TÜRKİYE KALKINMA BANKASI A.Ş.

Unconsolidated Financial Statements
As of and For the Year Ended
31 December 2017
With Independent Auditors' Report Thereon
(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)

9 February 2018

This report contains "Independent Auditors' Report" comprising 4 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 136 pages.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Türkiye Kalkınma Bankası A.Ş.

A) Audit of Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Kalkınma Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2017 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” (“BRSA Auditing Regulation”) published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA’s Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA’s Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of loans and other receivables

Refer to Section III, No: VII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans and other receivables.

Key audit matter	***How the matter is addressed in our audit***
As of 31 December 2017, loans and other receivables comprise 77% of Bank’s total assets. The Bank recognizes its loans and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the “Regulation”) published on the Official Gazette No. 26333 dated 1 November 2006. In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loan and other receivables. The classification of loans and other receivables is performed in accordance with the criteria in the Regulation. Those include both objective and subjective criteria which management judgment is applied. Because of subjective criteria there is a risk of misclassification of loans and receivables which prevent any determination of impairment. Disclosures related to credit risk are presented in Section IV, No II Credit Risk.	Our procedures for testing the classification of loans and advances in accordance with the Regulation and key assumptions made by management include below: • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up,classification and impairment procedures. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated. • We tested the appropriateness of the provisions in accordance with the Regulation.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 was audited by another auditor who expressed an unqualified opinion on 9 February 2017.

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner

9 February 2018
İstanbul, Turkey

TÜRKİYE KALKINMA BANKASI A.Ş.
THE UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2017

The Headquarters Address	Necatibey Cad. No: 98 P.K.06100 Bakanlıklar/ANKARA
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The unconsolidated financial report for the year-end prepared in accordance with the "Communiqué on Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, consists of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE BANK
- DISCLOSURES AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and notes included in this report are prepared, unless otherwise stated, in **Thousand Turkish Liras**, in accordance with the Procedures And Principles Regarding Banks' Accounting Practices and Maintaining Documents, Turkish Financial Reporting Standards and the related appendices and interpretations and our Bank's financial records, and they have been independently audited and enclosed.

Ahmet BUÇUKOĞLU **Board of Directors Member** **and General Manager**	**Mehmet AYDIN** **Chairman of Audit** **Committee**	**Yalçın YÜKSEL** **Chairman of Audit** **Committee (By Proxy)**

Adnan YALÇINCI **Assistant General Manager** **Responsible for Financial Reporting**	**Aydın TOSUN** **Head of Financial Affairs**

Information on the authorized personnel to whom questions related to this financial report may be directed

Name Surname/Title	: Zeynep Koç / Finance Manager
Tel No	: 0 312 -417 92 00-2506
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SECTION ONE
General Information

SECTION TWO
Unconsolidated Financial Statements

SECTION THREE
Accounting Policies

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Information on Financial Structure and Risk Management

SECTION FIVE
Explanations and Notes Related to the Unconsolidated Financial Statements

SECTION SIX
Other Explanations

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Independent Auditors' Report

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION

I- Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles:

The Bank was established on 27 November 1975 according to the Decree Based on Law numbered 13 as a related institution of the Ministry of Trade and Technology with the legal title of "Devlet Sanayi ve İşçi Yatırım Bankası A.Ş.". Some adjustments were made on the status of the Bank with the Decree Based on Law numbered 165 dated 14 November 1983.

On 15 July 1988, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Law numbered 329 and in parallel with the developments in its activities. The Bank had become a development and investment bank that provides financing support to companies in tourism sector as well as trade sector by taking over T.C. Turizm Bankası A.Ş. with all of its assets and liabilities with the decision of Supreme Planning Council dated 20 January 1989 and numbered 89/T-2. Also with the Decree Law numbered 401 dated 12 February 1990, some of the articles related to the Bank status were changed.

With the Law dated 14 October 1999 and numbered 4456, Decree Law numbered 13, 165, 329 and 401 were revoked and the establishment and operating principles of the Bank were rearranged.

II- Capital Structure of the Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes about These Issues During the Year And Disclosures about the Group:

The capital ceiling of the Bank which is subject to registered capital system is TRY 2.500.000 Thousand. The issued capital within the registered capital is TRY 500.000 Thousand (The Bank's capital consist of 50 Billion shares with par value of TRY 0,01 each), and the shareholders and their shares in the issued capital are shown below.

Shareholders	**Share Amount (Thousand TRY)**	**Share (%)**	**Share Capital (Thousand TRY)**	**Unpaid Capital (Thousand TRY)**
Treasury	495.408	99,08	495.408	-
Other Shareholders(*)	4.592	0,92	4.592	-
Total	**500.000**	**100,00**	**500.000**	**-**

(*) Inclues all shareholders and shares of theses shareholders are traded in Borsa İstanbul. Therefore, number of shareholders can't be known.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

GENERAL INFORMATION (continued)

III- Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any:

Chairman and Members of the Board of Directors:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Ahmet BUÇUKOĞLU	Chairman of the Board	27.06.2014	Bachelor	35
Mustafa Cüneyd DÜZYOL	Member of the Board (By.Proxy)	30.11.2015	Master's Degree	29
Yalçın YÜKSEL	Member of the Board	12.06.2017	Master's Degree	17
Hakan ERTÜRK	Member of the Board	24.01.2017	Master's Degree	17
Mehmet AYDIN	Member of the Board	22.04.2016	Bachelor	27
Zeki ÇİFTÇİ	Member of the Board	24.04.2015	Doctorate	32

General Manager, Assistant General Managers:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Ahmet BUÇUKOĞLU	General Manager / All areas	27.06.2014	Bachelor	35
Bahattin SEKKİN	AGM/Tech.Mon.-Ins.Comm.-Econ.and Social Res.-Credit Ins.	22.08.2003	Bachelor	35
Adnan YALÇINCI	AGM/Loan Follow-up and Coll.-Fiscal Aff.-Budgeting	14.10.2005	Master's Degree	29
Zekai IŞILDAR	AGM/ Support Services	30.01.2009	Bachelor	30
Satı BALCI	AGM/ Loan Follow Up	13.01.2017	Bachelor	29

Chief Internal Inspector:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Murat DOĞUŞLU	Chief Internal Inspector	28.12.2015	Bachelor	30

Executives mentioned above do not own any shares of the Bank in the part which is not publicly traded.

IV- Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank:

The Under Secretariat of Treasury owns 99,08% of the shares of the Bank.

GENERAL INFORMATION (continued)

V- Summary of Functions and Lines of Activities of the Bank:

The line of activities of Türkiye Kalkınma Bankası A.Ş. as a development and investment bank is; to provide loans to enterprises having the status of "Incorporated Company" for the purposes of profitability and productivity of the development of Turkey, to finance and give operational support by participating to enterprises, to direct domestic and foreign savings into development investments, to assist in the development of capital markets, to finance domestic, foreign and international joint ventures and carry out all kinds of development and investment banking activities.

