTS AND SERVICES

WITH COLLECTION SCORES, MEMBERS CAN DEVELOP SPECIFIC COLLECTION STRATEGIES FOR OVERDUE CUSTOMERS THANKS TO THE RISK SCORE CARDS TAILORED FOR EACH CUSTOMER. AS A RESULT, KKB MEMBERS CAN MANAGE THEIR COLLECTION PROCESSES MORE EFFECTIVELY.

COLLECTION SCORES

In order to support the data-sharing service it offers to members with analytic scoring models, KKB launched the Collection Scores service, one of its high value added products. The "Collection Scores" service is used to calculate the risk of further delaying payment or defaulting on a loan by a customer, who has already delayed repayment, in the near future. Collection Scores are risk score cards tailored for each customer who delays their payments. With this tool, members can develop collection strategies for overdue customers and manage collection processes more effectively. Taking into account all CRS data, members can boost collection efficiency by planning their actions to realize risk segmentation according to the related overdue period. They can also ensure to prevent customer dissatisfaction except for operational gain.

INCLINATION SCORES

KKB's Inclination Scores seek to predict the likelihood of persons to use a new credit product in the future based on their past behavior and their performance with respect to existing credit products.

KKB Inclination Scores:

- » Enable KKB members to reach the best prospects rapidly with appropriate strategies for product sales.
- » Allow members to see more comprehensive data via a single score with lesser operational burden.

- » Save time thanks to easy identification of target masses on product basis.
- » Accelerate sales through value added to sales and marketing operations.
- » Provides more productive, efficient management in making products available.

In 2015, KKB began calculating Inclination Scores for personal loans by modeling loan and loan application data pertaining to the personal portfolio contained in the data warehouse using statistical methods. KKB plans to calculate Inclination Scores for all personal products in the coming period.

GEOMIS – MAP-BASED REPORTING SERVICE

GeoMIS, winner of the "Oracle 2014 Innovator Excellence Award," is a location-based data reporting system that processes address information contained in KKB data and converts it into geographic coordinates. GeoMIS enables viewing of all types of statistical data on the map by assigning different colors to different categories, which are broken down by city and province.

Comprised of various components, GeoMIS does not only consist of a database, numerical map and reports. GeoMIS can also be effectively used as a decision support system because it visualizes common database processes, such as inquiries and statistical analysis, combining them with geographic analyses provided by the maps. Thanks to this capability, GeoMIS renders report outputs much more valuable, providing output that boosts productivity and risk models.

The following reports can be generated through the GeoMIS Map-based Reporting System; Standard Report, which contains portfolio data of an institution pertaining to a specific period, Trend Report, which enables the tracking of changes in portfolio data of an institution within a certain time period, Benchmark Report, in which portfolio data of an institution can be evaluated against industry data, TÜİK (Turkish Statistical Institute) data and a selected benchmarking group.

CUSTOMER SPECIFIC COLLECTION STRATEGY

15. KKB'S PRODUCTS AND SERVICES

THE GEOMIS SERVICE IS PROVIDED BY KKB THROUGH THE MAP-BASED REPORTING PLATFORM VIA THE ORACLE DATABASE AND APPLICATION SERVERS.

The GeoMIS service is provided by KKB through the map-based reporting platform via the Oracle database and application servers. Data positioning on the map is done using geo-coding.

The user of the application and the institution where they work are identified by the IP address and the entire display is based on that institution.

GeoMIS Personal

In July 2013, the members of the Credit Reference System (CRS) started using the GeoMIS application, which had only been covering the inquiries done by CRS users since the second half of 2009.

In 2014, the data set of the GeoMIS application was further enriched with the addition of personal loan portfolio data. Since that time, the application has also served as GeoMIS Personal.

GeoMIS Corporate & Cheque

GeoMIS Corporate & Cheque is a product of the GeoMIS family. In August 2014, KKB expanded the data set of the GeoMIS family by adding specific information about small/medium/large enterprises and the commercial segment. As a result, GeoMIS Corporate & Cheque provides detailed reports on the basis of cities and towns.

The GeoMIS Corporate application allows evaluation of limits, risks, Commercial Credit Rating (CCR) and bad cheque data pertaining to accounts contained in the Corporate Bureau (CB) and display of this data on the map on the basis of cities and even towns. Corporate members are able to view their own data, track the changes and development of their data, and to compare it with the industry and the competition.

Reports generated by the system contain information about outstanding balances, number of accounts, average score, credit risk/bank branch, and the number of firms on credit/bank branches.

As with other GeoMIS applications, the content of GeoMIS Corporate and Cheque is continually improved. In its first year, GeoMIS Corporate's data set was expanded with the addition of information about cheques notified to KKB.

GeoMIS Combined

The newest member of the GeoMIS product family, GeoMIS Combined includes and maps information related to the credit limit/risk reported by banks and financial institutions as well as receivables to be liquidated by using the branch's province and district address information.

The following information can be viewed on GeoMIS Combined

- » The number of records, branches, customers and customers per branch on Unit Reports;
- » The risk amount in TRY terms, risk amount excluding rediscount and accrued interest, risk amount per customer, and risk amount per branch on Risk Reports;
- » Limits in TRY terms and limit occupancy rates on Limit Reports;
- » Non-performing receivable rates and delayed credit rates on Ratio Reports.

GeoMIS Combined includes map information related to the credit limit/risk reported by banks and financial institutions as well as receivables to be liquidated by using the branch's province and district address data.

THANKS TO ITS SOPHISTICATED SYSTEMS INFRASTRUCTURE, THE LOANS ANALYSIS PORTAL (LAP) CAN PRODUCE SOME 175 MILLION DIFFERENT REPORT CONTENTS FROM 2.5 BILLION LINES OF DATA.

LOANS ANALYSIS PORTAL (LAP)

The Loans Analysis Portal (LAP) is an interactive reporting system that allows data reporting on the portfolio of any kind of installment loan, overdraft account and credit card products owned by natural persons; their payment performance; and comparison with the benchmarking group selected in the GeoMIS Individual application and with the sector as a whole. LAP's primary advantages to users include:

- » Showing the changes in an institution's loan portfolio on a monthly basis and over time.
- » Facilitating strategic decision-making by providing reports and information related to risk management, credit policies, marketing and campaign management, and collection practices.
- » Offering tailored data and content and ease-of-use via the Internet.

Using different parameters and filtering options on the reporting screens, the Loans Analysis Portal can produce about 175 million different reports on 2.5 billion lines of data. Thanks to its state-of-the-art infrastructure, LAP generates these reports very fast.

KKB's corporate members who are also Credit Reference System (CRS) users can perform the following analyses on LAP:

- » Analysis of newly opened accounts
- » Analysis of current portfolio, and
- » Risk analysis.

The Loans Portfolio Analysis system generates reports using data derived from the monthly notifications of CRS members. The system contains data pertaining to the past 13 months and report results are visually represented in diagrams.

With this application, an institution can:

- » Track the current state and development of its own loan portfolio;
- » Compare data related to different portfolios, such as amount, volume, overdue payments and collections, with competitors;
- » Use all this data to establish and test its risk management policies.

KAP (Public Disclosure Platform: "PDP")'s reporting service was prepared as a separate portal for consumer finance companies. The companies were provided the opportunity to receive data from the PDP based on product and under the heading they prefer. In addition to the newly opened accounts analysis, current portfolio analysis, and risk analysis reports that they can already receive, consumer finance companies can prepare and use reports in three main products: vehicle loans, mortgage loans and consumer loans.

HIGHLIGHTS

- LAP displays the change in the credit portfolio of an institution by month or specific time interval - a major benefit for users.
- The Credits Portfolio Analysis System generates reports using data derived from the monthly notifications of CRS members.
- The GeoMIS Combined Unit Report displays the number of records, branches, customers and customers per branch.

15. KKB'S PRODUCTS AND SERVICES

ENABLING FINANCIAL INSTITUTIONS TO MAKE SYSTEMATIC AGRICULTURAL LOAN EVALUATIONS BASED ON ACCURATE, UP-TO-DATE DATA WITHOUT THE NEED FOR EXPERT TEAMS, TARDES PROVIDES AN IMPORTANT SYSTEMS PLATFORM AND INFORMATION SERVICE TO FINANCIAL INSTITUTIONS.

CHEQUE ANALYSIS PORTAL

Cheque Analysis Portal is an interactive reporting environment that enables KKB members to compare their cheque numbers with the "benchmarking group" that they will define, and the "sector in general."

Through the reports prepared with the data obtained from the daily check notifications of the Cheque Analysis Portal, they can:

- » Compare the number of cheque customers using cheques for the first time with competitor institutions;
- » Have information about the ratios and trends of customers who issue bounced cheques in their customer portfolio;
- » Monitor the rates of the cheques whose backs are written and subsequently paid, on a monthly basis with the Vintage analysis;
- » Measure the ratio of bounced cheques during submission, and how loyal cheque customers are, to their payments;
- » Have information about the ratio of up-to-date bounced cheques and on how much of the bounced cheques have been paid;
- » Compare the ratio of cheque customers who issued a cheque for the first time, and who issued a bounced cheque for the first time, with the sector in general as well as with a peer group defined by the institution itself;
- » Reach cheque index distribution of the cheque customers.

ADDRESS PROCESSING SERVICE

The address formatting infrastructure used in GeoMIS, the map-based reporting system launched in 2013, started to be made available as a standalone service in line with the needs of KKB members in 2014.

This application contains a control to update address information, such as street names, towns, and similar details by geocoding the customer address data with the bank, adding the geocode data to the address data, and accurately defining the newly added addresses into the system.

The Address Processing Service provides the following benefits:

- » Collective Processing of Customer Addresses: Existing bank customer information can be formatted; changed information such as street name, district, and the like are updated and missing data completed; and geographic coordinates are added to the address data (geocoding).
- » Sharing the Up-to-date Address Database with Members: In order to ensure accurate data entry of new addresses, Turkey's address database is uploaded into the member system and integrated with the address entry screens. KKB assigns coordinates to each address entered. KKB also provides a reverse geocoding service, the process of back coding of a point location (i.e. latitude, longitude) to a readable address or place name.
- » Mapping Service: Any specific data relating to a member can be mapped using a function run by KKB.

AGRICULTURAL LOAN ASSESSMENT SYSTEM (TARDES)

In 2013, KKB launched the Agricultural Loan Assessment System (TARDES), which contains a data sharing, system-ready infrastructure for banks and financial institutions seeking to extend loans to the agricultural industry.

TARDES provides an important platform and information service to financial institutions, enabling them to make systematic agricultural loan evaluations based on accurate, up-to-date data, without the need for specialist teams.

TARDES offers KKB members the following benefits:

- » Reliable, up-to-date and detailed cost tables created by expert staff;
- » Simultaneous evaluation of different production and/or cultivation by the same producer;
- » The ability to extend loans with different maturity dates depending on the types of production and agricultural products;
- » Evaluation of agricultural production by taking into account a producer's non-agricultural income and expenses;
- » Inclusion of personal information as well as production and income-expense data of other persons or entities that may impact loan repayment in a single application;
- » The ability to offer a general credit limit taking into account a producer's agricultural and non-agricultural, commercial and personal activities and ability to repay;

- » Prevention of the extension of loans that exceed a producer's need and ability to repay;
- » Evaluation of short-, medium- and long-term loans all-in-one;
- » Minimal IT and staff investment required by lending institutions;
- » Automatic data input from the Farmer Registry System included;
- » A flexible lending infrastructure tailored to financial institutions, enabling them to enter models and parameters into the system in line with their own credit policies;
- » The capability to send notification emails to users as the maturity date of a product, for which a limit has been proposed, approaches;
- » Time savings by blocking applications for products that do not qualify for a loan extension;
- » Evaluation of a producer's loan requests for non-agricultural purposes through the personal loan category.

Thanks to the Agricultural Loan Assessment System (TARDES), developed jointly by the Frankfurt School and KKB, and sponsored by the European Bank for Reconstruction and Development (EBRD), income and maturity calculations have become much easier.

TARDES helps financial institutions save time and manpower by providing information compiled and evaluated by a professional, impartial and expert team. It also enables financial institutions to establish a standard, product-based evaluation system internally. As a result, TARDES significantly contributes to the development of the agricultural industry.

FARMER REGISTRY SYSTEM (FRS)

The Farmer Registry System (FRS) requires all farmers to be registered in a central database in order to monitor, inspect, report and inquire about agricultural support, and to ensure evaluations are sound and accurate.

FRS is a combined system of systems, used to keep records of personal information and assets (e.g. agricultural land, livestock, inputs, and the like) of farmers actively engaged in agricultural activities, along with product design and average agricultural productivity. FRS enables the implementation, monitoring and inspection of agricultural support programs; it is also used for the development of agricultural policies.

FRS Inquiry Screens enable those KKB members who do not use the TARDES loan module to inquire about FRS data, compiled by the General Directorate of Agricultural Reform and used to update, inspect, and monitor farmer related data.

TRADE REGISTRY SHARING SYSTEM (TRSS)

The Trade Registry Sharing System (TRSS) enables financial institutions to access up-to-date trade registry information about their customers, and be promptly notified of any changes.

Through TRSS, users can access amendments published in the Trade Registry Gazette on a daily basis using their preferred method. The application allows for both individual and multiple inquiries as well as the use of proactive notification methods.

The Multiple Inquiry option enables users to retrieve information about a number of customers at once. Users can either retrieve information about all types of announcements or select announcements in a specific category.

The Proactive Notification service sends members daily notifications about selected types of announcements concerning their customers in the Corporate Bureau and newly established firms. The related notification file is sent to the FTP address.

Institutions using the Proactive Notification service are now able to determine the daily notifications they want to receive by entering specified criteria into the system.

IBAN VALIDATION SERVICE

Fast, secure and accurate money transfer via financial institutions is becoming increasingly important for customers in today's fast paced business world.

KKB's IBAN Validation Service enables customers to view masked data – such as name/surname, company name – about the real person or the legal entity that owns the IBAN, thus helping customers avoid incorrect money transfers.

15. KKB'S PRODUCTS AND SERVICES

WITH KKB'S UNKNOWN NUMBER SERVICE, CUSTOMERS WHO DO NOT HAVE A PHONE NUMBER, OR WHOSE CONTACT INFORMATION IS IN DOUBT OR INCORRECT CAN BE REACHED IN A SHORTER TIME.

KKB's IBAN Validation Service aims to:

- » Prevent possible money transfer mistakes,
- » Cut operational costs,
- » Reduce time costs,
- » Provide customers with a secure transaction platform, and
- » Increase customer satisfaction.

KKB UNKNOWN NUMBER SERVICE

KKB Unknown Number Service is an unknown number service that facilitates reaching customers in a shorter period of time, by enriching the customer address of KKB, when the customers do not have a phone number, the correctness of their contact information is in doubt, or their contact information is incorrect.

The following is provided under the KKB Unknown Number Service:

- » With Standard Inquiry, current and potential customers can be reached using more precise contact information via the name-surname-address (province/district) information obtained through the inquiry conducted by using the phone numbers registered by the institution itself, It is also possible to communicate with customers who do not have contact information, or who cannot be reached on their registered numbers, via the numbers to be obtained via name-surname-address (province/district) information.

- » The Address Comparative Inquiry is designed to provide number information through name, surname and open address. This inquiry type allows coupling proximity of the inquired address to be measured by assigning a score to the phone number submitted as the answer, and to the address in the same inquiry where this number is registered.
- » The Verification Inquiry ensures that the current name, last name, phone number information held by the institution is confirmed with the information registered in the directory service. An accuracy score is given to the open address information.

ELECTRONIC LETTER OF GUARANTEE

The Electronic Letter of Guarantee Platform transfers traditional paper-based letters of guarantee issued by banks to the electronic environment while ensuring that all correspondence made throughout the life cycle of a LoG can be executed electronically.

All transactions that can be made for letters of guarantee created in paper form can also be executed by the Electronic Letter of Guarantee.

Systems integration work between banks and intermediary institutions that are parties to the project went into a production environment on January 5, 2018. The first Electronic Letter of Guarantee was transferred between VakıfBank and Eximbank on October 4. All banks are working to complete their integration with this important project - which is a revolutionary step forward in the Turkish banking sector.

Real sector firms that are beneficiaries in an Electronic Letter of Guarantee transaction, can follow the status of their letters through Findeks. The status of the letter can be displayed and the stages of the processes between the payer and the bank can be monitored.

The Electronic Letter of Guarantee Platform – which transfers traditional letters of guarantee to the electronic environment – makes it possible to perform all LoG related transactions electronically.

KKB NOW ENABLES EXECUTION OF THE ENTIRE DECISION AUTOMATION PROCESS BY MEANS OF CLOUD TECHNOLOGY THROUGH THE CENTRAL DECISION SUPPORT SYSTEMS (CDSS), WHICH BEGAN TO BE OFFERED TO THE MEMBERS IN 2014.

The Electronic Letter of Guarantee also provides many advantages in terms of both the beneficiary and the payer. The most prominent of these advantages is faster, safer transactions with minimal operational costs.

All the functions in the life cycle of the standard letter of guarantee – such as compensation claim, request for restitution/release, maturity update, expiry date and status inquiry – are also available in the Electronic Letter of Guarantee.

LETTER OF GUARANTEE STATUS INQUIRY (LGSİ)

The Letter of Guarantee Status Inquiry (LGSİ) service enables customers who have obtained a letter of guarantee from a bank to check whether the letter of guarantee is still valid for the issuing bank. The service allows for inquiries using parameters such as bank name, branch name, row number, amount, currency and expiration date.

Institutions using the LGSİ service save time and cut operational costs by instantly inquiring about the validity of a letter of guarantee without the need to contact the issuing bank.

Thanks to the system, which allows the validity of a letter of guarantee to be checked instantly, fraud attempts can be prevented as well.

KKB member institutions and corporations can use the LGSİ service, which mainly targets public entities and institutions that accept a large number of letters of guarantee, via web screens specially designed for this application. Users can make online inquiries using banks' updated letter of guarantee databases, which are integrated with the system.

LGSİ covers all letters of guarantee issued to enterprises based in Turkey. In this online/real-time application, data flow from/to the banks that issue letters of guarantee is achieved through a web-based service integration.

CENTRAL DECISION SUPPORT SYSTEMS (CDSS)

Serving as a data sharing platform since its founding, KKB now enables execution of the entire decision automation by means of cloud technology via KKB through the Central Decision Support Systems (CDSS), which began to be offered to the members in 2014.

CDSS is a decision automation system used by institutions that delivers every type of decision – including application management, risk/collection, credit monitoring, early warning services and the like – related to the services provided by them to their customers, in a fast, efficient and standardized manner. The most important downside to these systems, despite their many advantages, is that purchase, installation and operational costs can be significant.

Delivering this service centrally, KKB aims to provide institutions with quick, low-cost access to these systems.

HIGHLIGHTS

- All transactions that can be performed for paper-based letters of guarantee can also be conducted via the Electronic Letter of Guarantee.
- Institutions using the LGSİ service cut operational costs by instantly inquiring about the validity of a letter of guarantee without the need to contact the issuing bank.
- On October 4, 2018, the first Electronic Letter of Guarantee was transferred between VakıfBank and Eximbank.

15. KKB'S PRODUCTS AND SERVICES

SABAS STANDS APART FROM SIMILAR SYSTEMS USED AROUND THE WORLD THANKS TO ITS INFORMATION SHARING TOOL AND PLATFORM. AS A RESULT, MEMBERS ARE ABLE TO SHARE FACTS, FINDINGS AND EVIDENCE RELATED TO CRIMES, SUCH AS FORGERY, FRAUD, IDENTITY THEFT, MONEY LAUNDERING.