VI- Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods:

Since Kalkınma Yatırım Menkul Değerler A.Ş. which is the subsidiary of the Bank is in liquidation process, the Bank has lost control over its subsidiary in accordance with the related provisions of TAS and TFRS and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been reclassified to available for sale financial assets.

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial associate, Arıcak A.Ş. are not consolidated since they are not in scope of financial institutions according to related Communiqué.

VII- Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries:

As explained above, Kalkınma Yatırım Menkul Değerler A.Ş. is in liquidation process, and transfer of equity is expected to be made at the end of the liquidation process.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

I-	Balance Sheet
II-	Statement of Off-Balance Sheet Accounts
III-	Statement of Income
IV-	Statement of Profit or Loss Accounted under Shareholders` Equity
V-	Statement of Changes in Shareholders’ Equity
VI-	Statement of Cash Flows
VII-	Statement of Profit Distribution

SECTION THREE
ACCOUNTING POLICIES

I- Explanations on Basis of Presentation:

a. The preparation of financial statements and related notes according to Turkish Accounting Standards and Regulation on the Procedures And Principles Regarding Banks Accounting Practices and Maintaining Documents:

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standards ("TAS'') published by Public Oversight Accounting and Auditing Standards Authority ("POA") except for matters regulated by BRSA legislation. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The format and content of the unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements".

Unless otherwise specified, all balances in the financial statements and footnotes are expressed in Thousand Turkish Lira ("TRY").

Additional paragraph for convenience translation to English
The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

b. Basis of valuation used in the preparation of financial statements:

Accounting policies for the preparation of financial statements and valuation principles used are applied in line with Turkish Accounting Standards, Turkish Financial Reporting Standards and the related legislations, communiqués and decrees published by the Banking Regulation and Supervision Agency.

Those accounting policies and valuation principles are explained below notes through II to XXII.

Except for the financial assets and liabilities carried at fair value, the unconsolidated financial statements have been prepared in thousands of Turkish Lira ("TL") under the historical cost.

c. Accounting policies used for the correct interpretation of financial statements:

The financial statements as of 31 December 2017 are presented comparatively with the audited financial statements as of 31 December 2016. In order to give information about financial position and performance trends, unconsolidated financial statements of the Bank have been prepared comparatively with the prior period balances. To comply with the current year presentation, certain reclassifications are made in the unconsolidated financial statements and important differences are explained when necessary.

II- Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions:

The majority of the liabilities of the balance sheet of the Bank consist of funds obtained from domestic and international markets. The majority of funds obtained domestically consist of funds provided by international institutions such as World Bank and Council of European Development Bank via Turkish Treasury and budget originated funds and the rest consists of funds provided through short-term money market transactions within the framework of balance sheet management. The Bank acts as an intermediary for those funds provided by the Turkish Treasury to be utilized in various sectors. The funds obtained internationally consist of medium and long term loans borrowed from World Bank, and European Investment Bank and Council of European Development Bank, Islamic Development Bank, French Development Agency and Japan International Corporation Bank.

During the utilization of the funds obtained, the Bank pays attention for utilization of loans in line with borrowing conditions while taking assets-liability mismatch into account, and tries to avoid maturity, exchange rate and liquidity risks. Exchange rate risk, interest rate risk and liquidity risk are measured and monitored on a regular basis, necessary measures are taken as a result of changes in the market data and balance sheet management is performed within the predetermined risk limits and legal limits.

A non-speculative exchange rate position risk management is applied to limit the Bank's exchange rate risk. For that reason, during the determination of the allocation of balance sheet and off-balance sheet assets according to currencies, foreign currency management policy is applied in the most effective way.

Commercial placements are directed to high-profit and low-risk assets by taking Bank-specific and domestic economic expectations, market conditions, expectations and inclinations of loan customers, risks like interest, liquidity, exchange rate etc. into account, and safety policy is kept in the foreground for placement activities. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programs prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from the Bank's previous experiences are based on when taking positions as well as legal limits. In this way, limit excesses are prevented.

During foreign currency transactions, procedures detailed below are applied.

a. Foreign currency monetary assets and liabilities are translated to Turkish Lira (TRY) with the buying exchange rates announced by the Bank at the end of period and foreign exchange differences are accounted as foreign exchange gain or loss.

b. There is no exchange rate differences capitalized as of the balance sheet date.

c. Basic principles of exchange rate risk management policy: Decisions to avoid exchange rate and parity risks are taken by the Asset- Liability Committee that meets regularly. The decisions are in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position/Shareholders' Equity Ratio which is included in legal requirements, and those decisions are carried out carefully. To avoid parity risk, foreign exchange position is managed by taking singular and general positions.

d. Foreign currency transactions are calculated using the exchange rates prevailing at the dates of transactions and the profit/losses are included in the income statement of the related period.

III- Explanations on Derivative Instruments:

The Bank has no derivative instruments that can be separated from the host contract. Derivative financial instruments are recorded with the fair value at the date of agreement and valued at fair value in the following reporting periods. In addition, the receivables and payables arising from these transactions are accounted for at off-balance sheet accounts. Depending on valuation difference being positive or negative, measurement differences are presented on the related balance sheet accounts.

IV- Explanations on Interest Income and Expenses:

Interests are recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement".

If a financial asset possesses on uncollected interest accrual before its acquisition by the Bank, interest collected afterwards is separated into periods such as before its acquisition and after acquisition, and only the part of after acquisition is recognized as interest income on the income statement.

Realized and unrealized interest accruals of non-performing loans and other receivables are cancelled in line with the "Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions" published in the Official Gazette dated 1 November 2006 and numbered 26333 and those amounts are not included in the income statement unless collected.

V- Explanations on Fees and Commission Income and Expenses:

Fees and commissions received from cash loans, that are not attributable to interest rates applied, and fees for banking services are recorded as income on the date of collection. Fees and commissions paid for the funds borrowed, which are not attributable to interest rates of the funds borrowed, are recorded as expense on the date of the payment. All other commission and fee income and expenses, are recorded on an accrual basis. Earnings in return of agreements or as a result of services provided for real or legal third parties for purchase or sale of assets are recorded as income when collected.

VI- Explanations on Financial Assets:

Financial assets mainly constitute the Bank's commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

The financial assets of the Bank are classified and accounted as " Financial Assets at Fair Value Through Profit and Loss", "Available-for-Sale Financial Assets", "Loans and Receivables" or "Investments Held to Maturity". The sale and purchase of financial assets are accounted for using settlement date accounting. The classification of financial assets is determined by the management of the Bank considering the purpose of purchase on acquisition date.

VI- Explanations on Financial Assets (continued):

Financial Assets at Fair Value through Profit and Loss:

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost and carried at fair value in the financial statements. Marketable securities that are traded in Borsa Istanbul (BIST) are carried at weighted average exchange prices of BIST as of the balance sheet date.

Gains or losses arising as a result of valuation of held for trading financial assets are accounted under profit/loss accounts. Positive difference between the cost and amortized value is recorded under "Interest Income". Positive difference between fair value and amortized value is recorded under "Capital Market Operations Profit", negative difference is recorded under "Capital Market Operations Loss".

Financial assets at fair value through profit and loss are financial assets which are not acquired for trading, however, are classified as financial assets at fair value through profit and loss during the initial recognition. The Bank has no financial assets classified as Financial Assets at Fair Value through Profit and Loss.

Available-for-Sale Financial Assets:

Financial assets available-for-sale represents non-derivative financial assets except for loans and receivables, investments held to maturity and financial assets at fair value through profit and loss.

Financial assets available-for-sale are initially recognized at cost including the transaction costs and carried at fair value in the financial statements. Marketable securities that are traded on BIST are carried at weighted average exchange prices of ISE as of the balance sheet date. In the case a price does not occur in an active market, it is accepted that fair value cannot be reliably determined and amortized value which is calculated using the internal rate of return is accepted as the fair value. The difference between the cost and fair value is accounted for as interest income accrual or impairment loss. Interest income for available-for-sale financial assets with fixed or floating interest rate shows the difference between cost and amortized amount calculated using internal rate of return and accounted for as interest income from marketable securities. Unrealized gains and losses arising from changes in fair value of the financial assets available-for-sale and which are denoting the difference between fair value and amortized cost of financial assets, are recognized in the "Marketable Securities Revaluation Differences". Amounts accounted for under equity are reflected to income statement when financial assets available-for-sale are sold.

Loans and Receivables:

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with cost and carried at amortized cost calculated using the internal rate of return at the subsequent periods. Transaction fees, dues and other expenses paid for loan guarantees are reflected to the customers.

Loans granted by the Bank consist of investment and working capital loans, and fund originated loans.

VI- Explanations on Financial Assets (continued):

Loans and Receivables (continued):

Foreign currency denominated loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Bank management monitors the credit portfolio regularly and if they are doubts about collectibility, non-performing loans are classified in accordance with the "Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions" published in the Official Gazette dated 1 November 2006 and numbered 26333, and ultimately amended by the legislation published in Official Gazette dated 7 February 2014 and numbered 28906. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. specific provisions are reflected to "820 Provisions and Impairment Expenses – 82000 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit under the "Provision Expenses", released portion of the previous period provisions are recognized under "Other Operating Income" account. Collections are accounted for under "Non-performing Loans (including collections from Doubtful Receivables)" and "Interest on Uncollectible Loans and Other Receivables" accounts. Besides the specific provisions, the Bank provided general loan loss provision for loans and other receivables in accordance with the relevant regulations.

Cash and Cash Equivalents:

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturity of 3 months or less following the date of purchase, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The carrying amounts of these assets represent their fair values.

Investments Held To Maturity:

Investments held to maturity are non-derivative financial assets, other than those which are classified at fair value through profit and loss or available for sale or loans and receivables at initial recognition, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity.

Investments held to maturity are subsequently measured at amortized cost using internal rate of return, and they are accounted for by setting forth provision for impairment loss or by posting interest income accrual. Interests received from investments held to maturity are recognized as interest income.

The Bank does not have any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of incompliance with the principles of financial assets classification.

Explanations on Investments in Associates and Subsidiaries;

Investments in associates and subsidiaries are recognized at cost and shown in the financial statements with their cost values after the deduction of, if any, impairment losses within the scope of "TAS 27-Separate Financial Statements".

VI- Explanations on Financial Assets (continued):

Explanations on Investments in Associates and Subsidiaries (continued;)

The Bank has changed its accounting policy and started to recognize foreing currency denominated subsidiaries at fair value beginning from 30 June 2017. Foreing currency denominated subsidiaries are translated at historic rates at the dat fair value is determined For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholders' equity.

VII- Explanations on Impairment of Financial Assets:

At each balance sheet date, the Bank reviews the carrying amounts of its financial assets or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank measures the related impairment amount.

If expected recoverable amount of financial assets which is the discounted amount of expected future cash flows using internal rate of return, or fair value of the financial assets are lower than their carrying amount, these financial assets are considered as impaired. Provision is set for impairment loss and the provision is reflected to income statement.

The changes in the value of financial assets held for sale are reflected to income statement in the related period.

If there is a permanent impairment on available for sale financial assets, impairment is debited to "Impairment Loss on Securities " account in line with the related Turkish Accounting Standard.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cash flows which is the discounted amount using the original interest rate of financial asset and the carrying amount of the asset. The related difference is recognized as a loss and it decreases the carrying value of the financial asset. In subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

Loans are classified and followed in line with the provisions of the "Regulation on Identification of Loans and Other Receivables and Provisioning against Them", published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account. Besides the specific provisions, the Bank provided general loan loss provision for loans and other receivables in accordance with the relevant regulations.

VIII- Explanations on Offsetting of Financial Assets and Liabilities:

Financial assets and liabilities are offset on balance sheet when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

IX- Explanations On Sales And Repurchase Agreements And Lending Of Securities:

Securities sold in repurchase agreements (repo) are accounted for in the balance sheet accounts in line with Uniform Chart of Accounts. Accordingly, the government bonds and treasury bills sold to the clients in the context of repurchase agreements are classified as "Subject to Repurchase Agreements" and are valued at fair values in or discounted values using internal rate of return according to the holding purposes in the Bank portfolio. Funds gained by repurchase agreements are shown separately in the liability accounts and interest expense accrual is calculated for these funds.

Securities that were purchased to resell commitment (reverse repurchase agreements) are shown as a line item under 'Money Market Placements'' line. For the difference between the purchase of securities and resale prices of the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. There are no marketable securities lending transactions.

X- Explanations on Assets Held For Sale and Discontinued Operations:

Assets that are classified as held for sale (or the disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation on these assets is stopped, and these assets disclosed separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer.

Also, the asset should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets (or the disposal group) are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the assets. The Bank has no assets classified as held for sale.

A discontinued operation is a component that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

XI- Explanations on Goodwill and Other Intangible Assets:

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible fixed assets first are carried at cost which includes acquisition costs and other direct costs bearded necessary for the assets to become ready for use. Subsequent to recognition, intangible assets are presented in financial statements at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization is charged on a straight-line basis over their estimated useful lives which is 33,33%. Useful life of other intangible assets are determined by the consideration of items like expected usage period of the asset, technical, technological or other kind of obsolesce and maintenance costs incurred to obtain economic benefit from the assets.