KKB enhances any information sent by a member when a decision is required, processes it through CDSS, and then sends the final decision to that member. This way, members can benefit from this state-of-the-art technology, which was designed to reduce installation costs and implementation time. Central Decision Support Systems (CDSS) are effectively used by both the real sector and the finance industry. CDSS can be used in a number of business areas, such as Application Management, Customer Management, Limit Management, and Collection Management, where decisions must be constantly updated and optimized to adapt to the rapidly changing business environment. CDSS features the following advantages:

- » Requires minimal IT resource since technical infrastructure is provided by KKB.
- » Shortens integration processes to realize projects, thanks to the advantage of using an existing service.
- » Reduces costs with per-transaction pricing.
- » Enables business units to make decisions independently of the IT Department, thanks to the new generation Strategy Design Studio.
- » Compiles and consolidates KKB data used in CDSS processes, which use KKB's know-how and technology.
- » Conducts inquiries on all reports received from KKB through inquiry.

PRESCRIBED ACCOUNTS

With this service, information about prescribed deposit accounts, loan participation funds, trust and accounts receivable are collected from the banks that are members of the Banks Association of Turkey (TBB) and Participation Banks Association of Turkey (TKBB); consolidated; and published on a common platform (i.e. the website) for easy access by customers.

Prescribed Accounts information is published every year in early February and can be accessed by all financial services customers until June.

FALSE INFORMATION/DOCUMENT/DECLARATION/APPLICATION ALERT SYSTEM (SABAS)

Serving the finance industry for the past 10 years, the False Information/Document/Declaration/Application Alert System (SABAS) enables members to share information about malicious attempts to use wrongful information and related risk factors under a defined scheme and to take necessary measures.

Thanks to the information sharing technique and platform, developed by KKB and setting SABAS apart from other similar systems used around the world, members are able to share facts, findings and evidence related to crimes such as forgery, fraudulence, identity theft, money laundering, and the like.

SABAS is structured around five main objectives:

- » Protecting citizens and customers from risks and victimization by preventing use of their information, documents, possessions and property by others (e.g. identity thieves, money launderers, impostors, swindlers, and the like).
- » Informing KKB members about actual or potential risks arising from malicious attempts in order to protect them against such risks or reduce their loss or damage.
- » Enabling KKB members to exchange information under standards and rules that are free of personal comments, opinions or judgment.
- » Protecting KKB members from becoming victims of crimes, which may have more destructive consequences than that of the malicious attempts described under SABAS.
- » Enabling KKB members to minimize their risks, thanks to SABAS, while protecting natural persons and legal entities from becoming victims of such attempts.

INTERNET FRAUDS ALERT SYSTEM (IFAS)

Scammers can obtain customers' online banking usernames and passwords and use this information to transfer money to their own accounts, which they usually open using counterfeit identity documents. This crime has become very common of late. Even though banks use highly advanced security systems to prevent such attempts, criminals continue to develop new methods to bypass these systems.

Developed by KKB, the Internet Frauds Alert System (IFAS) primarily aims to enable communication between member corporations regarding Internet frauds. To that end, requests to block an account in the case of money transfer scams can be transmitted via IFAS. This way, a more effective communication can be established between corporations and all kinds of information regarding transactions can be stored in the data processing system.

Given that money transfers can become quite complex, an automatic graph-drawing feature was added to the system to facilitate the investigation of such incidents. This feature is used to create a flow diagram for each money transfer scam. Another important feature of IFAS is that it can be integrated and operated in parallel with SABAS.

Criminals generally use counterfeit documents to withdraw the stolen money. In online fraud, perpetrators generally open deposit accounts using false identification documents in order to withdraw the money they have transferred from customers' bank accounts. Data pertaining to such accounts are shared within SABAS so the relevant departments of corporate members can access this information. Hence, information used previously for fraudulent purposes and detected by IFAS can never be used again.

FRAUD ATTEMPT DETECTION AND PREVENTION SERVICE

The objective is to create a national database of loan application data provided by member institutions and offer protection to the entire industry.

The Fraud Attempt Detection and Prevention service provides for a much safer operational environment when compared to anti-fraud controls undertaken by each institution separately. This project aims to minimize losses incurred by financial institutions as a result of application fraud.

The Fraud Attempt Detection and Prevention service will run as a cloud-based application via KKB; system participation will be easy and low-cost for financial institutions. Another great advantage is that institutions will share the licensing expenses. The system is being designed to process both exclusive and shared rules and data.

The new system will initially be activated for lending institutions. Subsequently, it is expected to expand and become a national information-sharing platform with the participation of different industries.

LOAN UTILIZATION INSTANT SHARING SERVICE (KAPS)

The Loan Utilization Instant Sharing Service (KAPS) is designed to prevent the obtainment of loans by a person from banks and financial institutions on the same day above his/her creditworthiness and to determine related fraud cases.

The service allows the institution to know if a customer has obtained any other loans within 48 hours at the time of utilization of the loan. It enables prohibiting the person from receiving loans above their solvency while preventing a type of fraud commonly perpetrated in the market.



**WE PROVIDE EFFICIENT SERVICES FOR
FINANCIAL RISK MANAGEMENT WITH
OUR COMPREHENSIVE KNOWLEDGE
AND EXPERIENCED STAFF.**

ORKUN DENİZ

16. OUR PRODUCTS AND SERVICES PROVIDED TO TBB RISK CENTER

Service Name	2013	2014	2015	2016	2017	2018
Credit Limit Credit Risk Inquiry and Sharing Services	●	●	●	●	●	●
Sharing Information about Protested Bills	●	●	●	●	●	●
Bounced Cheque Inquiry and Information Sharing	●	●	●	●	●	●
Individual Cheque Inquiry	●	●	●	●	●	●
Risk Center Customer Report Service	●	●	●	●	●	●
Credit Reference System (CRS)		●	●	●	●	●
Corporate Bureau System (CBS)		●	●	●	●	●
Individual Customer Objection Assessment System (Individual MIDES)		●	●	●	●	●
Corporate Customer Objection Assessment System (Corporate MIDES)		●	●	●	●	●
CRS Information Verification System		●	●	●	●	●
Cheque Report Raw Data Presentation		●	●	●	●	●
Risk Report Raw Data Presentation		●	●	●	●	●
Bounced Cheque Warning System		●	●	●	●	●
Inquiry and Warning about Entities Prohibited from Participation in Tenders		●	●	●	●	●
Data Sharing about Derivative Transactions		●	●	●	●	●
Data Updating Application		●	●	●	●	●
Data Validation and Sanction Application		●	●	●	●	●
Acceptance – Rejection Notifications Related to Loan Applications		●	●	●	●	●
Sharing of Internal Rating Scores		●	●	●	●	●
Rating Scores Sharing Service		●	●	●	●	●
Official Institution and Customer Information Request Services		●	●	●	●	●
Member Request Management Services		●	●	●	●	●
Risk Center Bulletin and Statistics Publication Services		●	●	●	●	●
Paid Bills Inquiry			●	●	●	●
Sharing Information about Cheques under Interim Injunction			●	●	●	●
Sharing Information about Companies that have Declared Bankruptcy/ Suspended Bankruptcy/Debt Composition			●	●	●	●
Sharing Service about Customers Banned from Using Cheques			●	●	●	●
Customer RA Personal Record Search			●	●	●	●
Cross Cheque Relations Inquiry			●	●	●	●
Credit Insurance Inquiry Service			●	●	●	●
CTMCRS Inquiry Service				●	●	●
RC Warning Services					●	●
Force Majeure Inquiry					●	●
BKM Member Merchant Turnover Information Inquiry					●	●
Individual Inquiry Reports					●	●
Telecommunications Information Inquiry						●
Foreign Currency Credit and Income Inquiry						●

16. OUR PRODUCTS AND SERVICES PROVIDED TO TBB RISK CENTER

CREDIT LIMIT-CREDIT RISK INQUIRY AND INFORMATION SHARING ENABLES THE LIMIT-RISK INFORMATION OF REAL AND LEGAL ENTITIES TO BE DISPLAYED PERIODICALLY.

CREDIT LIMIT-CREDIT RISK INQUIRY AND INFORMATION SHARING SERVICES

Risk Center members submit and share information about credit limits extended to natural persons and legal entities and associated credit risk, in addition to accounts receivables to be liquidated, via this system on a monthly basis.

Information is collected from members under the following categories:

- » Credit Limit: Credit limits extended to real persons and legal entities for cash and non-cash loans, funds, and other accounts receivable with respect to their activities.
- » Credit Risk: Receivables arising from cash and non-cash loans and funds extended or mediated to natural persons and legal entities, other accounts receivable activities, and associated interest and profit shares.
- » Accounts receivable to be liquidated: Loans and other receivables classified as "frozen" receivables by banks. Receivables to be liquidated by leasing, factoring and financing companies, and accounts classified as uncollectible.

Information collected via this system is consolidated per account and shared with members that have sent notifications about these accounts. Individual inquiries are also possible via the web screen or the web service.

Through this system, the following information is also shared with the members: Information notified to the Risk Center by

TMSF (Savings Deposit Insurance Fund of Turkey) regarding credit limit, credit risk and accounts receivables to be liquidated. Information about risks associated with commercial paper issues and principal debt arising from bills issued through the Central Registry Agency.

The Credit Limit-Credit Risk-Receivables to be Liquidated (CLCR) system launched in 2013 provides comprehensive information required by members to evaluate credit risk.

SHARING INFORMATION ABOUT PROTESTED BILLS

Members notify the Risk Center about bills disputed for non-payment and bills relieved from dispute once every 15 days. Personal information of the debtor, address and amount stated on the bill are recorded in the system. Notifications sent by banks are consolidated and shared collectively with Risk Center members via the File Transfer System.

BOUNCED CHEQUE INQUIRY AND INFORMATION SHARING

In the Bounced Cheque Warning System, information about cheques recorded as dishonored by banks and their account holders, and information about cheques paid after being recorded as dishonored and their account holders are notified to the Risk Center on a daily basis, regardless of the cheque amount.

It is possible to run both individual and multiple inquiries about bad cheques notified by members:

Collective Sharing: Bounced cheque data submitted by members is consolidated and shared collectively with all members of the Risk Center via the File Transfer System.

Individual Inquiry: Results of individual inquiries can also be shared with all members, whether they are customers or not, via the Risk Center's web applications.

Thanks to the Bounced Cheque Inquiry System, non-sufficient fund cheques pertaining to persons with whom the customer is affiliated can be displayed.

PROVIDING INFORMATION RELATED TO OVERALL CREDIT RISK AND REPAYMENT HABITS OF AN INDIVIDUAL, THE CREDIT REFERENCE SYSTEM MINIMIZES PERSONAL CREDIT RISK AND ENSURES MORE RATIONAL, FASTER, AND HEALTHIER CREDIT AND LIMIT DECISION-MAKING.

INDIVIDUAL CHEQUE INQUIRY

This service enables Risk Center members to inquire about cheques recorded as dishonored as well as cheques paid after being recorded as dishonored.

CREDIT REFERENCE SYSTEM (CRS)

Credit Reference System is an information-sharing platform, through which detailed data about personal loan products is collected from the members of the Risk Center and then shared with banks and financing companies.

Banks and financing companies that are members of the Risk Center can access: Data on all open accounts under which a consumer is "debtor" and "guarantor," Data on all closed accounts of the last five years; Data on applications made during the last six months; and Loan repayment performance data pertaining to the last 36 months online within several seconds via CRS inquiry.

With the ability to access any information regarding overall credit risk and repayment habits of any consumer by using CRS, financial institutions can make any risk decision pertaining to their customers by relying on concrete data.

The CRS Collective Inquiry service allows users to make group inquiries on the portfolio of personal loan customers and to manage risk effectively. As a result, financial institutions can

make their loan decisions rapidly (e.g. extend loans by SMS) and offer their loan products rapidly to the right customers under the right conditions.

Thanks to this advantageous system provided by KKB, the finance industry can grow in a healthy manner and consumers are provided with the financial support they require on a macro scale.

Members transmit the data of customer loan repayments in the prescribed details and format for the present and past on a monthly basis to the CRS. KKB transfers the personal loan product data received from members in accordance with a standard structure to the CRS database in its original state without any modification, consolidation, addition or other alteration and opens the data to sharing with the other members. In addition, the information contained in the risk reports comes from this data pool.

Thanks to the CRS Emergency Update Application, members are able to instantly update the financial information and personal information of their credit accounts, delete guarantors and additional card users and make credit deletions without waiting for the next daily notice.

The Credit Reference System ensures minimizing personal credit risk, boosting credit volume used by measuring credit risk, making more rational, faster, and healthier credit and limit decisions. The system also encourages individual credit customers to pay on a regular basis and enables loan utilization to be widespread.

CRS is not a black list; it also contains positive loan repayment data. Consequently, customers have the opportunity to introduce themselves easily to an institution with which they will work for the first time ever. While the loan accounts are updated by the members on daily basis, application records are created and opened to sharing instantly.

HIGHLIGHTS

➤ The CRS Collective Inquiry service allows financial institutions to make collective inquiries on the portfolio of personal loan customers and manage risk effectively.

➤ With the CRS Emergency Update Application, in addition to the financial information on members' credit accounts, personal data can also be updated instantly.

➤ The Credit Reference System provides loan repayment performance information for the last 36-month period within seconds.

16. OUR PRODUCTS AND SERVICES PROVIDED TO TBB RISK CENTER

THE CONTENT RICH CORPORATE BUREAU SYSTEM SHARES INFORMATION ON IDENTITY DETAILS OF REAL AND LEGAL ENTITIES; INFORMATION ABOUT RELATIONS ON A CAPITAL BASIS, LOAN ACCOUNT AND REPAYMENT DATA; COLLATERAL INFORMATION AS WELL AS BOUNCED CHEQUE DATA.

After operating with the monthly data reporting and update system until June 2015, CRS began to be updated daily as of that time. In CRS, where millions of accounts are recorded, credit information and payment performance data were ensured to be uploaded to the daily system. With more current data, it became more likely for members to make healthier credit decisions more effectively.

As of July 2016, CRS notification was initiated by the asset management companies as well as banks and consumer financing companies, enabling existing CRS data to be enriched.

As of October 2017, personal and communications data, which is only reported during opening of an account, began to be received on a monthly basis. Thus, the DVS system was given the capability to be fed with updated personal and communication data.

CORPORATE BUREAU SYSTEM (CBS)

The Corporate Bureau System (CBS) is an information sharing system which includes commercially qualified credit information of real and legal entity customers.

Launched in 2005, CBS offers a very rich data set for use by members to perform a risk assessment on a legal entity. With the Collective Inquiry function added to the system in November 2013, members can easily update the portfolio at certain periods.

The content rich system facilitates sharing of an extensive range of data, including identity details of real persons and legal entities, information about relations on a capital basis, loan account and repayment data, collateral information and bounced cheque data.

As the number of members who provide information to the system increases, the Corporate Bureau System is being used more intensively. CBS has become an important tool in the credit assessments of KKB-member institutions regarding their corporate customers. As a result of a project carried out to enrich the data of the corporate bureau in 2013, corporate inquiries now include the following: In addition to the total corporate limit, information on group limit, group risk, cash and non-cash limit breakdown and general revision maturity are shared.

In 2014, a function was added to the CBS to enable institutions to perform any updating, deletion and correction on the Corporate Bureau Urgent Updating screens when there is any missing or erroneous data transmitted to the CBS without waiting for the next notification month. Thanks to the system, where objections received and answered via MIDES are listed, KKB members can make updates without waiting for the next month's notification.

The first phase of the CBS Improvement and Simplification initiative commenced in 2017. This project enhanced data diversity within CBS and further improved the system's data uploading and inquiry performance.

Under this effort, KKB plans to enter Payment Performance data to CBS, just like in CRS, and share the Number of Days of the Biggest Delays in Payments within the Period for any given loan, going back as far as 36 months.

Financial leasing companies that were not in the CRM previously were included to the system as of April 2018; factoring companies were included as of November 2018. In subsequent phases of the project, asset management firms will also be in the CRM.

CUSTOMER OBJECTIONS HANDLING SYSTEM (MIDES)

The Customer Objection Handling System (MIDES) allows automatic transmission of the objections related to the information shared within the CRS and CBS to the member who registered the record.

Thanks to its construction, objections made by the customer: Through the Personal MIDES application in respect of their data shared in the CRS, and Through the Corporate MIDES application in respect of their data shared in the CBS are handled and concluded in a short period of time. If, as a result of the examination, the determination is made that there is a problem with the shared data, the necessary correction is carried out without a request within a short time.

IN 2018, EFFORTS WERE MADE TO CODE THE CURRENT FUNCTIONS OF THE INDIVIDUAL MIDES APPLICATION WITH NEW TECHNOLOGY IN ORDER TO BETTER MEET MEMBERS' DEVELOPING AND CHANGING NEEDS.

MIDES has the distinction of being the fastest system in the world in terms of examination of and responding to consumer complaints, when compared to similar systems. Although Risk Center member banks are allowed a maximum of 24 hours to respond to objections made, the actual response time is less than two hours.

In parallel to the start of CRS notification by asset management companies in 2016, systematic developments were completed for the submission and evaluation of the objections against the asset management companies' information.

In 2018, efforts were made to code the current functions of the individual MIDES application with new technology in order to better meet the developing and changing needs of members.

DATA VERIFICATION SYSTEM (DVS)

The Data Verification System (DVS) is a KKB platform that allows members to check the accuracy of the information declared by a consumer who applied to it; complete any missing information of existing customers; and update any outdated data of the customers. DVS is used very intensively by KKB members.

Along with the start of CRS notification by asset management companies in 2016, this information was used to feed the IVS (Information Verification System).

CHEQUE REPORT RAW DATA PRESENTATION

This system provides access to the historical payment data of a cheque issuer. The report includes detailed information about the banks where there is a cheque account, cheques submitted, cheques that bounced but subsequently paid, and details in regard to the dishonored cheques paid in 1-month, 3-month, and 12 month intervals.

In addition to dishonored and paid cheques, the Cheque Report also contains information about post-dated cheques and open cheques. As KKB began collecting information on Postdated Cheques and Open Cheques from its members, the Cheque Report now contains information about issuers' postdated and open cheques, in addition to dishonored and paid cheques.

The system now allows for the tracking of a person's performance as a "bearer" in the reports that are offered to members for "inquiry" purposes. In addition to these reports, The Cheque Report Raw Data Presentation System presents information about cheques payable to the issuer at 1-, 3-, and 12-month intervals; the number/amount and ratio of cheques paid upon presentation; the number/amount and ratio of cheques that are dishonored but subsequently paid; the number/amount of cheques that are dishonored and still unpaid.

RISK REPORT RAW DATA PRESENTATION SERVICE

Risk Report Raw Data Presentation Service provides information about historical loan repayment performance of natural persons and legal entities.

Based on personal and commercial loan data that the Risk Center periodically collects from corporate members via CRS and CBS, this report contains the following information: Data such as limits, risks, number of credit accounts of real and legal persons, as well as member information who has account, their past credit payment performance, number of financial institutions that make notification, delay and follow-up is included.

Containing limit-risk information of real persons and legal entities as well as information on delay and follow-ups, the Risk Report Raw Data Presentation service summarizes historical loan repayment performance of customers in the financial sector.



**WE CONTINUE TO INNOVATE
THANKS TO OUR ROBUST ADVANCED
TECHNOLOGY INFRASTRUCTURE.**

HAZAR TUNA

16. OUR PRODUCTS AND SERVICES PROVIDED TO TBB RISK CENTER

THE CROSS CHEQUE RELATIONS INQUIRY GENERATES A LIST OF THE NUMBER AND AMOUNT OF CHEQUES ISSUED BETWEEN COMPANIES AND REAL PERSONS.

The limit and risk information that appears in financial leasing and factoring companies are fed from the CLCR system and presented in the Risk Report.

Improvements made to the individual report service of the Risk Report in 2018 included: grouping under single heading of services that were previously separate for member types in the current structure; adding data for asset management companies; enriching of individual credit data. In addition, the current service quality was upgraded by making improvements such as simplifying "input" information used in inquiries.

CROSS CHEQUE RELATIONS INQUIRY SERVICE

This service allows inquiries about the mutual cheque relations between the issuer and the last endorser who presented the cheque to a bank.