Expenses related to existing computer software and computer software improvement that enhance original content and useful life, are capitalized over the software. Those capitalized expenses are amortized over the remaining useful life of the related assets using the “straight line method”.

XII- Explanations on Tangible Fixed Assets:

Tangible fixed assets are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use, and if results of appraisal reports exceed the costs, they are not subject to any revaluation. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and accumulated impairment losses, if any.

The Bank’s tangible fixed assets purchased before 1 January 2005 are carried at restated cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequently are valued at historical cost.

Gain or loss arising from the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. Investment expenditures include cost items that extend the useful life of the asset, increase the servicing capabilities of the asset, improve the quality of goods or services produced or reduces the costs. There is no pledge, mortgage and other restriction on the tangible fixed assets or given for the purchase commitments or any restrictions on the rights for the use of these.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

XII- Explanations on Tangible Fixed Assets (continued):

According to "Prime Ministry Circular numbered 2012/15 on Transactions of Public Institutions and Organizations Regarding Their Immovable" published in the Official Gazette dated 16 June 2012 and numbered 28325, public institutions and organizations (excluding Municipalities and Specific Provincial Directorates) and companies, more than 50% of whose capital is owned by state institutions and organizations, has to get the approval of the Prime Ministry for transactions like sale, lease, easement, exchange, assign, transfer of immovable in their own property or savings to public institutions and organizations, foundations, associations or their companies, real or legal persons. Therefore, all transactions of the Bank regarding its immovable and specified under the mentioned circular are subject to approval of the Prime Ministry. Other than the issue mentioned, there are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. Estimated depreciation rates of tangible fixed assets are as follows;

	Estimated Useful Life (Years)	Amortization Rate (%)
Building	50	2
Safes (vaults)	50	2
Vehicles	5	20
Other Tangible Assets	3-15	6,66-33,33

There is no change in accounting estimations that has material effect in the current period or that is expected to have effect in the subsequent periods.

Investment Properties

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Costs of investment properties are recognised when they occurred. These costs comprise of costs of acquiring investment properties, incremental costs, modification and service costs of investment properties. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Straight line method is used in depreciation of investment properties. The useful life of investment property is 50 years.

XIII- Explanations on Leasing Transactions:

The Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of the Turkish Accounting Standards (TAS 17) "Leases". Lease receivables other than financial lease receivables and from the rental of assets that are not used in banking operations, not collected as of the balance sheet date are included under lease receivables account.

As of balance sheet data, the Bank has 2 real estates under operational leasing agreement and these real estates are presented as investment property on balance sheet.

XIV- Explanations on Provisions and Contingent Liabilities:

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions other than the specific and general provisions set for loans and other receivables and contingent liabilities are accounted for in accordance with "Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets" (TAS 37).

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

XV- Explanations on Employee Benefit Liabilities:

Obligations for employee benefits are recognized in accordance with the TAS19 "Employee Benefits".

There is no fund to which the Bank personnel are members. However, personnel are members of Personnel Assistance and Additional Social Security Foundation of Türkiye Kalkınma Bankası A.Ş. and the Bank has no obligations regarding this foundation, accordingly no provision is reserved in the accompanying financial statements.

Under the Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, retirement pay provision is calculated in two ways; if the employee is a state employee, the calculation is based on retirement pension for the working period of the state employee, and if the employee is a blue-collar worker, the calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Retirement Payment Provision ceiling).

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 3,20% and a discount rate of 11,03%, resulting in a real discount rate of approximately 7,59% (31 December 2016: 4,81%). As the maximum liability is revised semiannually, the maximum amount of TRY 5.001,76 effective from 1 January 2018 has been taken into consideration in calculation of provision from employment termination benefits (1 January 2016 TRY 4.426,16).

XVI- Explanations on Taxation:

Current Tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205 , will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, Cabinet is made authorized to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

XVI- Explanations on Taxation (continued):

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case. Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year.

Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government. According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%). This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilites account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss. Taxes which does not acrrue on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. . (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%). Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods. In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessment based on their findings.

XVI- Explanations on Taxation (continued):

Deferred Tax

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax", the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity. Deferred tax asset and deferred tax liability are presented as net in these financial statements. The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

The income tax charge is composed of the sum of current tax and deferred tax. The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible.

According to the second paragraph of the Article 53 of the Banking Act No: 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

The current tax payable is offset with prepaid tax, if they are associated with. Deferred tax assets and liabilities are also offset.

Deferred tax asset is not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

Transfer Pricing

Transfer pricing is regulated through Article 13 of Corporate Tax Law titled “Transfer Pricing through camouflage of earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XVII- Additional Explanations on Borrowings:

The Bank accounts its debt instruments in accordance with the Turkish Accounting Standard (TAS 39) “Financial Instruments: Recognition and Measurement”. In the subsequent periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and valuation of debt instruments and liabilities representing the borrowings.

The Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. The Bank acts as an intermediary for funds provided by Turkish Treasury to be utilized domestically. Disbursement from this source has been finalized and there has been no new source transfer from the Undersecretaries of Treasury. Funds are recorded to the Banks’s liabilities on the date of transfer. The maturity dates and interest rates of these funds are determined by the public authority as per the communiqués on Investment Incentives.

The present foreign funds of the Bank are medium and long term loans from World Bank, European Investment Bank, Council of European Development Bank, Islamic Development Bank, French Development Agency and Japan International Corporation Bank and German Development Bank are recorded to related accounts on the date and with the cost the funds are available to the Bank.

The Bank generally prefers providing loans in parallel to the borrowing terms like maturity date, interest rate, interest type and currency type to avoid maturity, exchange rate and liquidity risks.

The Bank has not issued any convertible bonds and debt instruments.

XVIII- Explanations on Shares Issued:

Transaction costs related to share issuance are recognized as expenses.

In the meeting of the General Assembly it has been resolved that, paid-in capital of the Bank will be increased from TL 160.000 to TL 500.000 by adding TL 340.000. TL 340.000 transferred from the capital increase account of Ziraat Yenişehir Branch to the Bank on 26 December 2016, issuance of shares were registered on the trade registry on 17 February 2017 and published in the Official Gazette dated 22 February 2017 and 1 March 2017.

XIX- Explanations on Bill Guarantees and Acceptances:

Commitments regarding bill guarantees and acceptances of the Bank are presented in the “Off Balance Sheet” commitments.

XX- Explanations on Government Incentives:

There are no government incentives utilized by the Bank in the current and prior period.

XXI- Explanations on Segment Reporting:

Besides investment banking, the sale and purchase of investment funds of the Bank, sale and purchase of government bonds and treasury bills and repurchase agreements and money swaps and forward exchange transactions are conducted by Treasury Department.

As of 31 December 2017, explanations on segment reporting in line with “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures” are shown below:

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

XXI- Explanations on Segment Reporting (continued):

Current Period	**Treasury**	**Investment Banking**	**Undistributed**(1)	**Total Operations of the Bank**
OPERATING INCOME/EXPENSES – (31.12.2017)				
Interest income	115.306	259.665	38	375.009
Interest income on loans	-	259.665	-	259.665
Interest income on banks	67.540	-	-	67.540
Interest income on interbank money market placements	31.345	-	-	31.345
Interest income on marketable securities	16.421	-	-	16.421
Other interest income	-	-	38	38
Interest expense	(1.819)	(93.768)	-	(95.587)
Interest expense on borrowings	-	(93.768)	-	(93.768)
Interest on money market transactions	(1.819)	-	-	(1.819)
Other interest expense	-	-	-	-
Net fees and commissions income	(610)	13.035	294	12.718
Fees and commissions received	-	13.035	294	13.328
Fees and commissions paid	(610)	-	-	(610)
Dividend income	-	296	-	296
Trading profit/loss (net)	1	(3.643)	-	(3.642)
Profit/loss from capital market operations (net)	(3)	-	-	(3)
Profit/loss from derivative transactions (net)	-	-	-	-
Foreign exchange gains/losses (net)	4	(3.643)	-	(3.639)
Other operating income	-	5.526	824	6.350
Provisions for losses on loans and other receivables	-	(40.098)	-	(40.098)
Other operating expense	-	-	(90.402)	(90.402)
Profit before tax	112.878	145.326	(93.559)	164.644
Tax provision	-	-	-	(36.378)
Net profit for the period	-	-	-	128.266
Financial assets at fair value through profit and loss	-	-	-	-
Banks and money market placements	1.661.214	-	-	1.661.214
Available for sale financial assets	249.304	6.357	1.680	257.341
Loans and receivables	-	6.928.921	-	6.928.921
Investments held to maturity	-	-	-	-
Associates and subsidiaries	-	46.804	-	46.804
Tangible assets (net)	-	25.418	38.034	63.452
Intangible assets (net)	-	-	1.048	1.048
Investment properties	-	-	937	937
Other assets	-	2.274	21.172	23.446
PERIOD ASSETS (2)	**1.910.518**	**7.009.774**	**62.871**	**8.983.163**
Derivative financial liabilities held for trading	-	-	-	-
Borrowings and funds	-	7.584.279	-	7.584.279
Money market balances	130	-	-	130
Provisions	-	72.625	36.128	108.753
Shareholders' equity	-	-	1.256.265	1.256.265
Other liabilities	-	-	33.736	33.736
PERIOD LIABILIES (2)	**130**	**7.656.904**	**1.326.129**	**8.983.163**

(1) Income and balance sheet items that cannot be decomposed between treasury and investment banking operations are presented at this column.
(2) There is no receivable and payable due to fund transfer between segments.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

XXI- Explanations on Segment Reporting (continued):

Prior Period – (31.12.2016)	**Treasury**	**Investment Banking**	**Undistributed[(1)]**	**Total Operations of the Bank**
OPERATING INCOME/EXPENSE				
Interest income	47.971	171.062	858	219.891
Interest income on loans	-	171.062	-	171.062
Interest income on banks	29.490	-	-	29.490
Interest income on interbank money market placements	6.509	-	-	6.509
Interest income on marketable securities	11.972	-	-	11.972
Other interest income	-	-	858	858
Interest expense	(42)	(53.994)	-	(54.036)
Interest expense on borrowings	-	(53.988)	-	(53.988)
Interest on money market transactions	(42)	-	-	(42)
Other interest expense	-	(6)	-	(6)
Net fees and commissions income	(405)	18.968	1.033	19.596
Fees and commissions received	-	18.968	1.033	20.001
Fees and commissions paid	(405)	-	-	(405)
Dividend income	-	474	-	474
Trading profit/loss (net)	25	1.083	-	1.108
Profit/loss from capital market operations (net)	9	-	-	9
Profit/loss from derivative transactions (net)	-	-	-	-
Foreign exchange gains/losses (net)	16	1.083	-	1.099
Other operating income	-	9.304	881	10.185
Provisions for losses on loans and other receivables	-	(20.392)	-	(20.392)
Other operating expense	-	-	(83.980)	(83.980)
Profit before tax	47.549	126.505	(81.208)	92.846
Tax provision	-	-	(21.726)	(21.726)
Net profit for the period	47.549	126.505	(102.934)	71.120
Financial assets at fair value through profit and loss	-	-	-	-
Banks and money market placements	1.275.931	-	-	1.275.931
Available for sale financial assets	185.353	6.357	1.679	193.389
Loans and receivables	-	5.425.685	-	5.425.685
Investments held to maturity	20.415	-	-	20.415
Associates and subsidiaries	-	28.407	-	28.407
Tangible assets (net)	-	28.161	42.225	70.386
Intangible assets (net)	-	-	1.531	1.531
Investment properties	-	-	980	980
Other assets	-	1.556	24.237	25.793
PERIOD ASSETS [(2)-] -(31.12.2016)	**1.481.699**	**5.490.166**	**70.652**	**7.042.517**
Derivative financial liabilities held for trading	-		-	-
Borrowings and funds	-	5.800.507	-	5.800.507
Money market balances	351		-	351
Provisions	-	57.170	34.791	91.961
Shareholders' equity	-	-	775.127	775.127
Other liabilities	-	-	374.571	374.571
PERIOD LIABILIES[(2)] –(31.12.2016)	**351**	**5.857.677**	**1.184.489**	**7.042.517**

(1) Income and balance sheet items that cannot be decomposed between treasury and investment banking operations are presented at this column.
(2) There is no receivable and payable due to fund transfer between segments.

XXII- Explanations on Other Matters:

Developments related to IFRS 9 transition process

The last version of TFRS 9 "Financial Instruments" Standard published in January 2017 by POA, has changed the existing guidance on TAS 39 "Financial Instruments: Recognition and Measurement" and moved the implementations about accounting, classification, measurement and off balance sheet of financial instruments to TFRS 9. The latest version of TFRS 9 includes guidance issued in previous versions of TFRS 9, including the new application of the expected credit loss model for the calculation of impairment in financial assets, as well as updated applications for new general hedge accounting requirements. TFRS 9 is put into force on 1 January 2018. In this context, banks have become obliged to apply TFRS 9 as of 1 January 2018 with the "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Issued" of the BRSA published in the Official Gazette dated 22 June 2016 and numbered 29750.

The Bank has deferred adoption of TFRS 9 for one year with the approval of BRSA dated 5 January 2018 and No. 247.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR
INFORMATION ON FINANCIAL STRUCTURE

I – Explanations related to capital adequacy ratio:

Equity amount and capital adequacy standard ratio are calculated within the framework of "Regulation Regarding Equities of Banks" and "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy".