The Cross Cheque Relations Inquiry Service produces a list showing the number and amount of cheques issued mutually between companies and natural persons, with detailed breakdown analyses that include: "Cheque recorded as dishonored," "Cheque paid after being recorded as dishonored," "Cheque paid upon presentation," and "Issuer's postdated cheque."

The Cross Cheque Relations Inquiry Service is provided via web applications since November 2015, with all members actively using it.

BOUNCED CHEQUE WARNING SYSTEM SERVICE

While the information about bounced cheques is uploaded into the system on a daily basis, the system scans the issuers of these cheques in both the Credit Reference System (CRS) and the Corporate Bureau System (CBS) and produces a warning message to inform members about the status of the bounced cheque.

Consequently, KKB provides an early warning service to its members by informing them about any potential payment problems their customers may face in the future.

INQUIRY AND WARNING SERVICES ABOUT ENTITIES PROHIBITED FROM PARTICIPATION IN TENDERS

Announcements published in the Official Gazette related to entities prohibited from participation in tenders, an important input for the risk assessments conducted by KKB members, are entered into the system on a daily basis.

Based on this data, various services are provided to KKB-member institutions, including:

- » When an announcement is published about prohibited entities and natural persons, a warning report is produced specially for the financial institution that serves these clients. As a result, members can be informed of notices published about their customers without having to monitor the Official Gazette.
- » If a customer who is the subject of inquiry in the Corporate Bureau has a tender ban record, then this information is also provided at the time of the inquiry.
- » One can run a customer-based search via the web application called Transactions Related to Entities Prohibited From Tenders, and access all announcements published within the year.

DATA SHARING SERVICE ABOUT DERIVATIVE TRANSACTIONS

Under this service, KKB shares data about futures, options and similar derivative contracts sold by banks to natural persons and legal entities one business day before the notification date, including information about limits and risks on a semi-monthly basis. Data sharing about derivative transactions can be made either collectively or individually.

EFFECTIVE SERVICES FOR THE FINANCE SECTOR

16. OUR PRODUCTS AND SERVICES PROVIDED TO TBB RISK CENTER

THANKS TO THE SHARING OF INFORMATION ABOUT CHEQUES UNDER THE INTERIM INJUNCTION SERVICE – WHICH DISPLAYS WHETHER AN INTERIM INJUNCTION OR CANCELLATION DECISION IS PLACED ON A CHECK – INQUIRIES CAN BE MADE VIA THE BOUNCED CHEQUE INDIVIDUAL INQUIRY SCREEN AS WELL AS THE CHEQUE REPORT.

- » Collective Sharing: Data about derivative transactions is consolidated for each customer and shared collectively with members that have sent notifications about these customers related to derivative transactions and CLCR Collective Sharing:(Credit Limit-Credit Risk-Receiveables to be Liquidated) on the next business day after the notification.
- » Individual Inquiry: With this option, one can inquire about Credit Limit-Credit Risk-Receiveables to be Liquidated and data about derivative transactions is also available.

PAID BILLS INQUIRY SERVICE

Member banks notify the Risk Center of paid bills and debtor information on a semimonthly basis. Personal information of the debtor, address and amount stated on the bill are recorded in the system.

Regardless of customer status, information about paid bills is shared with all members via the web screen application, which enables individual inquiries.

SHARING INFORMATION ABOUT CHEQUES UNDER INTERIM INJUNCTION

This service includes: If a court granted an interim injunction on a cheque. If a court lifted an interim injunction order. If a court ordered the cancellation of the cheque by banks on a daily basis, and shared it by individual inquiry and collective feedback.

The service of Sharing Cheques Imposed under Interim Injunction enables clarifying if there is any interim injunction or cancellation decision on a cheque. With this service, inquiry can be made via the bounced cheque individual inquiry screen as well as the cheque report.

SHARING INFORMATION ABOUT COMPANIES THAT HAVE DECLARED BANKRUPTCY/SUSPENDED BANKRUPTCY/DEBT COMPOSITION

Information about companies that have declared Bankruptcy-Suspended Bankruptcy-Debt Composition and which was published in the Trade Registry Gazette is compiled and shared with all members of the Risk Center via the File Transfer System on a monthly basis.

SHARING SERVICE ABOUT CUSTOMERS BANNED FROM USING CHEQUES

Court decisions related to bans on issuing cheques and opening cheque accounts are shared daily by the Risk Center with all Risk Center member banks collectively via the File Transfer System.

CUSTOMER RA PERSONAL RECORD SEARCH SERVICE

Within the Ministry of Finance, Revenue Administration, and under the Customer RA Personal Record Search Service, Active/Inactive status is shared together with information on the identity of the customer, date of establishment, address including UAVT (National Address Database) code and operating area.

The receipt of the customer's RA personal record via online inquiry not only improves the productivity on the member's front, but also prevents human-driven operational errors.

In August 2016, New RA Personal Record Search Web Service was launched in addition to the existing RA Personal Record Search service. With the addition of the Personal Record Change Web Service, the daily changes in company/person record and the type of operation are shared.

With the Customer RA Personal Record Search service – which provides instant access to the identity, address and field of activity information of real persons and legal entities – members can update customer information in their portfolios.

REAL PERSONS AND LEGAL ENTITIES CAN OBTAIN REPORTS RELATED TO THEIR OWN LOANS THAT HAVE BEEN CONSOLIDATED WITHIN THE RISK CENTER AND SHARED WITH RC MEMBERS THANKS TO THE RISK CENTER CUSTOMER REPORT SERVICE.

CREDIT INSURANCE INQUIRY AND SHARING

This service ensures the collection of monthly limit and risk information on the basis of customers who were insured by of (buyers), and customers who have insurance from (sellers), credit insurance companies. In addition, compensation applications made by the seller to insurance companies for unpaid bills are also shared. Credit insurance information can be queried individually on the screen and web service.

RISK CENTER CUSTOMER REPORT SERVICE

The Risk Center Customer Report Service provides real and legal entities with reports related to their own loans that have been consolidated within the Risk Center and shared with the members of the Risk Center. With this service, three different reports can be generated with information detailed below:

» Credit Limit, Credit Risk, Receivables to Be Liquidated

This report includes information pertaining to credit and receivables to be liquidated, which is declared by Risk Center member banks, financial leasing companies, factoring firms, consumer finance companies, asset management companies, resource organizations and other members. The report can be received in three different versions: Detailed Report, Summary Report, and Non-performing Loans.

» Cheque Report

This report pertains to bounced cheques, cheques paid after being processed as bounced cheques, and cheques paid upon presentation, since 2009. The report includes total number of cheques, total amount of the cheques, bank information, which cheques are received, as well as the last 50 bounced cheques processed and paid after being processed as bounced cheques.

» Protested Bill Report

It is the report containing information about protested bills. This report contains information about protested bills in the last five years, including bank name, branch name, record type (notification or removal), bill amount, protested bill notification period, protested bill removal period, and reason for removal.

ACCEPTANCE & REJECTION NOTIFICATIONS RELATED TO LOAN APPLICATIONS

Acceptance/rejection status of home, auto and consumer loans; credit cards; overdraft deposit account; and commercial loans, for which natural persons and legal entities have applied, and acceptance/rejection notifications related to these applications are collectively sent to the Risk Center as statistical data. This information, obtained from the banks, contributes to the CBRT's goal of fostering development of the financial sector.

SHARING OF INTERNAL RATING SCORES

Using this system, those banks that are members of the Risk Center and which have Internal Rating systems notify the TBB Risk Center of credit scores assigned to customers, their risk categories and score scales. They also share this information with the Banking Regulation and Supervision Agency (BRSA).

HIGHLIGHTS

➤ The RA Personal Record Change Web service shares daily changes in company/person record information and the type of operation.

➤ Acceptance/rejection status of home, automobile and consumer loans; credit cards; overdraft deposit account; and commercial loans, as well as acceptance/rejection notifications related to these applications are collectively communicated to the Risk Center as statistical data.

➤ The Credit Insurance Inquiry and Sharing service ensures the collection of monthly limit and risk information on the basis of customers who are insured by, and customers who have insurance from, credit insurance companies.

16. OUR PRODUCTS AND SERVICES PROVIDED TO TBB RISK CENTER

RISK CENTER NEWSLETTERS AND REPORTS ANALYZE THE DEVELOPMENT AND SIZE OF THE TURKISH FINANCIAL SECTOR, INCLUDING NON-BANK FINANCIAL INSTITUTIONS WITH OVERDUE RECEIVABLES AND VARIOUS OTHER DETAILED INFORMATION.

SHARING OF RATING SCORES

JCR Avrasya Derecelendirme A.Ş. notifies the TBB Risk Center of the credit scores assigned to customers by Credit Rating Agencies (CRAs), which have been authorized but not directly acknowledged by BRSA, and of customers' score scales. This notification is shared collectively with all Risk Center members, whether or not they are customers of the notification service.

DATA UPDATING APPLICATIONS SERVICE

With the Risk Center Data Updating Applications, correction of the data notified and shared by members can be performed instantly, without waiting for the next notification period. Thanks to this service, CRS, CBS, Protested Bills and Credit Limit-Credit Risk data can be updated online. In 2016, research studies to implement credit insurance buyer and seller notifications via the application were completed.

DATA VALIDATION AND SANCTION APPLICATIONS SERVICE

This system automatically checks whether KKB member data notifications are performed at intervals defined for each product and below a certain error rate; and sends feedback to members so that they can take action. When an error is detected, the system imposes a sanction in accordance with the rules set forth in the Risk Center Circular.

This system provides the following benefits:

- » Improving the quality of member data by minimizing erroneous notification rates,
- » Enabling members to create data notifications in a more controlled and accurate manner,
- » Taking actions according to different types of notifications through product diversification,
- » Protecting customers by ensuring the accuracy of customer information submitted to the Risk Center.

OFFICIAL INSTITUTION AND CUSTOMER INFORMATION REQUEST SERVICES

The Official Correspondence Team's activities include responding to correspondence from customers as well as official institutions such as the court, prosecutor's office, police headquarters, Ministry of Finance, Capital Markets Board (CMB), Social Security Institution (SSI) and the Directorate of Execution within the legally required time frame. The team also ensures that the reports requested by the official institutions are produced accurately and completely and become ready for submission.

MEMBER REQUEST MANAGEMENT SERVICES

The Authorization Management Team's activities include processing membership access forms submitted by members after controlling them in compliance with the memorandum; and authorizing members to have access to the applications after the controls.

RISK CENTER BULLETIN AND STATISTICS PUBLICATIONS SERVICES

Seventeen reports and one bulletin are regularly published every month on the official website of the Risk Center of the Banks Association of Turkey (<http://www.riskmerkezi.org>).

Related newsletters and reports include the "Credit Limit Credit Risk (CLCR)," "Personal Loan and Credit Card" "Paid Cheque," "Bounced Cheque" and "Protested Bill" notifications made by members to the Risk Center of the Banks Association of Turkey. In 2017, content related to the "Decisions on Cheque Ban" was also included in these statistics.

The development and the size of the Turkish financial sector, including non-bank financial institutions, along with overdue receivables are analyzed with detailed breakdown analyses in these publications.

They include basic monthly trend analyses as well as special reports published in the sector for the first time, such as the number of people, overdue receivables per city, and the like.

CTMCRS INQUIRY SERVICE

Company Representative Information, Shareholder Information and Capital Information as part of the Central Registry System (CTMCRS), under the Ministry of Customs and Trade, started to be shared with Risk Center members at the end of 2016.

UNDER THE FOREIGN CURRENCY CREDIT AND INCOME INQUIRY SYSTEM, IF THE FOREIGN CURRENCY LOAN BALANCE CHANGES DUE TO EXTENSION OR COLLECTION, THE UPDATED BALANCE IS INSTANTLY REPORTED BY THE MEMBER TO THE RISK CENTER.

Members can make individual inquiry with MERSİS number, tax identification number or TRID. Information related to stock corporations, cooperatives, individual enterprises, Turkey branch of foreign companies as well as their businesses established by associations and foundations is available within the service.

In 2018, systems upgrades enabled the sharing of tradesmen data in the Information System of Tradesmen and Craftsmen (ESBIS) via MERSIS. Additionally, information sharing was enriched by enabling results to be collected from both MERSIS and ESBIS when a MERSIS inquiry is made using TRID.

BKM MEMBER MERCHANT TURNOVER INFORMATION INQUIRY

KKB carries out feasibility studies to receive member merchant turnover information from the BKM in monthly periods, on identity and consolidated basis.

As part of the inquiry service, various information headings – such as member merchant TRID/TID, term (month/year), number of banks worked with, total turnover – are shared. All Risk Center members are able to benefit from the BKM Member Merchant Turnover Inquiry Service.

RC WARNING SERVICES

This product enables delivery of negative notifications to requesting members with a warning file through FTP. These negative notifications include different institutions' cheques, bonds, credit insurance and tender bans belonging to the individual and commercial customers who are notified by members to the Risk Center. Warnings are issued for customers who are notified by members to the Risk Center and involved in credit-limit, credit-risk, receivable to be liquidated (CLCR), individually qualified credit and credit card (CRS) or commercially qualified credits (CBS), issuers' postdated cheque applications within banks.

INDIVIDUAL INQUIRY UNIT REPORTING

This service includes applications where sharing is done based on individual query. The number of individual inquiries made by members on a daily, monthly and annual basis is shared as a summary and in detail on the basis of member user. In addition, warning messages are created and shared in the same context with members on a daily basis according to changes in the Trend Analysis Report and daily inquiries.

FORCE MAJEURE INQUIRY

Customers who are exposed to events defined as force majeure are notified to the TBB Risk Center on a monthly basis by Risk Center members. Under this service, which can perform individual inquiry through the web screen, collective sharing is done on a monthly basis via FTP.

TELECOMMUNICATIONS INFORMATION INQUIRY

Debt information of real persons and legal entities who failed to pay their debts in due time was obtained from telecommunication companies at monthly intervals. The data was broken down by the number of overdue days and shared, after being consolidated, with all Risk Center members via the web screen and web service.

FOREIGN CURRENCY CREDIT AND INCOME INQUIRY SYSTEM

The Foreign Currency Credit and Income Inquiry system gives notifications and shares information on foreign currency loans granted to legal entities resident in Turkey, loans extended to these entities from abroad with the mediation of banks, as well as their foreign currency income of the last three fiscal years.

In the event that banks, factoring companies, financial leasing firms and financing companies extend foreign currency loans or their current foreign currency loan balances change (through reimbursement, extension of additional loans, closure, balance update, becoming subject matter of legal proceedings), this is instantly reported to the Risk Center via the web service.

Foreign currency credit and income information are shared individually via the display and web service application, regardless of whether the member making the notification is a customer or not.



**WITH THE FINDEKS PLATFORM, KKB
ENABLES THE REAL SECTOR AND
INDIVIDUALS TO CONTROL THEIR
FINANCIAL STATUS, REPUTATION
AND FUTURE.**

KORAY KAYA

17. FINDEKS WORLD

THANKS TO FINDEKS, THE REAL SECTOR CAN BOOST SALES SECURELY WHILE MAINTAINING THEIR CAPITAL AND REPUTATION; IN ADDITION, INDIVIDUALS CAN MANAGE THEIR FINANCIAL FUTURE.

Findeks is a financial services platform launched by KKB in 2014 to help establish a better functioning financial system in Turkey. To that end, Findeks provides individuals and corporations with access to credibility indicators, which the financial sector has used for years, thus ensuring transparency and making financial management possible for everyone.

Findeks aims to help real sector companies get to know each other financially; improve their risk-taking and risk-management abilities; protect their capital and reputation; and increase their sales and competitive power. Thanks to these objectives and capabilities, Findeks has become a critical tool, gaining an important place in Turkey's economy in a very short time. In light of Findeks services, companies significantly improve the quality of their assets, and contribute to the financial environment and the financial industry in Turkey.

In addition to basic products such as the Findeks Credit Rating, the Findeks Risk Report, the Findeks Cheque Index and the Findeks QR Code Cheque Report, which cover all major financial indicators, KKB has filled some large gaps in the market with value added products. For example, the Findeks Rating Consultancy provides expert advice on the improvement of credit scores. Meanwhile, the Findeks Tracer enables individuals to find out whether their financial and personal information is

available online, through unwanted sites, the Findeks Warning service which gives a signal when the desired financial conditions become available to the user.

As of January 1, 2017, the QR code application became mandatory for all checks to be drawn. Furthermore, the Findeks QR Code Cheque System was implemented as a result of the innovative studies of Findeks. These applications are expected to make commerce more transparent and secure, while also boosting production, employment, prosperity and trade volume.

KKB established the Findeks Customer Communication Center (CCC) to provide information to consumers and offer its products and services through the call center, in addition to the digital channels. CCC is positioned as an effective communications center available to 30 million individuals in Turkey who have used/use a credit product. The Findeks Customer Communication Center, accessible at 444 4 552 (44 44 KKB), aims to deliver all services needed for the management of one's financial life.

Offering users a wide range of products, Findeks reaches customers through its website, online branch, Findeks Mobile application, Customer Communication Center, banks and strategic business partnerships. Findeks undertakes ongoing efforts to increase the number and improve the efficiency of these various channels.

444 4 552
www.findeks.com
www.facebook.com/Findeks
www.twitter.com/Findeks
www.instagram.com/findeks

TRANSPARENT AND RELIABLE MANAGEMENT OF FINANCIAL LIFE

17. FINDEKS WORLD

BY DEMANDING THE FINDEKS CREDIT RATING, BANKS AND OTHER FINANCIAL INSTITUTIONS CAN OFFER THEIR CUSTOMERS SEGMENTED PRODUCTS AND SERVICES, AS WELL AS DIVERSIFIED PAYMENT OPTIONS. THEY CAN ALSO REDUCE OPERATING COSTS AND BOOST PROFITS AT THE SAME TIME.

FINDEKS CREDIT RATING

Findeks Credit Rating has served as a reference guide for banks in their lending decisions for many years. This score is calculated based on the credit limit, risk, and payment history related to personal loans that individual customers have obtained from banks and financial institutions; credit card and overdraft deposit accounts; as well as the extent and frequency of new credit.

Findeks Credit Rating functions like a summary of the Findeks Risk Report.

Banks and other financial institutions take into consideration the credit score and the payment history while assessing loan applications and managing their consumer loan portfolio. They can also predict future payment performance.

Findeks Credit Rating is used by the real sector as a powerful decision-support tool. Using Findeks Credit Rating, lending institutions offer their customers segmented products and services, and diversified payment options; meanwhile, lenders boost automation in decision processes, reduce operating costs, and increase their profits.

FINDEKS RISK REPORT

The Findeks Risk Report contains information about payment history related to active loans and loans closed without any problem within the last five years. The report covers home, auto and consumer loans, credit cards and overdraft deposit accounts. All information about these products is submitted to the TBB Risk Center by financial institutions on a regular basis, compiled by KKB and included in the Findeks Risk Report. As a result, individuals and the real sector are able to access information about credit products of all banks in a single report. The Findeks Risk Report allows users to see their own financial information in detail; in addition, they can view the financial performance of other persons or enterprises, if they have approval to do so.

In commercial relationships, the ability to see the repayment history – and thus the payment habits – of the other party along with credit product volume and associated risks enables an entity or person to take precautionary measures against accounts receivable risk, thus ensuring a safe environment for trade.

FINDEKS CHEQUE REPORT

The Findeks Cheque Report contains both positive and negative information on cheques used in the past, and cheques issued but not yet paid.

Differently from the Findeks Risk Report, the Cheque Report shows the debt repayment behavior of a person or enterprise related to the debt they owe to sectors outside the financial industry. If a cheque bearer obtains approval from the drawer, then they can track the cheque payment behavior of that drawer. The Findeks Cheque Report also contains information about all banks that issue cheques in Turkey. The data contained in these reports relates to the period after 2009 for bounced cheques and after 2007 for paid cheques. Data is updated daily.