The Bank's equity amount as at 31 December 2017 is TRY 1.302.641, and its capital adequacy ratio is 16,73%. The Bank's equity amount which calculated per abolished regulation of 31 December 2016 is TRY 805.314 and its capital adequacy ratio is 13,41%.

I- Information on Equity Items:

Current Period (31.12.2017)	Amount	Amount Related to Practice before 1/1/2014*
Common Equity Tier I Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	706.074	
Share Premium	1.582	
Reserves	405.933	
Other Comprehensive Income according to TAS	19.507	
Profit	128.266	
Net profit for the period	128.266	
Retained Earnings	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	**1.261.362**	
Deductions from Common Equity Tier I Capital	-	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1.495	-
Leasehold Improvements on Operational Leases (-)	7	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	838	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	-

Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	28.794	
Total Deductions From Common Equity Tier I Capital	**31.134**	
Total Common Equity Tier I Capital	**1.230.228**	
ADDITIONAL TIER 1 CAPITAL	-	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4) (Issued or Obtained after 1.1.2014)	-	
Additional Tier 1 Capital Before Deductions	-	
Deductions From Additional Tier 1 Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	210	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	**210**	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**1.230.018**	
TIER II CAPITAL	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	72.623	
Total Deductions from Tier II Capital	-	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Non-Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**72.623**	
Total Equity (Total Tier I and Tier II Capital)	**1.302.641**	
Total Tier I Capital and Tier II Capital (Total Equity)	-	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Capital		
Total Capital (Total of Tier I Capital and Tier II Capital)	**1.302.641**	-
Total Risk Weighted Assets	**7.788.635**	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15,80	-
Tier I Capital Ratio (%)	15,79	-
Capital Adequacy Ratio (%)	16,73	-
BUFFERS	-	
Bank-specific total CET1 Capital Ratio	-	-
Capital Conservation Buffer Ratio (%)	1,25	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	-	-
Amounts Lower Than Excesses as per Deduction Rules	-	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-

Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	8.557	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	-	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4		
(effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

** Amounts to be taken into consideration under the previous provisions*

In the equity table, under the amount of capital, in which, is the last receivable right receivable in case of bank liquidation, there is capital and other capital reserves (inflation difference correction). Investment in associates which is denominated in foreign currency on balance sheet, is presented under deductions from Tier I on equity table if there is not enough Tier I or Tier II capital. The amount included in the provision item under Tier II is general provisions. Real estates obtained through receivables and could not sold more than five years are presented under deductions from equity.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Information on Equity Items (continued):

Prior Period (31.12.2016)	Balance	Amount Related to Practice before 1/1/2014*
Common Equity Tier I Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	366.074	
Share Premium	1.491	
Reserves	334.813	
Other Comprehensive Income according to TAS	2.791	
Profit	71.120	
Net profit for the period	71.120	
Retained Earnings	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	**776.289**	
Deductions from Common Equity Tier I Capital	-	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	756	-
Leasehold Improvements on Operational Leases (-)	18	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	919	-
Net Deferred Tax Asset/Liability (-)	5.303	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	11.098	
Total Deductions From Common Equity Tier I Capital	**18.094**	
Total Common Equity Tier I Capital	**758.195**	
ADDITIONAL TIER 1 CAPITAL	-	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4) (Issued or Obtained after 1.1.2014)	-	
Additional Tier 1 Capital Before Deductions	-	
Deductions From Additional Tier 1 Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary	612	

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)		
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	3.536	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	**4.148**	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**754.047**	
TIER II CAPITAL	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	57.168	
Total Deductions from Tier II Capital	-	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Non-Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**57.168**	
Total Equity (Total Tier I and Tier II Capital)	**811.215**	
Total Tier I Capital and Tier II Capital (Total Equity)	-	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	5.901	
Other items to be Defined by the BRSA (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Capital		-
Total Capital (Total of Tier I Capital and Tier II Capital)	805.314	
Total Risk Weighted Assets	6.004.150	-
CAPITAL ADEQUACY RATIOS		-
CET1 Capital Ratio (%)	12,63	
Tier I Capital Ratio (%)	12,56	-
Capital Adequacy Ratio (%)	13,41	-
BUFFERS	-	-
Bank-specific total CET1 Capital Ratio	-	
Capital Conservation Buffer Ratio (%)	1,25	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	-	-
Amounts Lower Than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-

Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		-
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	-	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4		-
(effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

** Amounts to be taken into consideration under the previous provisions*

In the equity table, under the amount of capital, in which, is the last receivable right receivable in case of bank liquidation, there is capital and other capital reserves (inflation difference correction). Investment in associates which is denominated in foreign currency on balance sheet, is presented under deductions from Tier I on equity table if there is not enough Tier I or Tier II capital. The amount included in the provision item under Tier II is general provisions. Real estates obtained through receivables and could not sold more than five years are presented under deductions from equity.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Explanations on the reconciliation of capital items to balance sheet:

Current Period (31.12.2017)	Carrying Value	Amount of correction	Value of the capital report	Explanation of difference
Paid-in-Capital	500.000	206.074	706.074	Inflation adjustment reflected in paid in capital according to the Temporary Article 1 in the Regulation.
Capital Reserves	222.066	(202.664)	19.594	Capital reserves which are added to paid capital
Other Comprehensive Income According to TAS	220.484	(202.664)	18.012	Capital reserves which are added to paid capital
Marketable Securities Revaluation Fund	12.546	3.410	15.956	Items which are not included in the calculation in accordance with Article 9-1-ç
Tangible Assets Revaluation Reserves	-	-	-	
Intangible Assets Revaluation Reserves	-	-	-	
Revaluation Reserves for Investment Properties	-	-	-	
Hedging Funds (Effective Portion)	-	-	-	
Value Increase on Assets Held for Sale and Held From Discontinued Operations	-	-	-	
Other capital reserves	207.938	(206.074)	2.056	Inflation adjustment reflected in paid in capital according to the Temporary Article 1 in the Regulation.
Free Bonus Shares of Subsidiaries, Associates and Joint Ventures	-	-	-	
Share Premiums	1.582	-	1.582	
Profit Reserves	405.933	-	405.933	
Profit or Loss	128.266	-	128.266	
Prior Years' Income/Losses	-	-	-	
Net Profit or Loss	128.266	-	128.266	
Deductions from Common Equity Tier I Capital (-)	-		29.641	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**1.256.265**		**1.230.226**	
Subordinated Loans			-	
Deductions from Tier I capital (-)			210	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**1.230.018**	
Subordinated Loans				
General Provisions			72.623	General Loan Provisions added to Tier II Capital as per the Article 8 of the Regulation
Deductions from Tier II capital (-)			-	
Tier II Capital			72.623	
Deductions from Total Capital (-)			-	
Total			**1.302.641**	