The Findeks Credit Rating, which basically serves as a summary of the Findeks Risk Report, is used as a strong decision support product in the real sector.

FINDEKS CHEQUE INDEX

The Findeks Cheque Index is calculated based on the past cheque payment behavior of legal entities and natural persons. The main factors affecting this calculation include the frequency of cheques issued over the last 36 months, their date proximity, amounts and numbers. The Findeks Cheque Index ranges from 0 to 1,000 points. In the Findeks Cheque Index, if an issuer fails to pay all of the cheques, they receive a score of 0. If they pay all of the cheques, then they receive a score of 1,000 points. However, if a person has even one cheque that has been dishonored and is still unpaid, then the Findeks Cheque Index is calculated between 1 and 500 points. If a person or an entity has dishonored cheques, which they have paid later, then the Findeks Cheque Index is calculated between 501 and 999 points. The Findeks Cheque Index gives an idea about cheque payment habits of an individual or an enterprise.

FINDEKS WARNING SERVICE

Another distinguishing feature of Findeks is the Findeks Warning Service, which instantly notifies customers of any changes in the credit limits and debt status of their loans, credit cards or overdraft deposit accounts. Thanks to this service, customers can keep their current finances under control and take action when necessary.

The Findeks Warning Service tracks these changes in accordance with the criteria set by customers and notifies them via SMS or email.

The Findeks Warning Service allows warnings to be defined to the system. A warning message is sent to the user under the following circumstances:

- » If their Findeks Credit Rating falls below 1.400 points.
- » If their credit card debt exceeds TRY 10,000.
- » If they delay payment on one's credit cards, cheques, and the like.
- » If an application for a credit product (loan and credit card) is made in their name.

FINDEKS TRACER

The Findeks Tracer is another exclusive benefit provided to Findeks customers. Tracer protects personal and sensitive information, including ID, communication, and credit card data, by running extensive scans online, including the "dark web." If Tracer matches the data it runs, transmitted by customers for protection, with any online data that is used without authorization, the system sends a simultaneous notification to the Findeks Tracer customer. A real-time data tracking service offered to individuals and enterprises through a website, the Findeks Tracer is designed to minimize the risk of identity theft. The Findeks Tracer checks whether customers' personal details (e.g. name, email, phone number, Turkish ID number) or any financial information (e.g. credit card number, bank account number, and the like) are currently circulating on the Internet without their permission or knowledge; the service also checks whether such information is available on the dark web. However, with these features, the Findeks Tracer is not a protection service, but rather a system for scanning, alerting and informing.

MY FINDEKS RATING CONSULTANT

The Findeks Credit Rating system aims to offer customers foresight to help them manage their financial lives and to ensure that commercial relationships are built on solid foundations. In recent years, a need for objective information has emerged, especially for managing, raising or maintaining credit scores. Therefore, the Findeks Rating Consultancy service offered through the Findeks Customer Communication Center provides customers with all the information they need.

My Findeks Rating Consultant product offers personalized advice on how to increase the Findeks Credit Rating or how to maintain a high-grade rating.

HIGHLIGHTS

- The My Findeks Rating Consultant product offers personalized advice on how to increase the Findeks Credit Rating or maintain a high-credit rating.
- Another distinguishing feature of Findeks is the Findeks Warning Service, which instantly notifies customers of any changes in credit limits and debt status of their loans, credit cards or overdraft deposit accounts.
- The Findeks Tracer service protects personal and sensitive information, including ID, communication, and credit card data, by running extensive scans online, including in the "dark web."

17. FINDEKS WORLD

FINDEKS' FIRST AND ONLY QR CODE CHEQUE SYSTEM WORLDWIDE PROVIDES A LAYER OF CAUTION AGAINST RECEIVABLE RISKS ARISING FROM CHEQUE PAYMENTS. THE SYSTEM ALSO MAKES IT POSSIBLE TO OBTAIN INFORMATION ON THE VALIDITY AND AUTHENTICITY OF CHEQUE LEAVES IN SECONDS.

In 2014, KKB set up the infrastructure to deliver consulting services through CCC. In line with its future strategies, KKB continually works to improve Findeks products and services while developing new products. The added value generated by the Findeks product and service offering has not only changed Turkey's perspective on commerce, it has also created a new awareness about personal financial management. KKB expects that Turkey's prosperity will steadily increase, thanks to these challenging but very useful efforts.

LETTER OF GUARANTEE STATUS INQUIRY

The Letter of Guarantee Status Inquiry (LGSİ) service enables customers to check the validity of a letter of guarantee, without contacting the issuing bank. Using parameters such as Bank Name, Branch Name, Letter of Guarantee Number, Amount, Currency Code and Expiration Date, customers can run an online check to find out whether a letter of guarantee has been issued, and whether an active risk record exists for that letter of guarantee.

FINDEKS QR CODE CHEQUE SYSTEM

This service enables viewing of an issuer's past cheque payment status without an approval process, and controlling potential forgery of the cheque by having its QR Code scanned on the Findeks Mobile Application. Along with legal enforcement functionality, QR Code cheques may now be produced upon customer request from the bank, without consent.

As of January 1, 2017, it is now mandatory by law for all cheques to have a QR Code, and to be recorded on the Findeks QR Code Cheque System.

Thanks to the Findeks QR Code Cheque System – the first-of-its-kind in the world – customers are able to check the validity and authenticity of cheque leaves within seconds, and take precautions against accounts receivable risk, which arises from payments with cheques.

FINDEKS QR CODE CHEQUE REPORT

The Findeks QR Code Cheque Report allows the check payment history of an issuer to be displayed through the QR code, which must appear on checks as of January 1, 2017. The report also allows validity information on the cheque leaf to be verified. When accepting a check through the Findeks QR Code Cheque Report, the check payment performance of the issuer can be displayed via the report generated on the Findeks mobile app. In addition, lost/stolen checks and counterfeit checks can also be detected.

The report includes a shorter and visualized version of the information that appears in the Findeks Cheque Report.

FINDEKS QR CODE CHEQUE REGISTRATION SYSTEM

The cheque bearer or endorser should create a record as soon as a cheque is accepted via the Findeks QR Code Cheque Registration System indicating the date on which the cheque is issued. The Findeks QR Code Cheque Registration System is legally supported by means of promoting its usage as of January 1, 2018.

An ill-intentioned cheque issuer will not be able to raise an objection alleging that the signatory was not an authorized person of the institution on the date of collection for a cheque that is registered in the Findeks QR Code Cheque Registration system. Therefore, checks registered in the cheque registration system may leave traces in the system as of the date of registration.

FINDEKS INDIVIDUAL MEMBERS

2,460,695

FINDEKS COMMERCIAL MEMBERS

279,862

FINDEKS TOTAL MEMBERS 2,740,557

TOTAL NUMBER
OF FINDEKS
CREDIT RATING
INQUIRIES

482,431

TOTAL NUMBER
OF FINDEKS
RISK REPORT
INQUIRIES

4,704,978

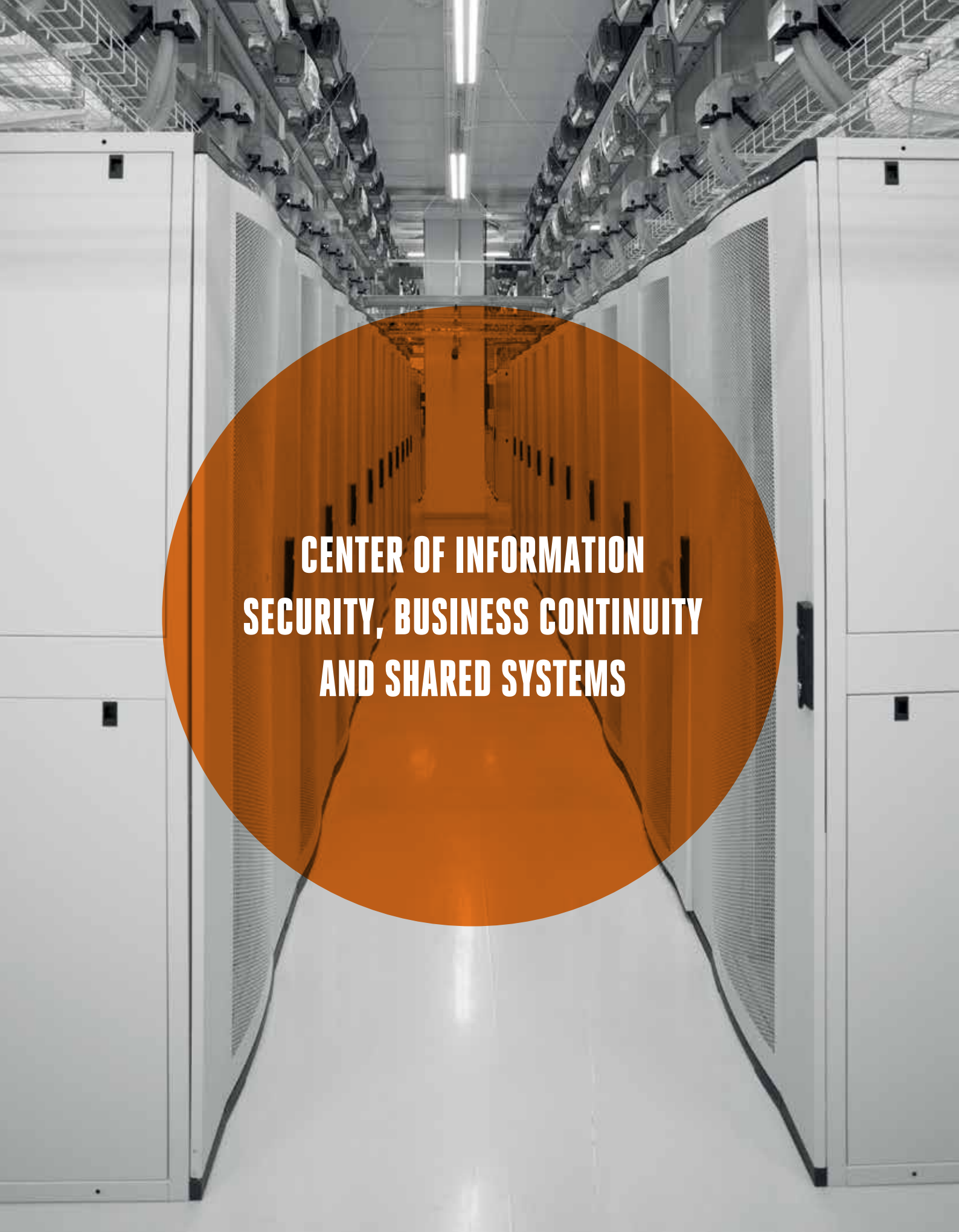
TOTAL NUMBER
OF FINDEKS
CHEQUE REPORT
INQUIRIES

272,295

FINDEKS QR
CODE CHEQUE
REPORT

1,823,457

FINDEKS TOTAL NUMBER OF INQUIRIES 7,283,161



**CENTER OF INFORMATION
SECURITY, BUSINESS CONTINUITY
AND SHARED SYSTEMS**

18. KKB ANADOLU DATA CENTER

The KKB Anadolu Data Center was built on a 43 thousand m² tract in Ankara and started operations after the completion of construction work at the end of 2016.

In December 2016, T.C. Ziraat Bank started to relocate its systems and use KKB Anadolu Data Center as its Emergency Center ("EC").

As of April 2017, Yapı Kredi Bank completed relocating its system and started using KKB Anadolu Data Center as the EC.

In May 2017, KKB relocated its own EC system and infrastructure located at Izmir IBM BCRS Center, where it has offered its own services and Risk Center services, to KKB Anadolu Data Center. From May, KKB started to deliver all its ODM services from the new location. On November 24, 2017, KKB conducted its business continuity test studies, which it undertakes every year and covers the capability to provide services from the Emergency Center. With this effort, all KKB and Risk Center services were provided via KKB Anadolu Data Center for one day. All services were relocated to KKB İstanbul Data Center at the end of the day and continued to be provided from there.

The Center will primarily meet the backup and main data center service needs of the banks. The facility is a data center where infrastructure costs are shared and operational applications are centralized in the financial industry. The KKB, which offers the most advanced technologies to Turkey's financial institutions, aims to provide efficiency in technology investments by offering the services of cloud technologies platform, which will be established in accordance with financial regulations, primarily for the finance sector and later for all sectors.

KKB Anadolu Data Center comprises a data center, a support building and a customer operation center. The facility is designed to expand with two additional data centers and another support building. As the first Turkish company to be granted LEED Platinum Green Building certification, a high-level environmental standard, KKB Anadolu Data Center is one of five data centers in the world having these standards. In addition, KKB Anadolu Data Center has the TIER IV Certificate, which is a high level uptime standard.

KKB has also obtained ISO 22301 Business Continuity Management System certification. The quality of all processes at KKB operate are in accordance with this international management system standard, minimizing the possibility of interruption of the services provided and ensuring service continuity in a short period of time in case of an interruption. In addition, KKB obtained ISO 27001 Information Security Management System certification. All processes at KKB are carried out in

accordance with this international management system standard, providing the highest level of confidentiality, uniformity and accessibility in case of a need of all information within the responsibility of the KKB regarding the services provided through the KKB Anadolu Data Center.

KKB Anadolu Data Center obtained ISO 20000-1 Information Technologies Service Management Systems certification in 2018. All the Center's processes, inputs and outputs of service management processes are managed with a consistent and continuously developing management system approach.

KKB Anadolu Data Center is audited every year by independent auditors authorized by the BRSA. The Center provides the necessary assurance for the supervision environment of the data center by sharing with its customers and auditors the Independent Audit Report drawn up in accordance with ISAE 3402 Type 2 Report Format at the conclusion of the audit. With this assurance, the workload of KKB Anadolu Data Center users and auditors has been reduced in terms of both effort and time expended.

TECHNICAL SPECIFICATIONS OF THE KKB ANADOLU DATA CENTER

The KKB Anadolu Data Center was designed and launched for KKB customers to securely protect, store and manage their data. The facility is equipped with the latest technological infrastructure available.

During the design phase of the KKB Anadolu Data Center, the most sensitive issues were the creation of a back-up infrastructure providing customers seamless, fast and continuous accessibility as well as data security. Its energy infrastructure holds the certificate of Uptime Institute Tier IV design. In addition, the Center features ventilation systems that provide precise climatization and 24/7 cooling and humidity control in case of any malfunction. The hardware used in the Center, where energy and data cabling is made overhead the cabinet, provides high speed support to customers.

QUICK AND CONTINUOUS ACCESSIBILITY

Built in the low earthquake risk zone in compliance with earthquake regulations and protected against lightning hazards, maximum attention is paid to the physical security of the Center. There are different levels of biometric and classical safety points in the campus area where only authorized staff can enter. Access to the system room is possible after having an iris scan via the iris reader. Building and infrastructure management at the KKB Anadolu Data Center is carried out 24/7 without interruption with state-of-the-art automation and monitoring systems.

A large, solid orange circle is centered on a light gray background. Inside the circle, the text "OUR SOCIAL CONTRIBUTION" is written in white, bold, uppercase letters, centered horizontally and vertically.

**OUR SOCIAL
CONTRIBUTION**

Hayal Edin
Gerçekleştirelim
TOHUM TOPLARI

Hayal Edin
Gerçekleştirelim
TOHUM TOPLARI

Hayal Edin
Gerçekleştirelim
TOHUM TOPLARI

Hayal Edin
Gerçekleştirelim
TOHUM TOPLARI

**EMBRACING A SENSITIVE
APPROACH TO SOCIAL ISSUES,
KKB PROVIDED SUPPORT TO MANY
SOCIAL RESPONSIBILITY PROJECTS
IN 2018.**

Hayal Edin
Gerçekleştirelim
TOHUM TOPLARI

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19. OUR SOCIAL CONTRIBUTION

ORGANIZING THE FIFTH EDITION OF THE "YOU IMAGINE, WE REALIZE" COMPETITION IN 2018, KKB AIMS TO RAISE UNIVERSITY STUDENTS' AWARENESS OF SOCIAL RESPONSIBILITY PROJECTS AND HEIGHTEN THEIR SENSITIVITY TOWARD SOCIAL ISSUES.

YOU IMAGINE, WE REALIZE

In 2018, KKB organized the fifth edition of the socially responsible project competition, "You Imagine, We Realize," which aims to raise social responsibility awareness and heighten sensitivity to social issues among university students. The jury panel, which evaluated the social responsibility projects developed by university students, consisted of İbrahim Betil, Civil Society Volunteer; Yasemin Salih, Journalist; Fügen Toksü, Communication Expert; Özlem Denizmen, Businesswoman and Social Entrepreneur; Fatoş Karahasan, Academician and Journalist; Can Yılmaz, Actor and Scriptwriter and Writer; Cem Seymen, Journalist and Presenter; Kasım Akdeniz, General Manager of KKB.

A total of 2,262 projects were submitted to the competition – where student entrants could apply between October 2, 2017 and February 23, 2018 – in the categories of environment, education, culture and arts, health and sports, Findeks financial literacy, and society. During the award ceremony held on April 20, 2018, each social media first prize winner and category first prize winner was awarded TRY 5,000, while each category second prize winner received TRY 3,000, each category third prize winner won TRY 2,000, each category fourth prize winner won TRY 1,000 and the fifth prize winners won TRY 500. "Emergency App" project that received the highest score among the first prize winners of all the six categories was presented with

the grand prize of TRY 10,000. In addition to awarding the three finalists in each category and the winner of the social media category, KKB also provided an internship opportunity to these students in 2018 summer.

THE AUDIO QUESTION BANK

In the "You Imagine, We Realize" 2016 contest, the "Audio Question Bank" project, prepared by Emre Taşgın, won the "Education" category first prize with the highest score. The project aimed to create personal, professional and academic learning environments for visually impaired individuals based on equality of opportunity. Audio Question Bank involves the transmission of updated trial tests and question banks prepared for the exams such as YGS and LYS to the appropriate medium after being vocalized.

In order to launch the project in cooperation with the Association of Visually Impaired in Education (EGED) and Istanbul University, Head Office of Library and Documentation, Unimpeded Information Center, a team of KKB employee volunteers carried out the vocalization trials of the question bank. The launch meeting of the project was held on January 11, 2017 at Istanbul University. A total of 11,516 questions comprising 1,600 in the first phase, 2,354 in the second phase, 3,514 in the third phase and 4,048 in the fourth phase of the project were vocalized and transmitted to all libraries serving the visually impaired. One in every three visually impaired had access to the resources generated under the Audio Question Bank effort through the online e-library of the Visual Impaired Technology and Education Laboratory (GETEM) and prepared for exams.

In 2018, the Audio Question Bank project received the "Most Successful Voluntary Project" award from the Private Sector Volunteers Association. The innovative project also won prizes at the Felis Awards, organized by MediaCat, in the categories of "Education" and "Voluntary Work for Disabled Persons" under the main heading of "Social Responsibility and Sustainability."

A SENSITIVE APPROACH TO SOCIAL ISSUES

19. OUR SOCIAL CONTRIBUTION

HAVING PARTICIPATED IN THE SEPTEMBER FUNDRAISING CAMPAIGN, KKB HELPED THE SPASTIC CHILDREN'S FOUNDATION TO CARRY OUT ITS ACTIVITIES BY COLLECTING DONATIONS AND TAKING 1,171,471 STEPS.

IF YOU ARE THERE, WE ARE THERE, TOO

The "If You Are There, We Are There, Too" project received the Grand Award at the "You Imagine, We Realize" competition in 2015 by garnering the highest ranking. Prepared by a group of Acibadem University Medical School students, the innovative initiative included the health screening of seasonal agricultural workers and provision of medical support.

The first phase of "If You Are There, We Are There, Too" was undertaken in 2015 in Çaputçu and Tuzla villages of Adana by a project team composed of volunteer students from Acibadem University and experts from Yeditepe University with logistical support provided by KKB. The young volunteers, who stayed in Adana for a week, gave basic physical examinations to spouses and children of seasonal field workers, and to the workers after the evening break and provided health awareness trainings. During the exams, subjects were provided with the awareness training on key health issues. The second phase of the project was held in Adana on July 3-7, 2017 with the same team of 17 volunteers and experts. Health examinations were carried out in different agricultural areas during the week, primarily in Çaputçu Village of Yüreğir District in Adana. The exams were administered in a health tent provided by KKB to the students. This allowed medical students to perform physical examinations on patients in a more sterile environment. In the third phase of the project carried out in 2018, in order to not restrict the project to a single geographic area, Acibadem University students developed a new model expanding the scope by including university students in different regions. Under the project, which was held in Adana for 14 days between July 9-22, volunteer students from universities in different regions across Turkey received training for one week to enable them to continue the project in their own cities. In the second week, about 30 volunteer students who received training from July 9-14, administered health screenings in various villages in Adana as fieldwork.

KKB'S RUNNING TEAM

Achieving an important CSR goal, KKB's Running Team ran the Vodafone Istanbul Marathon (10- and 15-kilometer distances), which was held on November 11, 2018, to raise money for the Darüşşafaka Society, which is supported by the Adim initiative, a regional running group. The marathon run was completed successfully. In addition to the TRY 9,050 in donations collected from the individual contributions of KKB's corporate running team, KKB also donated an additional amount of TRY 10,000. In total, a donation of TRY 19,050 was transferred for the education costs of children in the Darüşşafaka Society.

SEPTEMBER FUNDRAISING CAMPAIGN

As one of the 25 institutions participating in the September Fundraising Campaign, the KKB collected donations during the campaign and took 1,171,471 steps. The proceeds were presented to Spastic Children's Foundation of Turkey to perform activities in line with its vision. In particular, the donations will help the Foundation provide more training and rehabilitation to integrate children and young people with cerebral palsy into the society.

KKB SOCIAL RESPONSIBILITY ACTIVITIES

In addition to its services and activities that add value to society, KKB embraces social responsibility across the organization and encourages all employees to take part in CSR efforts.

The KKB Social Responsibility Club, formed by volunteer KKB employees, continued its socially responsible activities to benefit all segments of society during 2018. The Club's activities include organizing blood donation events in cooperation with Red Crescent; organizing breakfasts and fairs for charity; donating books, magazines, technical equipment and clothing to schools in need.

In addition, the Cibali Police Station play, whose cast featured KKB employees, was performed twice in 2018. A total of TRY 6,795 in donations collected from ticket sales at both performances were transferred to Tohum Autism Foundation.

During the year, various charity concerts were organized by KKB staff members. Revenue generated from ticket sales was donated to voluntary organizations. In addition, a musical group that included a KKB employee took to the stage to benefit the education of visually impaired children with the support of KKB. Proceeds from ticket sales amounting to TRY 13,500 TL was donated to the Parıltı Organization.

In 2018, KKB donated five laminating devices and two laptop computers to Tohum Autism Foundation. KKB also presented toys to 44 children as a holiday gift.



A large, solid orange circle is centered on a light gray background. Inside the circle, the words "FINANCIAL" and "INFORMATION" are written in a bold, white, sans-serif font, stacked vertically and centered.

**FINANCIAL
INFORMATION**

20. AGENDA OF THE ORDINARY GENERAL ASSEMBLY

NOTICE TO THE SHAREHOLDERS OF KKB KREDİ KAYIT BÜROSU ANONİM ŞİRKETİ FOR ORDINARY GENERAL ASSEMBLY TO BE HELD ON MARCH 27, 2019

The Annual Ordinary General Assembly of our company will be held at the head office address at 13:00 on Wednesday, March 27, 2019 to review the activities of the year 2018 and to discuss and finalize the agenda mentioned below. The General Assembly will be held at Barbaros Mah. Ardiç Sokak Varyap Meridian F Blok Batı Ataşehir, İstanbul.

Shareholders who will be represented by proxy at the meeting must execute the proxy in accordance with the following form and send it to our Company one week before the day of the assembly.

KKB's financial statements, consolidated financial statements, the annual report of the Board of Directors, and the profit distribution proposal of the Board of Directors shall be available for review of our shareholders at KKB headquarters as of March 11, 2019.

We kindly request our shareholders to be informed of the foregoing and to honor the meeting.

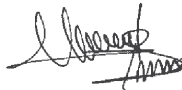
Yours sincerely,

KKB KREDİ KAYIT BÜROSU A.Ş.



GÖKHAN ERTÜRK

Chairman of the Board of Directors



VEYSEL SUNMAN

Vice Chairman of The Board of Directors

AGENDA

1. Opening and formation of the Chairing Board;
2. Authorizing the Chairing Board to sign the Minutes of the General Assembly;
3. Reading and discussion of the Annual Report prepared by the Board of Directors;
4. Reading and discussion of the Audit Report;
5. Reading, discussion and adoption of the financial statements;
6. Release of each member of the Board of Directors from their obligations;
7. Determination of the mode of use of the profit and of the rates of profit and dividend share to be distributed;
8. Determination of remunerations and other benefits, such as bonuses, premiums, and the like of the members of the Board of Directors;
9. If there is any vacancy in the Board of Directors and if any person has been appointed to the vacant seat during the year, approval of the appointment by the General Assembly;
10. Election of the auditor;
11. Discussion of granting of permission to the members of the Board of Directors as set out in Articles 395 and 396 of the Turkish Commercial Code No. 6102;
12. Wishes and suggestions;
13. Closing

PROXY FORM

In respect of..... shares at par value of TRY..... in aggregate owned by our Bank in the capital of KKB Kredi Kayıt Bürosu A.Ş. (the "Company"), we appoint..... to be our proxy to represent our Bank and to cast vote on behalf of the Bank on the issues in the agenda in the Ordinary General Assembly of shareholders of the Company to be held at the address of Barbaros Mah. Ardiç Sokak, Varyap Meridian, F Blok, Batı Ataşehir, İstanbul at 13:00 on 27.03.2019.

PRINCIPAL: Name and Last Name/Trade Name

Date and Signature

P.S. If the proxy is not certified by a notary public, a notarized circular of authorized signatures of the principal must be attached to the proxy.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KKB Kredi Kayıt Bürosu A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of KKB Kredi Kayıt Bürosu A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

The Company has a total of TL 274,471,931 income that was recognised under "revenue" in the comprehensive income for the period between 1 January 2018 and 31 December 2018. Disclosures and notes related to the revenue are presented under notes 2.4. and 15 of the accompanying financial statements prepared as of 31 December 2018.

We focussed on this area as a key audit matter for the following reasons: the magnitude of revenue in the financial statements; revenue being earned through variable channels.; revenue being generated as a result of multiple transactions and calculated by using different unit prices due to the nature of the Company's operations.

Within the scope of the audit procedures we applied related to revenue recognition, we evaluated compliance of accounting policies determined by Company management regarding revenue recognition with BRSA Accounting and Financial Reporting Legislation. In addition to this, we tested operational controls related with reliability of the data on which revenue is recognized and with data-recording medium by involving our information and technology specialists. Furthermore, we evaluated and tested the design and operational effectiveness of the internal controls applied by the management to ensure revenue is recognised in accordance with relevant accounting legislation. We tested the transaction details of a selected sample from revenue transactions subject to the audit by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognised properly on a transaction basis.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Didem Denker Kaya, SMMM
Partner

Istanbul, 21 February 2019

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KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
ASSETS			
Current assets		133,607,040	102,127,574
Cash and cash equivalents	3	94,552,262	69,141,340
Trade receivables	4	20,530,801	24,553,331
- Trade receivables due from related parties	4,6	18,028,648	22,347,959
- Trade receivables due from other parties	4	2,502,153	2,205,372
Other receivables	5	251,719	240,178
- Other receivables due from related parties	5, 6	2,331	36,378
- Other receivables due from other parties	5	249,388	203,800
Prepaid expenses	12	10,517,653	7,321,570
- Prepaid expenses due from related parties	6	2,842,900	2,012,282
- Prepaid expenses due from other parties		7,674,753	5,309,288
Other current assets	13	3,819,535	99,117
- Other current assets from other parties		3,819,535	99,117
Current income tax assets	20	3,935,070	772,038
Non-current assets		209,176,711	180,021,898
Tangible Assets	7	181,205,514	165,650,820
- Buildings		120,337,814	122,046,523
- Machinery, plant and equipment		29,502,989	23,845,559
- Furniture and fixtures		28,380,928	18,247,258
- Constructions in progress		2,983,783	1,511,480
Intangible assets	8	24,931,626	13,619,370
- Softwares		21,290,445	13,193,764
- Rights		3,251,527	47,862
- Other intangible assets		389,654	377,744
Prepaid expenses	12	3,021,751	733,827
- Prepaid expenses due to related parties	6	109,996	107,475
- Prepaid expenses due to other parties		2,911,755	626,352
Other non-current assets	13	17,820	17,881
- Other non-current assets due from other parties		17,820	17,881
Total assets		342,783,751	282,149,472

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

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
Short-term liabilities		115,384,197	78,755,976
Short term borrowings		11,726,416	8,999,811
- Short term borrowings due from related parties		11,726,416	8,999,811
- Financial leasing payables	9	11,726,416	8,999,811
Trade payables	4	39,490,049	21,953,091
- Trade payables due to related parties	4,6	4,790,054	1,368,622
- Trade payables due to other parties	4	34,699,995	20,584,469
Other payables	5	3,164,557	4,673,424
- Other payables due to other parties		3,164,557	4,673,424
Short term provisions	11	18,766,064	15,491,942
- Short term provisions for employee benefits		17,208,006	14,643,931
- Other short term provisions		1,558,058	848,011
Payables related to employment benefits	11	1,605,917	2,232,138
Deferred income	12	40,631,194	25,405,570
Long-term liabilities		16,393,509	19,908,597
Long term borrowing		6,177,496	13,136,113
- Long term borrowing from related parties		6,177,496	13,136,113
- Financial leasing payables	9	6,177,496	13,136,113
Deferred tax liability	20	7,683,713	4,694,315
Long term provisions	11	2,532,300	2,078,169
- Long term provisions for employee benefits		2,087,456	1,680,325
- Other long term provisions		444,844	397,844
Other Liabilities		131,777,706	98,664,573
Shareholders' Equity			
Share capital	14	7,425,000	7,425,000
Restriction reserves from profit	14	12,668,175	11,205,300
Adjustment to share capital	14	2,574,025	2,574,025
Extraordinary reserves	14	123,581,647	100,709,110
Accumulated other comprehensive expense that will not be reclassified to profit or loss (-)		(157,458)	(10,128)
- Remeasurement (losses) of defined benefit plans (-)		(157,458)	(10,128)
Retained earnings		23,709,055	16,783,995
Net profit for the period		41,205,601	44,797,597
Total shareholders' equity		211,006,045	183,484,899
Total liabilities and shareholders' equity		342,783,751	282,149,472

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

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

1 JANUARY - 31 DECEMBER 2018

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current period 1 January - 31 December 2018	Audited Prior period 1 January - 31 December 2017
Operating income			
Sales	15	274,471,931	246,201,941
Cost of sales (-)	15	(112,070,158)	(98,025,527)
Gross profit		162,401,773	148,176,414
General administrative expenses (-)	16	(98,236,397)	(77,567,321)
Marketing, selling and distribution expenses (-)	16	(26,647,391)	(18,322,837)
Other operating incomes		6,678,868	2,950,788
Other operating expenses (-)	18	(127,821)	(19,284)
Operating profit		44,069,032	55,217,760
Income from investing activities	21	223,057	21,090
Operating profit before financial income		44,292,089	55,238,850
Financial income	19	28,684,430	13,968,450
Financial expense (-)	19	(19,390,150)	(12,416,863)
Profit before tax from continuing operations		53,586,369	56,790,437
- Current tax expense for the period (-)	20	(9,349,815)	(10,134,580)
- Deferred tax expense (-)	20	(3,030,953)	(1,858,260)
Net profit for the period from continuing operations		41,205,601	44,797,597
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that will not be reclassified to profit or loss			
- Defined benefits plans remeasurement (losses)	11	(188,885)	(402,461)
- Defined benefits plans remeasurement (losses), tax effect		41,555	80,492
Other comprehensive expense (-)		(147,330)	(321,969)
Total comprehensive income		41,058,271	44,475,628

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

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF CASH FLOWS FOR THE PERIOD

1 JANUARY - 31 DECEMBER 2018

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Audited Current Period 1 January - 31 December 2018	Audited Prior Period 1 January - 31 December 2017
Net profit for the period		41,205,601	44,797,597
Adjustments to reconcile net profit and net cash provided from operating activities			
Adjustments for deferred tax expense/(income)	20	3,030,953	1,858,260
Adjustments for tax expense	20	9,349,815	10,134,580
Adjustments for personnel bonus provision expense	11	13,471,394	11,739,895
Adjustments for depreciation and amortization	17	24,738,538	20,947,569
Adjustments for employee termination benefit provision expenses	11	799,367	589,545
Adjustments for interest expense on financial leasing	9	(27,215)	3,004
Adjustments for unused vacation provision expenses		1,172,889	639,199
Adjustments for interest income (-)	19	(16,750,035)	(6,466,770)
Adjustments for loss/(profit) on sale of tangible assets	21	(223,057)	(166,429)
Adjustments for other non-cash items		(4,162,059)	949,822
Adjustments for net foreign currency exchange effect	9	6,264,961	3,211,687
Provision for expected credit losses	18	18,473	-
Operating profit before changes in operating assets and liabilities		78,889,625	88,237,959
Changes in assets and liabilities:			
Net (increase)/decrease in trade receivables	4	4,011,315	1,196,011
Net increase/(decrease) in trade payables	4	17,536,958	8,652,848
Net (increase)/decrease in other receivables	5	(11,541)	(16,347)
Net increase/(decrease) in other payables		(302,175)	(441,491)
Net (increase)/decrease in current and non-current other assets		(3,720,357)	455,349
Net increase/(decrease) in deferred income		15,225,624	13,666,359
Net (increase)/decrease in prepaid expenses	12	(5,484,007)	(1,598,559)
Unused vacations paid (-)		(340,313)	(216,905)E
Employee termination benefits paid (-)	11	(581,121)	(378,504)
Income taxes paid (-)		(12,512,847)	(12,742,539)
Personnel performance bonus paid (-)	11	(11,739,895)	(6,826,978)
Commissions paid (-)		(188,859)	(126,896)
Net cash provided from operating activities		80,782,407	89,860,307
Investing activities:			
Purchases of tangible assets (-)		(23,310,337)	(28,639,630)
Purchases of intangible asset (-)	8	(18,903,764)	(12,127,413)
Sale of tangible assets		610,488	21,090
Payments for investments in progress (-)	7	(6,503,766)	(1,511,480)
Net cash used in investing activities (-)		(48,107,379)	(42,257,433)
Financial activities:			
Dividends paid (-)		(13,537,125)	(9,037,125)
Payments for finance leases (-)	9	(9,589,610)	(3,802,930)
Interests paid (-)	9	(880,148)	(759,696)
Interests received		16,012,571	6,137,970
Net cash used in financial activities (-)		(7,994,312)	(7,461,781)
Net increase in cash and cash equivalents		24,680,716	40,141,093
Cash and cash equivalents at the beginning of the period	3	68,740,693	28,599,600
Cash and cash equivalents at the end of the period	3	93,421,409	68,740,693

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

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH (AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

KKB Kredi Kayıt Bürosu A.Ş. (the "Company" or "KKB"), was established in 11 April 1995 with the partnership of 11 banks as the first and only credit bureau in Turkey. As of 31 December 2018, KKB is owned by 9 banks and has 159 members which consist of 45 banks, 14 consumer finance, 59 factoring, 22 financial leasings, 5 insurance, 11 asset management companies and 3 companies from other sectors. Members have been sharing their credit informations with each other since April 1999 through KKB. As required by Banking Law No: 5411 (Article 73/4), KKB was established by at least five banks to facilitate the exchange of information and documents between financial institutions.

Banking Regulation and Supervision Agency ("BRSA") has approved the adaptation of KKB to Law of Bank Cards and Credit Cards numbered 5464, with the first article of the decision dated 3 July 2008 and numbered 2685.

With Law No. 6111 issued on February 25, 2011, Additional Article 1 and Provisional Article 28 were added to Banking Law No. 5411. Pursuant to Additional Article 1, a Risk Center has been established within the organization of the Banks Association of Turkey (TBB) to collect the risk data of customers of credit institutions and any financial institutions deemed appropriate by the Banking Regulation and Supervision Agency and to share such data with the referenced institutions and with the customers themselves, or with any private legal entities and third real people if consent has been given by the customers. Upon transfer of the Risk Centralization Center within the organization of the Central Bank of Turkey, the Risk Center of the Banks Association of Turkey started up operations on 28 June 2013. KKB conducted all operational and technical activities through its own organization as an agency of the Risk Center of TBB and providing data collection and sharing services to 180 financial institutions which are members of the Risk Center.

KKB offers its services not only to financial institutions, but also to individuals and the real sector through "Cheque Report" and "Risk Report" systems launched in January 2013. In September 2014, KKB gathered its services aimed at individual customers and the real sector under the umbrella of Findeks, the consumer service platform of KKB. In addition to developing new products and services during the year, KKB continued to create added value for the banking-finance industry primarily, as well as the real sector, through partnerships across different industries. Ultimately, through the QR Code Cheque System - launched by KKB in 2015, became mandatory by law in 2016, and entered into force as of 1 January 2017.

The control of the Company is provided by the shareholders according to the allocation of shares presented in the Note 14.

As of 31 December 2018, the Company has 432 employees (31 Aralık 2017: 357).

The Company is registered in Turkey and the registered address of the Company is as stated below:

Varyap Meridian Sitesi, F Blok, Barbaros Mah. Ardıç Sk., 34746, Ataşehir, İstanbul, Türkiye

Approval of the financial statements

The financial statements for the period ended 31 December 2018 have been approved by the General Assembly on 21 February 2019. General Assembly and authorised bodies of the Company have the right to amend the financial statements within legal framework.

KKB KREDİ KAYIT BÜROSU A.Ş.

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1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)

a. The products and services provided to members directly by KKB are presented below:

- Limit Control System (LCS)
- Personal Credit Rating (PCR)
- False Information/Document/Declaration/Application Alert System (SABAS)
- Internet Fraud Alert System (IFAS)
- Loan Utilization Instant Sharing Service (KAPS)
- Individual Indebtedness Index
- Cheque Report
- Risk Report
- GeoMIS – Map Based Reporting Service
- Agricultural Loan Assessment System (TARDES)
- Cheque Index
- Real Sector Decision Support Systems (RSDSS)
- Central Decision Support Systems (CDSS)
- Commercial Credit Rating (CCR)
- Prescribed Accounts
- Address Processing Service
- Cheque Status Inquiry
- Farmer Registration System
- Letter of Guarantee Status Inquiry (LGSİ)
- Trade Registry Sharing System (TRSS)
- Collection Scores
- Inclination Scores
- Central Invoice Registration System (CIRS)
- IBAN Verification Service
- LCS Customer Objection Assessment System (MIDES)
- National Fraud Attempt Detection and Prevention Service
- Credits Analysis Portal
- Cheque Analysis Portal
- KKB Unknown Number Service
- Electronic Letter of Guarantee Service
- Findeks
 - Findeks Credit Rating
 - Risk Report
 - Cheque Report
 - Cheque Index
 - Warning Service
 - Tracer
 - Rating Consultancy
 - Findeks QR Code Cheque System
 - Findeks QR Code Cheque Registration System

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1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)

b. The products and services provided to members by TBB Risk Center are presented below:

- Credit Limit-Credit Risk Inquiry and Sharing Services
- Protested Bills Sharing Service
- Bounced Cheque Inquiry and Sharing Services
- Individual Cheque Inquiry
- Credit Reference System (CRS)
- Corporate Bureau System (CBS)
- Individual Customer Objection Assessment System (Individual MIDES)
- Corporate Customer Objection Assessment System (Corporate MIDES)
- CRS Information Verification System
- Cheque Report Raw Data Presentation
- Risk Report Raw Data Presentation
- Cross-Cheque Relations Inquiry Service
- Bounced Cheque Alert Service
- Inquiry and Warning Services (re:entities banned from tenders)
- Derivative Transactions Sharing Service
- Paid Bills Inquiry
- Sharing Information about Cheques Granted Interim Injunction
- Sharing Service about Companies that Declared Bankruptcy/Suspended Bankruptcy/Declared Concordat
- Sharing Service about Customers Banned from Using Cheques
- Customer RA Personal Record Search
- Credit Insurance Inquiry and Sharing
- Risk Center Customer Report Service
- Acceptance & Rejection Notifications Related to Loan Applications
- Sharing of Internal Rating Scores
- Credit Rating Agencies (CRAS) and Sharing of Rating Scores
- Data Updating Application
- Data Validation and Sanction Application
- Risk Center Bulletin and Statistics Publication Services
- CTMCRS Inquiry Service
- BKM Member Merchant Turnover Information Inquiry
- RC Warning Services
- Individual Inquiry Unit Query
- Force Majeure Inquiry
- Telecommunications Information Inquiry
- Foreign Currency Credit and Income Inquiry

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Additional paragraph for convenience of translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2.1 Accounting standards

Company prepares its financial statements in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

The financial statements are prepared on the historical cost basis.