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Explanations on the reconciliation of capital items to balance sheet (continued):

Prior Period (31.12.2016)	**Carrying Value**	**Amount of correction**	**Value of the capital report**	**Explanation of difference**
Paid-in-Capital	160.000	206.074	366.074	Inflation adjustment reflected in paid in capital according to the Temporary Article 1 in the Regulation.
Capital Reserves	209.194	(206.074)	3.120	
Other Comprehensive Income According to TAS	207.703	(206.074)	1.629	
Marketable Securities Revaluation Fund	(101)	-	(101)	
Tangible Assets Revaluation Reserves	-	-	-	
Intangible Assets Revaluation Reserves	-	-	-	
Revaluation Reserves for Investment Properties	-	-	-	
Hedging Funds (Effective Portion)	-	-	-	
Value Increase on Assets Held for Sale and Held From Discontinued Operations	-	-	-	
Other capital reserves	207.804	(206.074)	1.730	Inflation adjustment reflected in paid in capital according to the Temporary Article 1 in the Regulation.
Free Bonus Shares of Subsidiaries, Associates and Joint Ventures	-	-	-	
Share Premiums	1.491	-	1.491	
Profit Reserves	334.813	-	334.813	
Profit or Loss	71.120	-	71.120	
Prior Years' Income/Losses	-	-	-	
Net Profit or Loss	71.120	-	71.120	
Deductions from Common Equity Tier I Capital (-)	-		16.932	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**775.127**		**758.195**	
Subordinated Loans			-	
Deductions from Tier I capital (-)			4.148	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**754.047**	
Subordinated Loans			-	
General Provisions			57.168	General Loan Provisions added to Tier II Capital as per the Article 8 of the Regulation
Deductions from Tier II capital (-)			-	
Tier II Capital			**57.168**	
Deductions from Total Capital (-)			5.901	Discounts made as per the Regulations
Total			**805.314**	

II- Explanations related to credit risk:

Credit risk defined as the probability of loss that the Bank may incur as a result of the counterparty's failure to comply its contractual obligation partially or completely in time. The Bank ensures that credit risk is managed in accordance with the volume, nature and complexity of the loans, taking into account the best practices, within the framework of the BRSA regulations.

The most basic banking service provided by the Bank to finance medium and long-term investments, which is the core function of the Bank, is the "project evaluation-based lending activity". Considering the proportional size within the balance sheet structure, credit risk is the most important risk item of the Bank.

The general principle of the risk policies to be monitored by the Bank is to take risks that can be defined, controlled and / or managed in this sense and to strive not to take a risk other than the risks that are inevitable and arising due to the nature of its activities. The risks that the Bank may have in this context are defined as manageable risks as well as the risk of exchange risk depending on the sensitivity of the credit disbursements to comply with the credit extension conditions except for the inevitable credit risk and counterparty risk. The credit risk does not involve additional risks such as the interest risk or maturity risk.

Having a fully functioning mechanism based on activities, the Bank's Lending and Participation Committee is responsible for determining the principles and principles of the Bank's credit, assessing the credit-participation risk and the position of the placements, evaluating the reports prepared for the credit bureau, To continuously monitor lending activities, including the reorganization of the terms of its receivables, to establish the procedures and principles of the Bank's participation policies, and to make the necessary changes within the framework of general economic policies.

All loan placements of the Bank are allocated in accordance with legal legislations and reports prepared by Intelligence and Financial Analysis Department and Loan Assessment Department and with approvals of Lending and Participation Committee and Board of Directors. Since the lending of the Bank are in the form of project financing, the amount of loan that can be disbursed to a firm is basically determined during project assessment stage and disbursements are made in a controlled manner through monitoring of expenditures.

The financial data of the customers are regularly monitored until the collection and liquidation of the risk is completed with respect to the customers that are lended by the bank, and with deferred payment plan. For the customers whose income is above a certain limit or need to be re-evaluated, both the customer and its headquarters and the investment place are examined and detected. A Monitoring Report including recommendations developed as a result of the examinations and detections is being prepared. This implementation of the Bank's problematic loan portfolio review is continuously performed.

Loan balances of borrowers and other receivables are regularly monitored in accordance with the relevant legislation, and in case of an increase in the risk level of the borrower's credit, the credit limits are monitored and additional collateral is taken if necessary.

For loan allocations, sectors are defined in accordance with borrowing conditions. The sectoral distribution of the loan customers is monitored and those distributions are taken into account during lending decisions and goals.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Bank ensures that credit risk is managed in accordance with the volume, nature and complexity of the loans, taking into account the best practices, within the framework of the BRSA regulations. The Bank ensures that the credit risks of all products, not only loan products, and activities are defined, measured and managed, not limited to loan products only. The Board of Directors constantly reviews, develops and, if necessary, makes adjustments to the system to ensure that the loan decision support systems are in compliance with the structure, size and complexity of the Bank's activities.

The Bank is not subject to the general loan restrictions defined by the Article 54 of the Banking Law numbered 5411. However, in the Bank's internal loan bylaws, the loan limits are determined mostly in parallel with the limitations set out in the Law. Loan monitoring department actively takes part in the measuring, analyzing and monitoring processes in order to determine credit risk level, and reports periodically to the Board of Directors, the Audit Committee and senior management.

In accordance with Banking Regulation and Supervision Agency Accounting and Reporting Legislation;

Non-Performing Loans are the loans that overdue up to 90 days but not impaired. For such loans, "General Provisions" are allocated as per the Provisioning Regulation.

Impaired loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "Specific provisions" are allocated as per the Provisioning Regulation.

Within asset-liability management framework, forward and other derivatives are executed by taking legal limits into consideration. Credit risks faced due to those transactions are managed with the other risks arising from market movements. When their percentage in the balance sheet is considered, credit risk beared by the Bank is low. If the credit risk from the derivative product is very high, then the credit risk reducing methods are performed. Currently, the Bank does not have any options.

The Bank allocates general and specific provisions according to "Regulation on Procedures and Principles for Determination of Qualifications of Loans And Allocation of Provisions". Indemnified non- cash loans are subject to the same risk weight with non-performing loans.

Risk categories	**Current Period (31.12.2017)**		**Prior Period (31.12.2016)**	
	Risk Amount(*)	**Average Risk Amount**	**Risk Amount**	**Average Risk Amount**
Conditional and unconditional receivables to central governments or central banks	899	2.354	21.591	21.451
Conditional and unconditional receivables to banks and brokerage houses	2.188.090	1.654.291	1.672.291	1.009.302
Conditional and unconditional corporate receivables	5.040.204	4.587.747	3.901.279	3.268.169
Conditional and unconditional retail receivables	227.020	222.502	156.181	36.951
Conditional and unconditional receivables secured by real estate property	1.077.669	999.524	931.576	774.032
Overdue receivables	50.603	63.455	75.696	68.299
Receivables defined in high risk category by BRSA	40.992	33.142	22.866	23.534
Other Receivables	93.128	94.371	97.615	91.119

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

II- Explanations related to credit risk (continued):

Restructured loans whose amortization schedule has changed are followed in the accounts which are specified by related regulations and monitored in accordance with the Bank's credit risk policies. Accordingly, commercial activities of debtors are analyzed and repayments are monitored whether they are in line with the repayments schedules or not, and necessary precautions are taken.