The preparation of financial statements requires estimates and assumptions that affect the amounts of reported assets and liabilities or declared contingent assets and liabilities as of the balance sheet date and the amounts of income and expenses reported in the related period. These estimates are based on managements' best judgements and information; however, actual results may vary from these estimates.

Financial statements and statutory books of the company are presented in Turkish Lira ("TL") in compliance with Turkish Commercial Code ("TCC") and accounting principles of the tax legislation.

2.2 Basis in preparation

The basic accounting policies adopted in the preparation of the financial statements as of 31 December 2018 are presented below. These policies are applied consistently throughout the whole year, unless otherwise indicated.

2.2.1 Functional and reporting currency

The Company's functional and reporting currency is Turkish Lira ("TL").

2.2.2 Adjustment of financial statements in periods of high inflation

Financial statements were subject to inflation accounting in accordance with "Turkish Accounting Standards Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. The BRSA announced a declaration with a decision dated 28 April 2005 that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

2.2.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Basis in preparation (Continued)

2.2.4 Comparatives and restatement of prior year financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

In the statement of comprehensive income of the Company prepared for the year ended 31 December 2017; time deposit interest income on deposits, foreign exchange gains and income accruals amounting to 13,968,450 TL that were previously classified under "Other operating income" have been reclassified under of "Financial income" in the statement of profit or loss of the Company for the year ended 31 December 2017 that has been presented in order to provide comparative financials and prepared as of 31 December 2018. Also, in the statement of profit or loss of the Company for the year ended 31 December 2017; foreign exchange losses that were amounted to 11,476,616 TL and classified under line of "Other operating expenses" have been reclassified under the line of "Financial expense" in the statement of profit or loss of the Company for the year ended 31 December 2017 that has been presented in order to provide comparative financials and prepared as of 31 December 2018.

2.2.5 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. There was no accounting policy changes in 2018, except for changes required by TFRS 9 "Financial Instruments" and TFRS 15 "Revenue from contracts with customers".

a) First transition to TFRS 9; "Financial Instruments"

As of 1 January 2018 the Company has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017 instead of TAS 39 Financial Instruments: "Accounting and Measurement". The Company has not early adopted TFRS 9.

TFRS 9 makes changes on the accounting, classification and measurement of financial assets and liabilities, and on impairment of financial assets.

i. Effects of changes in accounting policies related to financial assets to financial statements

In accordance with the 7th. Article's 2nd. Paragraph's 15. Subparagraph of the TFRS 9 Financial Instruments Standard that has been published at 19 December 2017 with Official Gazette numbered 29953, companies are not obliged to restate financial statements of prior periods. First time adoption effect shall be reflected in the changes in equity statement as opening balance of current period as at 1 January 2018.

The Company has adopted TFRS 9, "Financial Instruments", superseding TAS 39, classification and measurement requirements and expected credit loss requirements which is replacement of incurred credit loss model as at 1 January 2018. In this context, based on the evaluations, the Company has concluded that the related changes in the accounting policies do not have material effect on its financial statements and thus, the Company has not made any change on the opening balances as at 1 January 2018.

Since the previously used categories by TAS 39 are not applicable, the Company has reclassified its financial instruments in the new categories within the scope of TFRS 9, without changing measurement principles as the related changes do not have equity impact.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Basis in preparation (Continued)

Reconciliation table for the classification of financial assets and liabilities within the scope of TFRS 9 are presented below:

	Previous classification according to TAS 39		Previous classification according to TFRS 9	
	Measurement basis	Book value 31 December 2017	Measurement basis	Book value 31 December 2017
Financial Assets				
Cash and cash equivalents	Amortised cost	69,141,340	Amortised cost	69,141,340
Trade receivables	Amortised cost	24,553,331	Amortised cost	24,553,331
Financial leasing payables	Amortised cost	22,135,924	Amortised cost	22,135,924

ii. Accounting policies applied as of 1 January 2018

The summary of accounting policies applied by the Company as of 1 January 2018 is presented in Note 2.4.

b) Transition of TFRS 15 "Revenue from contracts with customers"

i. Effects of changes in accounting policies related to revenue recognition on financial statements

The Company has applied TFRS 15 "Revenue from contracts with customers" which superseded the TAS 18 as at the first applicaiton date on 1 January 2018. Based on this method, the Company has performed evaluations in order to determine accumulated effect of first time application of TFRS 15 "Revenue from contracts with customers" and has not made any changes on its financial statements as the first time applicaiton of the related standard do not have material impact on its financial statements.

ii. Accounting policies applied as of 1 January 2018

The summary of accounting policies applied by TFRS 15 as of 1 January 2018 is presented in Note 2.4.

2.2.6 Changes in accounting estimates and errors

If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. The Company's accounting estimates did not change significantly in the current period.

Significant accounting errors are applied retrospectively and the prior period financial statements are restated.

2.2.7 Going concern

The Company prepared its financial statements on a going concern basis.

2.2.8 Segment reporting

The company, which operates in Turkey and in a single field of activity, has not reported its financial information according to segments.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations

Implementation of new or revised TAS and TFRS and interpretations

The Company adopted the new and revised standards, amendments and interpretations published by POA which are applicable after 1 January 2018 and related to the Company's operations.

Standards, amendments and interpretations applicable as at 31 December 2018:

- **TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **TFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to TFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- **Amendment to IAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments to TFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

- **Annual improvements 2014-2016**; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
 - TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- **IFRIC 22, 'Foreign currency transactions and advance consideration'**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the TASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Company will evaluate the effects and apply above mentioned amendments as of their validation dates. Except for TFRS 16, these amendments are not expected to have a significant impact on the Company's financials, operations and financial performance. The Company is still working on defining the effects of applying TFRS 16 standard.

2.4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months (Note 3).

Financial instruments

As of 1 January 2018 the Company has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017 instead of TAS 39 Financial Instruments: "Accounting and Measurement".

Classification and measurement of financial instruments

The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. Based on assessments, the Company has classified its financial assets as the business model that aims to keep the contractual cash flows and has determined that the contractual terms of the financial assets contain solely payments of principal and interest on the principal amounts outstanding.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

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 and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Company meets the balance sheet classification and measurement requirements by applying the above procedures. The Company measures and classifies all of its financial asset by "Financial assets measured at Amortised cost".

At initial recognition, the Company classifies its financial assets in the following categories: "Financial Assets at Fair Value Through Profit or Loss"; "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". Measurement and classification of financial liabilities do not materially change from the requirements of TAS 39.

The Company classifies and measures its financial assets as "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in the section below related to the classification and measurement of financial instruments of "IFRS 9 Financial Instruments". At initial recognition, financial assets are measured at fair value. In the case if financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

Financial assets measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost when it is held within a business model to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal or interest.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs, if any, which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement. The Company has measured cash and cash equivalents and trade receivables in the financial statements at amortized cost as of 31 December 2018.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost in accordance with TFRS 9 principles. Impairment method is based on the gradual increase in credit risk observed since their initial recognition.

Measurement of the expected credit losses includes the following decisions that shall be taken by the Company:

- Definition of criterias regarding to the increase in credit risk
- Determination of appropriate model and assumptions on measuring expected credit losses
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date
- Definition of similar financial asset groups for calculation of expected credit loss

As of 31 December 2018, the Company management has assumed that there is no significant change in the credit risks of the financial assets carried at the financial statements and that the impairment measured for financial assets are not material.

The Company has recognized expected credit loss provision of 18,473 TL in its financial statements prepared as at 31 December 2018.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Short and long term liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are measured at amortized cost.

Financial Leases (As "Lessee")

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the estimated useful life of the asset. Financial leasing payables are measured at amortized cost and classified as "Short term liabilities" and "Long term liabilities" in the financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Tangible assets

Tangible assets are measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, tangible assets are carried at cost less accumulated depreciation and provision for value decrease.

All tangible assets are carried at cost, restated equivalent to purchasing power of TL at 31 December 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of tangible assets by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life. Depreciation is calculated over the cost of tangible assets using the straight-line method over estimated useful lives.

Gains and losses on disposals of property, plant and equipment are determined by comparing the carrying amount and the selling price.

The residual value and useful lives of the assets are evaluated at each balance sheet date and adjusted when necessary.

Costs associated with developing or maintaining tangible assets are recognized as an expense as incurred. Expenditure which enhances or extends the performance of tangible assets beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. These costs consist of expenses that extend the useful lives and enhances service capacity of the assets, increase the quality and decrease the cost of using the equipments.

The estimated useful lives are stated below:

	Useful life
Buildings	10-50 years
Machinery, plant and equipment	3-15 years
Furniture and fixtures	2-15 years

Intangible Assets

Acquired intangible assets

Acquired intangible assets with unique useful lives, are carried at historical costs after the deduction of accumulated amortization. These assets are amortized using the straight-line method over their useful lives. Expected useful lives and amortization method are evaluated every year and the changes are applied prospectively. Acquired intangible assets with infinite useful lives are measured at acquisition costs after the deduction of impairments.

Other intangible assets

Other intangible assets of the Company consist of licenses, trademarks and patents. Other intangible assets are carried at historical cost. Other intangible assets have unique useful lives and are carried at historical costs after the deduction of accumulated amortization. Other intangible assets are amortized using the straight-line method over their useful lives.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Softwares

Softwares are recorded at cost of acquisition and are amortized on a straight-line basis over their estimated useful lives, which are 3-15 years from the date of acquisition.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Costs contain general administrative expenses and the personnel expense for the personnel who improved the softwares.

Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized in profit and loss in the period they are incurred.

An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The estimated useful lives are stated below:

	Useful life
Softwares	3-15 years
Rigths	3-5 years
Other intangible assets	3-15 years

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of tangible assets and intangible assets other than goodwills

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

When an asset' (or cash generating unit's) recoverable amount is lower than their carrying value asset's (or cash generating unit's) carrying value is decreased to their recoverable amount. If the related asset is not measured at revalued amount impairment loss is directly recognized in profit/loss. In such cases, the impairment loss is treated as revaluation loss.

When there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased at each reporting period and, if such a conditions exists, the Company reverses the impairment loss recognized in prior periods for an individual asset, Unless the related asset is accounted and measured under a different standard, reversal of the impairment is accounted under statement of comprehensive income,

Employment termination benefits

Provision for employee termination benefits

TAS 19 "Turkish Accounting Standard for Employee Benefits" requires companies to use their actuarial valuation methods to calculate the present value of the potential liabilities. Therefore, the present value of the Company's possible liability is calculated using the assumptions in the following table.

The provision for employment termination benefits is calculated as required by Turkish Labor Law as a statutory obligation of the Company and reflects the present value of severance pay entitlement to employee retirement, dismissal, call for military service or death in case of completion of at least one year of service. TAS 19 "Turkish Accounting Standard for Employee Benefits" requires companies to use their actuarial valuation methods to calculate the present value of the potential liabilities. Therefore, the present value of the Company's possible liability is calculated using the assumptions.

Provision for unused vacation

According to the Labor Law applicable in Turkey, the Company is obliged to pay the annual leave periods which the employment contract are not entitled for any reason, to the employer or their beneficiaries at the date the contract ends.

Bonus payments

The Company records the accrual as an obligation and expense based on a method that takes into consideration the Company's profitability, budget realization and performance criteria. The Company also reserves provisions in cases where it is a contractual obligation.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities

In accordance with the TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognised when the Company has a legal or constructive obligation as a result of a past event and 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. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision. In determining the discount rate to be used in reducing the provisions to their present value, the interest rate on the relevant market and the risk related to the related obligation are taken into consideration. Contingent assets are disclosed in the notes and not recognised unless they are realized.

Revenue recognition

In accordance with TFRS 15 "Revenue Standard from Customer Agreements", which is effective as of 1 January 2018, the Company accounts in the financial statements of the revenue consignment in accordance with the following five-tiered model.

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue

The Company assesses the goods or services undertaken by each contract made with the customers and sets each commitment to transfer such goods or services as a separate performance obligation..

For each performance obligation, at the beginning of the contract, the obligation to fulfill the obligation is to be delivered in time or at a certain time. When the control of a good or service is over time and the Company fulfills its performance obligations related to sales in a timely manner, the Group takes the financial statements in the console at the expiration time by measuring the progress towards fulfillment of the fulfillment obligations.

When the Company fulfills the obligation to perform the obligation by transferring a promised good or service to the customer, it records the transaction value corresponding to the obligation as revenue in the consolidated financial statements. When the control of the goods or services is overtaken by the customers (or as they pass) the goods or services are transferred.

When the Company evaluates the transfer of the customer for the control of the goods or services sold,

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

- a) Group owns the right to collect the goods or services,,
- b) Owns legal ownership of the goods or services,
- c) The transfer of the possession of the goods or services,
- d) Ownership of the significant risks and rewards of ownership of the property of the customer,
- e) Takes into consideration the conditions under which the customer accepts goods or services.

The Company does not make any adjustments to the effect of a significant financing component at the commitment price if the contract at the outset suggests that the period between the transfer date of the goods or services undertaken by the customer and the date the customer pays the price of the goods or services is one year or less. If the other party has significant financing within the revenue, the revenue value is determined by discounting future collections with the interest rate included in the financing element. The difference is recorded in the related periods as Other income from the main operations on the accrual basis.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Foreign currency translation rates used by the Company as of respective year-ends are 5.2609 TL=1 US Dollars and 6.0280 TL=1 Euro (2017: 3.7719 TL=1 US Dollars and 4.5155 TL=1 Euro).

Earnings per share

In accordance with the Turkish Accounting Standards 33 - Earning per share ("TAS 33"), the companies, whose common stocks are not quoted on the stock exchange, do not have to disclose earning per share information. Since the parent Company's common stocks are not quoted on the stock exchange, earnings per share information is not calculated in the accompanying financial statements.

Deferred Revenue

Deferred revenues are liabilities that consist of advances from other parties that are obtained in the relevant period in terms of sale agreements or booked as receivables and related with future periods.

Taxes calculated on the basis of corporate income

Income tax expense consists of corporate tax and deferred tax expenses.

Corporate/Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Under TAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted off in these financial statements.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Corporate and deferred taxes for the period

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the statement of profit or loss.

Cash flow statement

The Company prepares cash flow statements to inform users of the ability to direct the amount and timing of changes in net assets, financial structure and cash flows according to changing conditions.

In the cash flow table, the cash flows related to the turnover are reported by being classified as operating, investing and financing activities. Cash flows arising from operating activities represent cash flows arising from the transactions entered into the operating area of the Company. Cash flows from investing activities represent for the Company used and obtained from investment activities (fixed investments and financial investments). Cash flows from financing activities represent the resources the Company uses in its financing activities and the repayments of these resources.

Related parties

For the purposes of these financial statements, shareholders, key management personnel and Board members, in each case together with companies controlled by/or affiliated with them and associated companies are considered and referred to as related parties.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

A related party is a person or entity that is related to the entity that is preparing its financial statements

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.5 Significant accounting judgements, estimates and assumptions

The Company has prepared its financial on going concern principal.

Preparation of the financial statements requires estimates and judgments about the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgments are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

The significant estimates and assumptions the Company uses in preparing its financial statements are explained below:

Useful lives of tangible assets and intangible assets: The useful life of assets and additional costs are determined by the Company Management at initial recognition date and re-evaluated regularly. The Company determines useful lives of the assets by evaluating estimated benefits of the related assets. This evaluation is based on the Company' experiences on relevant assets.

Recognition of deferred tax asset: Deferred tax assets can only be booked if the relevant tax benefit is probable. The amount of the probable future tax advantages and taxable income are based on the Company's medium-term projections and expectations based on these projections.

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3. CASH AND CASH EQUIVALENTS

The details of the Company's cash and cash equivalents as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Banks		
- Time deposit	92,744,552	67,130,701
- Demand deposit	205,598	358,081
Credit card receivables with less than term of three months (*)	1,609,370	1,652,558
Provision for expected credit loss (-)	(7,258)	-
Total	94,552,262	69,141,340

(*) As of 31 December 2018, the average maturity of credit card receivables of the Company amounting to 1,609,370 TL (31 December 2017: 1,652,558 TL) is 40 days (31 December 2017: 40 days).

As of 31 December 2018 and 2017, there is no restriction on cash and cash equivalents.

As of 31 December 2018 and 31 December 2017, the details of time deposits are as follows:

31 December 2018

Maturity date	Currency	Gross annual interest rate (%)	31 December 2018
2 January 2019	TL	23.10	5,274,126
30 January 2019	TL	24.50	20,000,000
30 January 2019	TL	24.00	10,000,000
30 January 2019	TL	24.00	10,000,000
2 January 2019	TL	6.00	31,771
2 January 2019	TL	16.80	134,000
31 January 2019	Euro	1.50	15,979,993
31 January 2019	US Dollar	4.40	30,186,551
			91,606,441
Interest accruals on time deposits			1,138,111
Total time deposit			92,744,552

31 December 2017

Maturity Date	Currency	Gross annual interest rate (%)	31 December 2017
16 January 2018	TL	15.75	20,000,000
2 January 2018	TL	14.25	16,730,054
12 January 2018	TL	15.40	10,000,000
15 January 2018	TL	15.60	10,000,000
19 January 2018	TL	15.71	10,000,000
			66,730,054
Interest accruals on time deposit			400,647
Total time deposit			67,130,701

As of 31 December 2018 and 2017, in the cash flow statement, cash and cash equivalents of the Company are shown by deducting interest accruals:

	31 December 2018	31 December 2017
Cash and cash equivalents	94,559,520	69,141,340
Interest accruals (-)	(1,138,111)	(400,647)
Cash and cash equivalents in the cash flow statement	93,421,409	68,740,693

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4. TRADE RECEIVABLES AND PAYABLES

As of 31 December 2018 and 2017, the details of trade receivables are as follows:

	31 December 2018	31 December 2017
Trade receivables		
Trade receivables from related parties (Note 6)	18,037,432	22,347,959
Trade receivables from other parties	2,504,584	2,205,372
Provision for expected credit loss (-)	(11,215)	-
- Regarding trade receivables from related parties	(8,784)	-
- Regarding trade receivables from other parties	(2,431)	-
Total	20,530,801	24,553,331

The average maturity of trade receivables is 10 days (31 December 2017: 10 days). As of 31 December 2018, there is no neither past due nor impaired receivable (31 December 2017: no neither past due nor impaired receivable).

As of 31 December 2018 and 2017, the details of trade payables are as follows:

	31 December 2018	31 December 2017
Trade payables (*)		
Trade payables to other parties	34,699,995	20,584,469
Trade payables to related parties (Note 6)	4,790,054	1,368,622
Total	39,490,049	21,953,091

(*) The average maturity for trade payables is between 30 and 60 days (31 December 2017: between 30 and 60 days). As of 31 December 2018 and 2017, a significant portion of the trade payables consist of the purchases and maintenance of tangible and intangible assets and their liabilities related to outsourced services.

5. OTHER RECEIVABLES AND PAYABLES

As of 31 December 2018 and 2017, the details of other receivables are as follows:

	31 December 2018	31 December 2017
Other receivables		
Other receivables from other parties	249,388	203,800
Other receivables from related parties (Note 6)	2,331	36,378
Total	251,719	240,178

As of 31 December 2018 and 2017, the details of other payables are as follows:

	31 December 2018	31 December 2017
Other payables		
Tax payable and liabilities	3,109,082	2,145,431
Deposits and guarantees received	38,493	1,929,142
Value Added Tax ("VAT") payable	-	595,162
Other payables	16,982	3,689
Total	3,164,557	4,673,424

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6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2018 and 2017, the Company's balances with related parties are as follows:

Trade receivables from related parties	31 December 2018	31 December 2017
Türkiye Bankalar Birliği	11,438,679	15,839,772
T. Garanti Bankası A.Ş.	1,371,373	892,041
Akbank T.A.Ş.	947,259	1,155,166
Yapı ve Kredi Bankası A.Ş.	902,570	1,586,783
T.C. Ziraat Bankası A.Ş.	795,764	653,365
T. İş Bankası A.Ş.	786,691	500,749
Denizbank A.Ş.	763,545	802,287
T. Vakıflar Bankası T.A.O.	450,060	349,577
T. Halk Bankası A.Ş.	229,573	192,823
Şekerbank T.A.Ş.	150,850	104,758
Receivables from other related parties	201,068	270,638
Provision for expected credit loss (-)	(8,784)	-
Total	18,028,648	22,347,959

Trade payables to related parties	31 December 2018	31 December 2017
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	3,675,901	258,175
T. İş Bankası A.Ş.	978,217	-
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	119,060	151,152
T. Halk Bankası A.Ş.	13,377	191
Akbank T.A.Ş.	3,499	-
Aksigorta Anonim Şirketi	-	560,456
Anadolu Anonim Türk Sigorta Şirketi	-	335,534
Yapı ve Kredi Bankası A.Ş.	-	63,114
Total	4,790,054	1,368,622

As of 31 December 2018 and 2017, the details of cash and cash equivalents with related parties are as follows:

Cash and cash equivalents from related parties	31 December 2018	31 December 2017
Denizbank A.Ş.	61,704,770	884
T. Vakıflar Bankası T.A.O.	20,627,941	143,715
T. Halk Bankası A.Ş.	10,296,245	20,152,546
Yapı ve Kredi Bankası A.Ş.	713,521	617,701
T. Garanti Bankası A.Ş.	475,605	517,106
T. İş Bankası A.Ş.	328,345	17,093,189
Akbank T.A.Ş.	228,210	255,866
T.C. Ziraat Bankası A.Ş.	55,314	6,337
Şekerbank T.A.Ş.	-	30,232,192
Provision for expected credit loss (-)	(6.607)	-
Total	94,423,344	69,019,536

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6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

As of 31 December 2018 and 2017, the details of the Company's other receivables balances from related parties are as follows:

Other receivables from related parties	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	1,073	-
Denizbank A.Ş.	847	10,046
T. Vakıflar Bankası T.A.O.	411	2,749
T. İş Bankası A.Ş.	-	4,722
Akbank T.A.Ş.	-	18,669
T. Garanti Bankası A.Ş.	-	69
Anadolu Hayat Emeklilik A.Ş.	-	123
Total	2,331	36,378

As of 31 December 2018, the details of prepaid expenses to related parties are as follows:

Prepaid expenses to related parties	31 December 2018	31 December 2017
Anadolu Anonim Türk Sigorta A.Ş.	1,680,339	1,191,278
Aksigorta A.Ş.	646,230	556,336
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	576,845	318,186
Anadolu Hayat Emeklilik A.Ş.	49,429	53,957
T. Halk Bankası A.Ş.	53	-
Total	2,952,896	2,119,757

For the periods ended at 31 December 2018 and 2017, the details of the Company's short and long term liabilities to related parties are as follows:

Short and long term liabilities to related parties	31 December 2018	31 December 2017
İş Finansal Kiralama A.Ş.	16,935,450	20,838,065
Yapı Kredi Finansal Kiralama A.O.	968,462	1,297,859
Total	17,903,912	22,135,924

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6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

For the periods ended at 31 December 2018 and 2017, the details of the Company's expenses to related parties are as follows:

Expenses to related parties	1 January - 31 December 2018	1 January - 31 December 2017
Koçsistem Bilgi ve İletişim A.Ş.	4,034,941	1,551,229
T. İş Bankası A.Ş.	3,328,935	1,719,694
T.C. Ziraat Bankası A.Ş.	3,116,318	244
Anadolu Anonim Türk Sigorta A.Ş.	2,591,087	2,670,241
T. Vakıflar Bankası T.A.O.	2,463,013	719,498
T. Halk Bankası A.Ş.	2,084,055	134,531
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	1,377,761	1,685,803
İş Finansal Kiralama A.Ş.	792,567	886,209
Aksigorta A.Ş.	664,724	778,742
Otokoç Otomotiv Tic. ve San. A.Ş.	155,417	76,082
Akbank T.A.Ş.	80,945	969,126
Yapı Kredi Finansal Kiralama A.O.	79,745	113,382
Denizbank A.Ş.	25,772	3,429,194
Yapı ve Kredi Bankası A.Ş.	20,379	176,813
T. Garanti Bankası A.Ş.	15,019	220,891
Şekerbank T.A.Ş.	5,679	49,432
Anadolu Hayat Emeklilik A.Ş.	3,403	117,862
Bankalararası Kart Merkezi A.Ş.	68	-
Taksim Otelcilik A.Ş.	-	171,145
Total	20,839,828	15,470,118
	1 January - 31 December 2018	1 January - 31 December 2017
Dividends paid		
Dividends paid to shareholders	13,537,125	9,037,125
	13,537,125	9,037,125

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CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH (AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Total salaries and benefits of top management

The Company's shareholders, senior executives and directors, members of the board of directors and their respective companies and their families are deemed to be related parties. For the period ended 31 December 2018, the total amount of benefits provided to top management is 5,411,260 TL (31 December 2017: 4,396,308 TL).

Revenue from related parties	1 January - 31 December 2018	1 January - 31 December 2017
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	134,047,274	156,118,825
T. Garanti Bankası A.Ş.	11,615,635	8,350,876
Yapı ve Kredi Bankası A.Ş.	10,890,839	8,596,559
Denizbank A.Ş.	9,922,755	6,449,976
T.C. Ziraat Bankası A.Ş.	9,846,231	7,950,106
Akbank T.A.Ş.	9,104,853	5,933,729
T. İş Bankası A.Ş.	8,490,022	6,327,398
T. Vakıflar Bankası T.A.O.	4,978,748	2,191,640
T. Halk Bankası A.Ş.	3,879,506	2,497,864
Koçsistem Bilgi Ve İletişim Hizm. A.Ş.	1,662,530	329,536
Şekerbank T.A.Ş.	1,409,647	882,136
Türkiye Bankalar Birliği	906,927	-
Otokoç Otomotiv Tic. ve San. A.Ş.	407,215	219,200
Vakıf Katılım Bankası A.Ş.	234,257	87,877
Aksigorta A.Ş.	189,950	127,500
Bankalararası Kart Merkezi A.Ş.	170,009	384,026
İş Faktoring A.Ş.	158,526	146,402
Koç Finansman A.Ş.	135,813	137,954
Ziraat Katılım Bankası A.Ş.	105,433	58,772
Şeker Faktoring A.Ş.	100,332	121,568
Deniz Faktoring A.Ş.	69,317	64,030
Koç Fiat Kredi Finansman A.Ş.	63,123	53,544
Türkiye Sınai Ve Kalkınma Bankası A.Ş.	60,054	60,569
Hemenal Finansal Kiralama A.Ş.	57,792	28,375
Anadolu Anonim Türk Sigorta Şirketi	34,800	-
Halk Finansal Kiralama A.Ş.	32,930	32,428
İş Finansal Kiralama A.Ş.	27,274	35,922
Garanti Faktoring A.Ş.	24,294	30,452
Yapı Kredi Finansal Kiralama A.O.	23,959	35,569
Arap Türk Bankası A.Ş.	23,831	11,257
Garanti Finansal Kiralama A.Ş.	23,400	619
Volkswagen Doğuş Finansman A.Ş.	23,040	37,798
Yapı Kredi Faktoring A.Ş.	18,347	25,992
Vakıf Faktoring A.Ş.	14,965	28,452
Halk Faktoring A.Ş.	12,891	17,814
Deniz Finansal Kiralama A.Ş.	12,149	27,383
Vakıf Finansal Kiralama A.Ş.	8,305	11,648
Ziraat Finansal Kiralama A.Ş.	7,280	11,760
Ak Finansal Kiralama A.Ş.	5,343	6,618
Şeker Finansal Kiralama A.Ş.	2,645	2,727
VDF Faktoring A.Ş.	2,605	1,879
Yatırım Finansal Kiralama A.Ş.	2,404	1,562
A&T Finansal Kiralama A.Ş.	553	1,116
Şeker Mortgage Finansman A.Ş.	289	233
Garanti Filo Yönetim Hizmetleri A.Ş.	-	13,501
Total	208,808,092	207,453,192

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7. TANGIBLE ASSETS

Movement of tangible assets for the period between 1 January and 31 December 2018 is as follows:

Cost	1 January 2018 Opening	Additions	Disposals (-)	Transfers	31 December 2018 Closing
Cost					
Buildings	130,331,609	1,652,698	-	-	131,984,307
Machinery, plant and equipment	41,554,049	10,836,067	(353,445)	-	52,036,671
Furniture and fixtures	23,810,743	14,096,624	-	2,502,092	40,409,45
Constructions in progress	1,511,480	6,503,766	-	(5,031,463)	2,983,783
Total	197,207,881	33,089,155	(353,445)	(2,529,371)	227,414,220
Accumulated depreciation	1 January 2018 Opening	Additions (-)	Disposals	Transfers	31 December 2018 Closing
Buildings (-)	(8,285,086)	(3,361,407)	-	-	(11,646,493)
Machinery, plant and equipment (-)	(17,708,490)	(5,049,942)	224,750	-	(22,533,682)
Furniture and fixtures (-)	(5,563,485)	(6,465,046)	-	-	(12,028,531)
Total	(31,557,061)	(14,876,395)	224,750	-	(46,208,706)
Net book value	165,650,820				181,205,514

Movement of tangible assets for the period between 1 January and 31 December 2017 is as follows:

Cost value	1 January 2017 Opening	Additions	Disposals (-)	Transfers	31 December 2017 Closing
Cost					
Buildings	125,962,891	4,906,226	(537,508)	-	130,331,609
Machinery, plant and equipment	36,874,859	3,876,543	(1,325,751)	2,128,398	41,554,09
Furnitures and fixtures	3,781,142	20,046,772	(17,171)	-	23,810,743
Constructions in progress	-	1,511,480	-	-	1,511,480
Total	166,618,892	30,341,021	(1,880,430)	2,128,398	197,207,881
Accumulated depreciation	1 January 2017 Opening	Additions (-)	Disposals	Transfers	31 December 2017 Closing
Buildings (-)	(4,963,508)	(3,375,329)	53,751	-	(8,285,086)
Machinery, plant and equipment (-)	(12,092,574)	(5,739,309)	299,983	(176,590)	(17,708,490)
Furnitures and fixtures (-)	(1,909,261)	(3,658,539)	4,315	-	(5,563,485)
Total	(18,965,343)	(12,773,177)	358,049	(176,590)	(31,557,061)
Net book value	147,653,549				165,650,820

There is no mortgage on the Company's tangible assets (31 December 2017: No mortgage).

As of 31 December 2018, the insurance amount on tangible assets is 335,075,056 TL (31 December 2017: 293,650,395 TL).

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8. INTANGIBLE ASSETS

Movement of intangible assets for the period between 1 January and 31 December 2018 is as follows:

Cost Value	1 January 2018 Opening	Additions	Disposals (-)	Transfers	31 December 2018 Closing
Software	39,068,879	16,679,499	(266,149)	-	55,482,229
Rights	61,500	2,119,432	-	2,529,371	4,710,303
Other intangible assets	1,528,211	104,833	-	-	1,633,044
Total	40.658.590	18.903.764	(266.149)	2,529,371	61,825,576

Accumulated depreciations	1 January 2018 Opening	Additions (-)	Disposals	Transfers	31 December 2018 Closing
Software	(25,875,115)	(8,324,082)	7,413	-	(34,191,784)
Rights	(13,638)	(1,445,138)	-	-	(1,458,776)
Other intangible assets	(1,150,467)	(92,923)	-	-	(1,243,390)
Total	(27,039,220)	(9,862,143)	7,413	-	(36,893,950)

Net book value	13,619,370				24,931,626
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Movement of intangible assets for the period between 1 January and 31 December 2017 is as follows:

Cost value	1 January 2017 Opening	Additions	Disposals (-)	Transfers	31 December 2017 Closing
Software	26,944,797	13,033,261	(909,179)	-	39,068,879
Rights	2,189,898	-	-	(2,128,398)	61,500
Other intangible assets	1,495,660	32,551	-	-	1,528,211
Total	30,630,355	13,065,812	(909,179)	(2,128,398)	40,658,590

Accumulated depreciation	1 January 2017 Opening	Additions (-)	Disposals	Transfers	31 December 2017 Closing
Software (-)	(18,810,379)	(7,973,915)	909,179	-	(25,875,115)
Rights (-)	(186,127)	(4,101)	-	176,590	(13,638)
Other intangible assets (-)	(954,091)	(196,376)	-	-	(1,150,467)
Total	(19,950,597)	(8,174,392)	909,179	176,590	(27,039,220)

Net book value	10,679,758				13,619,370
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9. SHORT TERM AND LONG TERM LIABILITIES

As of 31 December 2018 and 2017, the details of short and long term liabilities are as follows:

	31 December 2018	31 December 2017
Short term leasing payables	11,726,416	8,999,811
Total	11,726,416	8,999,811
Long term leasing payables	6,177,496	13,136,113
Total	6,177,496	13,136,113
Total leasing payables	17,903,912	22,135,924

As of 31 December 2018, the effective weighted average interest rates for denominated US Dollar, Euro and TL financial leasing payables are respectively 5,91%, 3,19% and 14,22%, (31 December 2017: 5,88%, 3,33 and 14,21%).

As of 31 December 2018 and 2017, the payment schedule of financial leasing payables is as follows:

	31 December 2018	31 December 2017
Up to 1 year	11,726,416	8,999,811
Between 1-2 years	6,113,428	8,623,666
Between 2-3 years	64,068	4,469,170
Between 3-4 years	-	43,277
Total	17,903,912	22,135,924

The movement table of the Company's financial liabilities for the accounting period between 1 January and 31 December 2018 is as follows:

	2018	2017
Beginning of the period - 1 January	22,135,924	23,486,863
Payments made during the period (-)	(10,469,758)	(4,562,626)
The effect of unrealized exchange rate differences	6,264,961	3,216,331
Accrual of interest	(27,215)	(4,644)
End of the period - 31 December	17,903,912	22,135,924

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10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Letters of guarantee given:

	31 December 2018	31 December 2017
Letters of guarantee	182,536	-
Total	182,536	-

Letters of guarantee received:

	31 December 2018	31 December 2017
Letters of guarantee received (*)	4,973,528	5,210,415
Total	4,973,528	5,210,415

(*) Letters of guarantee received from the service provider companies regarding the building of the Company that is located in Ankara Organized Industrial Zone.

As of 31 December 2018, the Company has no collateral, pledge or mortgage given for the purpose of acquiring its own debt or debt of any person or entity other than the Company. (31 Aralık 2017: No collateral, pledge or mortgage).

Lawsuits againsts the company:

As of 31 December 2018, there are 7 lawsuits filed against the Company. Provision of TL 457,344 has been provided based on the best estimates of the Company management regarding these lawsuits. (31 December 2017: There are two cases and TL 410,344 has been provisioned).

11. EMPLOYMENT BENEFITS

i) Payables for employee benefits

As of 31 December 2018 and 2017, the details of the payables for the employees are as follows:

	31 December 2018	31 December 2017
Social security withholding to be paid	1,490,513	2,182,998
Payables to employees	115,404	49,140
Total	1,605,917	2,232,138

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11. EMPLOYMENT BENEFITS (Continued)

ii) Short term provisions

As of 31 December 2018 and 2017, the details of the Company's short-term provisions are as follows:

	31 December 2018	31 December 2017
Provision for personnel performance bonus	13,471,394	11,739,895
Provision for unused vacation	3,736,612	2,904,036
Provision for bank commissions (*)	373,064	188,859
Provision for uninvoiced expenses	112,294	214,336
Other provisions	1,072,700	444,816
Total	18,766,064	15,491,942

(*) The Company works with various banks from Turkey in order to complete transactions of Findeks products.

The Company pays commissions to the banks in direct proportion to sale amounts within the context of agreements terms. These balances consist of provisions for commissions payable to branch banks as of 31 December 2018 and 2017.

The movement table of provision for personnel performance bonus of the Company for the periods between 1 January and 31 December 2018 and 2017 is as follows:

	2018	2017
Beginning of the period - 1 January	11,739,895	6,826,978
Increase in the period	13,471,394	11,739,895
Paid during the period (-)	(11,739,895)	(6,826,978)
End of the period - 31 December	13,471,394	11,739,895

iii) Long term provisions

As of 31 December 2018 and 2017, the details of the Company's long-term provisions are as follows:

	31 December 2018	31 December 2017
Provision for employment termination benefits	2,087,456	1,680,325
Provision for lawsuits	444,844	397,844
Total	2,532,300	2,078,169

The provision for employment termination benefits is provided for as explained below;

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

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11. EMPLOYMENT BENEFITS (Continued)

iii) Long term provisions (Continued)

The principal assumption is that the maximum liability for each year service will increase in line with inflation. Thus, the discount rate applied represents the expected rate of actual inflation. As the maximum liability is revised semi-annually the maximum amount of 6,017,60 TL which is effective as of 1 January 2019 has been taken into consideration in calculating the provision for employment termination benefits of the Company (31 December 2017: 5.001,76 TL, effective from 1 January 2018)

The liability is not funded, as there is no funding requirement.

Provision for employment termination benefits is calculated by estimating the present value of the probable liability in the case of retirement of the employees.

The Company develops and uses actuarial valuation methods to estimate the employee termination benefit provision. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2018	31 December 2017
Annual discount rate (%)	5.73	4.00

The movement of employment termination benefits during the year is as follows:

	2018	2017
Beginning of the period - 1 January	1,680,325	1,066,823
Service cost	459,112	408,909
Interest cost	340,255	180,636
Payment within the period (-)	(581,121)	(378,504)
Actuarial loss	188,885	402,461
End of the period - 31 December	2,087,456	1,680,325

12. PREPAID EXPENSES AND DEFERRED INCOME

The details of short-term prepaid expenses of the Company as of 31 December 2018 and 2017 are as follows:

Short term prepaid expenses (*)	31 December 2018	31 December 2017
Prepaid expenses from related parties	2,842,900	2,012,282
Prepaid expenses from other parties	7,674,753	5,309,288
Total	10,517,653	7,321,570

(*) As of 31 December 2018 and 2017, the related amounts consist of prepaid insurance, maintenance, dues, training and other miscellaneous expenses which have not been included in the statement of profit or loss.

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12. PREPAID EXPENSES AND DEFERRED INCOME (Continued)

As of 31 December 2018 and 2017, the details of long-term prepaid expenses are as follows:

Long term prepaid expenses (*)	31 December 2018	31 December 2017
Prepaid expenses from related parties	109,996	107,475
Prepaid expenses from other parties	2,911,755	626,352
Total	3,021,751	733,827

(*) As of 31 December 2018 and 2017, the related amounts consist of prepaid insurance, maintenance, dues, training and other miscellaneous expenses which have not been included in the statement of profit or loss.

The details of deferred income as of 31 December 2018 and 2017 are as follows:

Deferred income	31 December 2018	31 December 2017
Deferred income (*)	40,631,194	25,405,570
Total	40,631,194	25,405,570

(*) As at 31 December 2018 and 2017, related amounts consist of service income of the Company generated from Findeks, IFAS and MKDS products, which have been collected in advance but not accrued.

13. OTHER ASSETS AND LIABILITIES

a) Other current assets:

The details of other current assets as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Deferred VAT	3,222,758	-
Accruals on trade receivables from customers	463,437	6,479
Receivables from employees	103,950	70,005
Amounts to be invoiced	29,390	22,633
Total	3,819,535	99,117

b) Other non-current assets:

The details of other fixed assets as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Deposits and guarantees given	17,820	17,881
Total	17,820	17,881

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14. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of 7.425.000 TL of each 1 TL nominal share (31 December 2017: 7.425.000 TL).

Shareholders or their proxies present at the Ordinary and Extraordinary General Assembly meetings have 1 voting right per share.

The Company's shareholders and their shares in the capital at 31 December 2018 and 2017 are as follows:

Shareholders:	31 December 2018		31 December 2017	
	Share (%)	Share amount	Share (%)	Share amount
Yapı ve Kredi Bankası A.Ş.	18.182	1,350,000	18,182	1,350,000
Türkiye Halk Bankası A.Ş.	18.182	1,350,000	18,182	1,350,000
Akbank T.A.Ş.	9.091	675,000	9,091	675,000
Türkiye Garanti Bankası A.Ş.	9.091	675,000	9,091	675,000
Şekerbank T.A.Ş.	9.091	675,000	9,091	675,000
Türkiye İş Bankası A.Ş.	9.091	675,000	9,091	675,000
Denizbank A.Ş.	9.091	675,000	9,091	675,000
T. Vakıflar Bankası T.A.O.	9.091	675,000	9,091	675,000
T.C. Ziraat Bankası A.Ş.	9.091	675,000	9,091	675,000
Paid in capital	100,00	7,425,000	100,00	7,425,000

Reserves on retained earnings

	31 December 2018	31 December 2017
Extraordinary reserves	123,581,647	100,709,110
Reserves on retained earnings	12,668,175	11,205,300
Share capital adjustment	2,574,025	2,574,025
	138,823,847	114,488,435

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. As of 31 December 2018, the extraordinary reserves of the Company which are classified under the statutory reserves are 123,581,647 TL (31 December 2017: 100,709,110 TL).

At the Ordinary General Assembly held on 28 March 2018, the Company decided to pay dividends amounting to 13,537,125 TL (31 December 2017: In 2017, the Company has paid a dividend payment of 9,037,125 TL). The dividend payments have been made to the shareholders in the second quarter of 2018.

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15. SALES AND COST OF SALES

The Company's sales for the periods 1 January - 31 December 2018 and 2017 and the cost of sales are as follows:

	1 January - 31 December 2018	1 January - 31 Decemeber 2017
CRS product income	85,384,886	111,192,621
Findeks product income	53,603,048	32,124,606
LCS product income	24,496,734	18,962,842
Risk center check report product income	18,606,790	18,051,637
Personel credit rating	18,536,030	8,519,191
PPI product income	15,953,758	12,454,660
Individual limit risk query	10,628,614	5,749,710
CBS product income	6,849,099	7,420,884
Datacenter product income	6,752,577	3,504,321
Commercial credit rating product income	6,632,439	3,096,190
Risk center risk report product income	4,637,887	3,449,403
Risk center service income	4,547,688	8,278,226
KKB check report product income	2,582,535	3,631,983
Factoring invoice pool product income	2,397,797	2,108,880
Trade registry sharing system product income	2,193,000	1,996,000
GeoMIS product income	1,791,500	1,826,500
Central Bank Services product income	1,420,770	-
Cross check inquiry product income	956,683	643,120
GİB künye ürün gelirleri	826,136	821,274
TARDES product income	771,364	812,006
Product income from the declaration and sharing of foreign currency loans and incomes	566,895	-
Loan utilization instant sharing service product income	421,395	-
DVS product income	408,187	-
Tendency score incomes	384,027	6,131
FRS product income	334,052	226,703
KKB risk report product income	315,180	511,620
Check status inquiry income	274,347	219,503
CTMCRS product income	274,320	-
Individual check inquiry product income	262,109	-
Bounced check inquiry product income	220,342	-
Internet frauds alarm system income	216,794	167,996
CDSS incomes	120,786	120,443
Center fraud inquiry income	48,810	26,607
Other income	1,826,015	1,140,853
Sales	275,242,594	247,063,910
Sales returns (-)	(770,663)	(861,969)
Net sales	274,471,931	246,201,941
Cost of sales (-)	(112,070,158)	(98,025,527)
- Personnel expenses (-)	(56,214,436)	(43,061,375)
- Score service expenses (-)	(24,888,446)	(24,933,600)
- Depreciation expense (-)	(13,475,436)	(13,176,586)
- System services expenses (-)	(8,368,697)	(10,942,755)
- Query services expenses (-)	(6,880,810)	(4,567,584)
- Other expenses (-)	(2,242,333)	(1,343,627)
Gross operating profit	162,401,773	148,176,414

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16. MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

a) Marketing, selling and distribution expenses:

The details of marketing, selling and distribution expenses of the Company for the periods 1 January - 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Commission expenses	13,220,101	6,955,006
Advertising, media and sales expenses	12,842,520	11,089,710
Other	584,770	278,121
Total	26,647,391	18,322,837

b) General administrative expenses:

The details of general administrative expenses for the accounting periods of 1 January - 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	38,781,770	32,172,121
Installation and maintenance expense	17,067,849	10,086,243
Amortization and depreciation expense	11,263,102	7,770,983
Consultancy expenses	9,988,946	11,981,807
Communication expenses	8,438,992	7,597,415
Electricity, water and fuel cost	3,434,884	1,953,717
Taxes and other liabilities	1,422,433	1,262,952
Travel expenses	960,611	519,420
Insurance expenses	743,522	606,156
Other	6,134,288	3,616,507
Total	98,236,397	77,567,321

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17. EXPENSES BY NATURE

The details of expenses by nature for the accounting periods of 1 January - 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	94,996,206	75,233,496
Score service expenses	24,888,446	24,933,600
Amortization and depreciation expense	24,738,538	20,947,569
Installation and maintenance cost	17,067,849	10,086,243
Consultancy expenses	9,988,946	11,981,807
Communication expenses	8,438,992	7,597,415
System services expenses	8,368,697	10,942,755
Query services expenses	6,880,810	4,567,584
Electricity, water and fuel cost	3,434,884	1,953,717
Taxes and other liabilities	1,422,433	1,262,952
Travel expenses	960,611	519,420
Insurance expenses	743,522	606,156
Other	8,376,621	4,960,134
Total	210,306,555	175,592,848

18. OTHER OPERATING EXPENSES

The details of the Company's other operating expenses for the accounting periods of 1 January - 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Expected credit loss provision expense	18,473	-
Other expenses	109,348	19,284
Total	127,821	19,284

19. FINANCIAL INCOMES AND EXPENSES

The details of financing income and expenses of the Company for the periods 1 January - 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Financial income		
Interest income on time deposits	16,750,035	6,092,606
Foreign exchange gains	11,196,930	7,501,680
Rediscount income	737,465	374,164
Total	28,684,430	13,968,450

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19. FINANCIAL INCOMES AND EXPENSES (Continued)

	1 January - 31 December 2018	1 January - 31 December 2017
Financial expenses (-)		
Foreign exchange loss	18,537,218	11,476,616
Interest expenses	852,932	940,247
Total	19,390,150	12,416,863

20. TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Provision for corporate tax	9,349,815	10,134,580
Prepaid corporate tax (-)	(13,284,885)	(10,906,618)
Current period tax (asset)/liability, net	(3,935,070)	(772,038)

"Law on the Amendment of Some Tax Acts and Some Other Laws" numbered 7061 is published on Official Gazette dated 5 December 2017 and numbered 30261. With the temporary amendmend on 32nd article of Law numbered 5520, the corporate tax rate has been determined as 22% that to be applied to earnings generated in the 2018, 2019 and 2020 fiscal periods.

Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they may issue re-assessments based on their findings.

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20. TAX ASSETS AND LIABILITIES (Continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

The tax expenses in the statement of profit or loss for the periods ended at 31 December 2018 and 2017 are summarized below:

	1 January - 31 December 2018	1 January - 31 December 2017
Current tax charge (-)	(9,349,815)	(10,134,580)
Deferrred tax expense (-)	(3,030,953)	(1,858,260)
Total	(12,380,768)	(11,992,840)

As of 31 December 2018 and 2017, the Company's tax reconciliation is presented as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	53,586,369	56,790,437
Theoretical tax expense calculated with current tax rate (-)	(11,789,001)	(11,358,087)
Effect of change in tax rate (*)	(469,432)	-
(Disallowable expenses)/discounts, net	(122,335)	(634,753)
Total tax expenses	(12,380,768)	(11,992,840)

(*) Due to a change in the corporate tax rate as detailed above, The Company has prepared deferred tax assets and liabilities based on the effective tax rates for the periods in which the assets will be realized or the liabilities are fulfilled. For the temporary differences expected to be eliminated in 2018, 2019 and 2020, a deferred tax asset or liability of 22% is calculated.

Deferred Tax

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liabilities are offset in the financial statements.

Deferred tax liabilities calculated on accumulated temporary differences subject to deferred taxation as of 31 December 2018 and 2017 have been prepared using the related tax rates effective for the periods when the related liabilities are expected to be realized and reflected to the financial statements.

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20. TAX ASSETS AND LIABILITIES (Continued)

The details of the deferred tax calculations as of 31 December 2018 and 2017 are as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Provision for employee termination benefits (Note 11)	2,087,456	1,680,325	459,240	336,065
Provision for unused vacation (Note 11)	3,736,612	2,904,036	822,055	580,807
Provision for expected credit loss	18,473	-	4,064	-
Deferred tax assets	5,842,541	4,584,361	1,285,359	916,872
Depreciation adjustment of tangible and intangible assets (-)	(40,768,511)	(28,055,936)	(8,969,072)	(5,611,187)
Deferred tax liabilities (-)	(40,768,511)	(28,055,936)	(8,969,072)	(5,611,187)
Deferred tax liabilities (-), net			(7,683,713)	(4,694,315)

The details of the movement table of the deferred tax liabilities for the periods ended at 31 December 2018 and 2017 are as follows:

	2018	2017
Beginning of the period - 1 January	(4,694,315)	(2,916,547)
Deferred tax (expense) recognized under the statement of profit or loss	(3,030,953)	(1,858,260)
Deferred tax income recognized under equity	41,555	80,492
End of the period - 31 December	(7,683,713)	(4,694,315)

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21. INCOME FROM INVESTING ACTIVITIES

The details of the income obtained from the investment activities of the Company for the periods 1 January - 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Income from sale of tangible assets	223,057	21,090
Total	223,057	21,090

22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Due to its operations, The Company is exposed to cash flow risk, market risk arising from interest risks, capital risk, credit risk and liquidity risk. The Company's risks management policy focuses on unexpected changes in financial markets.

The management policy of financial risks is performed by the Company's senior management and finance department in line with its policies and strategies approved by the Board of Directors. The Board of Directors prepares principles and policies in general to manage exchange rate, interest and capital risks and closely monitors financial and operational risks.

The Company is exposed to the following risks during its operations:

Credit Risk

Liquidity Risk

Market Risk

Capital Risk

This note is presented to inform the Company about its objectives, policies and processes under these risks if the Company is exposed to the above mentioned risks.

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22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk:

Credit risk arises from deposits in banks, receivables from related parties and other trade receivables. In addition, it holds hold the financial assets also carries the risk of the third party's not meeting the requirements of the agreement. The Company management meets these risks by limiting the average risk for the counterparty in each agreement. Trade receivables are evaluated by the Company management on the basis of past experiences and current economic situation and presented in the balance sheet.

As of 31 December 2018 and 2017, the credit risk exposure for the financial instruments is as follows:

31 December 2018	Trade receivables		Other receivables		Cash and cash equivalents at banks	
	Related party	Third party	Related party	Third party	Related party	Third party
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)	18,028,648	2,502,153	2,331	253,167	94,423,344	128,918
- Maximum credit risk secured guarantees etc	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	18,028,648	2,502,153	2,331	253,167	94,423,344	128,918
B. Book value of financial assets that are restricted, otherwise which will be recognized as overdue or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
- Secured by guarantees etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-	-	-
- Non past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

31 December 2017	Trade receivables		Other receivables		Cash and cash equivalents at banks	
	Related party	Third party	Related party	Third party	Related party	Third party
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)	22,347,959	2,205,372	36,378	203,800	69,019,536	121,804
- Maximum credit risk secured guarantees etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	22,347,959	2,205,372	36,378	203,800	69,019,536	121,804
B. Book value of financial assets that are restricted, otherwise which will be recognized as overdue or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
- Secured by guarantees etc.	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-	-	-
- Non past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk:

Prudent liquidity risk management implies holding sufficient cash and marketable securities, the availability of funding through adequate credit transactions and the ability to close out market positions.

The risk of being able to fund the existing and prospective debt requirements is managed by maintaining the availability of sufficient number of credit providers and sufficient amounts of funds generated from operations. The Company management monitors the collection of customer receivables on maturity and tries to avoid any financial burden on the Company in order to ensure uninterrupted liquidation and, as a result of the works carried out with the banks, the cash and non-cash credit limits are determined.

As of 31 December 2018 and 2017, the analysis of liquidity risk by type of financial liability is as follows:

31 December 2018:

Maturity in accordance with the agreement	Book value	Total cash outflow in accordance with the agreement (=I+II+III)	Up to 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Non derivative financial liabilities					
Leasing payables	17,903,912	18,569,612	3,001,216	9,003,646	6,564,750
Trade payables	39,490,049	39,490,049	39,490,049	-	-
Total	57,393,961	58,059,661	42,491,265	9,003,646	6,564,750

31 December 2017:

Maturity in accordance with the agreement	Book value	Total cash outflow in accordance with the agreement (=I+II+III)	Up to 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Non derivative financial liabilities					
Leasing payables	22,135,924	23,476,533	2,304,022	6,911,051	14,261,460
Trade payables	21,953,091	21,953,091	21,953,091	-	-
Total	44,089,015	45,429,624	24,257,113	6,911,051	14,261,460

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22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk:

i) Currency Risk

Foreign exchange risk is primarily based on the existence of foreign currency denominated debt and assets in US Dollars and Euros and the exchange rate risk arising from foreign currency exchange rate changes during translation of these to TL.

Foreign currency position table:

	31 December 2018		31 December 2017			
	Total	Euro	US Dollar	Total	Euro	US Dollar
1. Trade receivables	-	-	-	-	-	-
2a. Monetary financial assets (including cash, cash at banks etc.)	46,166,545	30,186,552	15,979,993	121,419	25,001	96,418
3. Non-monetary financial assets	-	-	-	-	-	-
3. Other	144,048	144,048	-	-	-	-
4. Current assets (1+2+3)	46,310,593	30,330,600	15,979,993	121,419	25,001	96,418
5. Trade receivable	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Fixed assets (5+6+7)	-	-	-	-	-	-
9. Total assets (4+8)	46,310,593	30,330,600	15,979,993	121,419	25,001	96,418
10. Trade payables	(18,079,681)	(352,698)	(17,726,983)	(9,118,210)	(1,076,036)	(8,042,174)
11. Financial liabilities	(10,894,138)	(9,883,834)	(1,010,304)	(8,149,257)	(7,424,913)	(724,344)
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	(1,590,037)	(1,590,037)	-
13. Short-term liabilities (10+11+12)	(28,973,819)	(10,236,532)	(18,737,287)	(18,857,504)	(10,090,986)	(8,766,518)
14. Trade payable	-	-	-	-	-	-
15. Financial liabilities	(5,716,694)	(4,792,401)	(924,293)	(11,979,613)	(10,670,021)	(1,309,592)
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Long-term liabilities (15+16+17)	(5,716,694)	(4,792,401)	(924,293)	(11,979,613)	(10,670,021)	(1,309,592)
18. Total liabilities (13+17)	(34,690,513)	(15,028,933)	(19,661,580)	(30,837,117)	(20,761,007)	(10,076,110)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-
19a. Total amount of hedged assets	-	-	-	-	-	-
19b. Total amount of hedged liabilities	-	-	-	-	-	-
20. Net foreign currency position of assets/(liabilities) (19+9-18)	11,620,080	15,301,667	(3,681,587)	(30,715,698)	(20,736,006)	(9,979,692)
21. Net foreign currency positions of assets/liabilities(monetary items) (1+2a+3+5+6a-10-11-12a-14-15-16a)	11,620,080	15,301,667	(3,681,587)	(29,125,661)	(19,145,969)	(9,979,692)
22. Total fair value of financial instruments used for foreign currency hedge	-	-	-	-	-	-

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22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

i) Currency risk (continued)

Exchange rate sensitivity table

	31 December 2018		31 December 2017	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Profit/Loss		Profit/Loss	
In case of 20% change in the value of US Dollar against TL:				
1- US Dollar net asset/liability	(736,317)	736,317	(1,995,938)	1,995,938
2- US Dollar currency hedging (-)	-	-	-	-
3- US Dollar effect-net (1+2)	(736,317)	736,317	(1,995,938)	1,995,938
In case of 20% change in the value of Euro against TL:				
4- Euro net asset/liability	3,060,333	(3,060,333)	(4,147,201)	4,147,201
5- Euro currency hedging (-)	-	-	-	-
6- Euro effect-net (4+5)	3,060,333	(3,060,333)	(4,147,201)	4,147,201
Total (3+6)	2,324,016	(2,324,016)	(6,143,139)	6,143,139

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22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk

The need of Company's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Company to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

Interest position table

Fixed rate financial instruments	31 December 2018	31 December 2017
Time deposits	92,744,552	67,130,701
Short term borrowings	11,726,416	8,999,811
Long term borrowings	6,177,496	13,136,113

As of 31 December 2018, the Company has no interest-sensitive financial assets. (31 December 2017: None). Since the Company does not have any floating rate financial assets, the Company is not exposed to interest rate risk. Therefore, the interest rate sensitivity table is not presented.

d) Capital risk management

The Company manages its debt and equity balance in the most efficient manner by examining the maturities of cash and trade receivables and financial and commercial debts from its operations while trying to ensure the continuity of its activities. Risks associated with each capital class together with the capital cost of the Company are evaluated by the top management. The Company management presents these risks to the Board of Directors. Based on the evaluations of the management and the Board of Directors, the Company aims to balance its capital structure through dividend payments as well as through new borrowing or payment of existing debt.

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23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The fair value of short-term assets and liabilities other than trade receivables and borrowings is considered approximate to the carrying value, since the discount effect of fair value is insignificant.

As of 31 December 2018 and 2017, the carrying amount and fair value of financial assets and liabilities are as follows;

	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	94,552,262	94,552,262	69,141,340	69,141,340
Trade receivables	20,530,801	20,542,016	24,553,331	24,553,331
Financial liabilities				
Leasing payables	17,903,912	18,569,612	22,135,924	23,476,533
Trade payables	39,490,049	39,490,049	21,953,091	21,953,091

Fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

As of 31 December 2018 and 2017, the Company does not have any financial assets or liabilities which are carried at fair value.

24. SUBSEQUENT EVENTS

None (31 December 2017: None).