Since the Bank does not have any risks within the scope of private sector loans and trading accounts in banking accounts in other countries, cyclical capital buffer is not calculated.

The Bank bears low credit risk due to its foreign banking transactions.

a) The Bank's top 100 and 200 cash loan customers compose 84,46% and 95,50% of the total cash loan portfolio, respectively (31 December 2016: 86,64% and 97,40%).

b) The Bank's top 100 and 200 cash and non-cash loan customers compose 65,83% and 74,44% of the total on and off balance sheet assets, respectively (31 December 2016: 67,75% and 76,02%).

c) The Bank's top 100 and 200 non-cash loan customers compose 100% of the total non-cash loans (31 December 2016: 100%).

The generic loan loss provision related with the credit risk beared by the Bank is TRY 72.623 (31 December 2016: TRY 57.168).

Specific provisions are excluded in the calculation of rates above.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Profile of Significant Risks in Major Regions:

	Risk Categories (***)							
	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others
Current Period (31.12.2017)								
Domestic	899	2.187.099	5.040.204	227.020	1.077.669	50.603	5.000	-
European Union (EU) Countries	-	936	-	-	-	-	35.992	-
OECD Countries (*)	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	55	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	10.812
Unallocated Assets (**)	-	-	-	-	-	-	-	82.316
Total	**899**	**2.188.090**	**5.040.204**	**227.020**	**1.077.669**	**50.603**	**40.992**	**93.128**
Prior Period (31.12.2016)								
Domestic	21.591	1.669.916	3.901.279	156.181	931.576	75.696	4.369	-
European Union (EU) Countries	-	2.375	-	-	-	-	18.497	-
OECD Countries (*)	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	9.910
Unallocated Assets (**)	-	-	-	-	-	-	-	87.705
Total	**21.591**	**1.672.291**	**3.901.279**	**156.181**	**931.576**	**75.696**	**22.866**	**97.615**

(*) Includes OECD countries other than EU countries, USA and Canada.
(**) Includes asset and liability items that cannot be allocated on a consistent basis.
(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Risk Profile by Sectors or Counterparties:

Current Period (31.12.2017)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TRY	FC	TOTAL
Agriculture	-	-	-	-	-	**890**	**-**	**-**	**890**	**-**	**890**
Farming and Stockbreeding	-	-	-	-	-	-	-	-		-	-
Forestry	-	-	-	-	-	890	-	-	890	-	890
Fishery	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	3.849.054	184.548	1.058.700	18.534	-	-	67.988	5.042.849	5.110.837
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	981.904	14.980	78.981	10.202	-	-	32.503	1.053.564	1.086.067
Electricity, Gas, Water	-	-	2.867.150	169.568	979.719	8.332	-	-	35.485	3.989.285	4.024.770
Construction	**-**	**-**		**3.375**	**-**	**523**	**-**	**-**	**523**	**3.375**	**3.898**
Services	**899**	**2.188.090**	**1.157.348**	**37.296**	**18.969**	**30.656**	**35.992**	**-**	**1.322.060**	**2.147.190**	**3.469.250**
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	6	958.743	24.388	6.467	26.192	-	-	307.629	708.167	1.015.796
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial İnstitutions	899	2.188.084	113.439		-	-	35.992	-	1.005.127	1.333.287	2.338.414
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	32.245	5.047	12.502	-	-	-		49.795	49.795
Health and Social Services	-	-	52.921	7.861	-	4.464	-	-	9.304	55.941	65.245
Others	**-**	**-**	**33.802**	**1.801**	**-**	**-**	**5.000**	**93.128**	**95.769**	**37.961**	**133.730**
Total	**899**	**2.188.090**	**5.040.204**	**227.020**	**1.077.669**	**50.603**	**40.992**	**93.128**	**1.487.230**	**7.231.375**	**8.718.605**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Risk Profile by Sectors or Counterparties:

Prior Period (31.12.2016)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TRY	FC	TOTAL
							-				
Agriculture	**-**	**-**	**-**	**-**	**-**	**1.325**	**-**	**-**	**1.325**	**-**	**1.325**
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	1.325	-	-	1.325	-	1.325
Fishery	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	**-**	**-**	**3.117.198**	**131.098**	**916.965**	**30.573**	**-**	**-**	**94.442**	**4.101.392**	**4.195.834**
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	846.199	13.665	83.079	15.482	-	-	47.169	911.256	958.425
Electricity, Gas, Water	-	-	2.270.999	117.433	833.886	15.091	-	-	47.273	3.190.136	3.237.409
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Services	**21.591**	**1.672.291**	**760.741**	**22.254**	**14.611**	**43.798**	**18.497**	**-**	**904.322**	**1.649.461**	**2.553.783**
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	6	706.361	15.479	4.368	37.132	-	-	150.064	613.282	763.346
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial İnstitutions	21.591	1.672.285	-	-	-	-	18.497	-	741.709	970.664	1.712.373
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	8.316	3.516	10.243	-	-	-	-	22.075	22.075
Health and Social Services	-	-	46.064	3.259	-	6.666	-	-	12.549	43.440	55.989
Others	**-**	**-**	**23.340**	**2.829**	**-**	**-**	**4.369**	**97.615**	**100.428**	**27.725**	**128.153**
Total	**21.591**	**1.672.291**	**3.901.279**	**156.181**	**931.576**	**75.696**	**22.866**	**97.615**	**1.100.517**	**5.778.578**	**6.879.095**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Analysis of Maturity-Bearing Risks According to Remaining Maturities

Risk Categories Current Period (31.12.2017)	Term to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional receivables to central governments or central banks	626	-	-	-	-
Conditional and unconditional receivables to banks and brokerage houses	1.593.226	44.999	5.659	-	523.190
Conditional and unconditional corporate receivables	1.494.703	817.207	504.131	1.008.064	1.216.099
Conditional and unconditional retail receivables	67.325	36.802	22.704	45.409	54.779
Conditional and unconditional receivables secured by real estate property	319.595	174.702	107.778	215.555	260.039
Receivables defined in high risk category by BRSA	6	17	42	123	4.812
Total	**3.475.481**	**1.073.727**	**640.314**	**1.269.151**	**2.058.919**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Risk Categories Prior Period (31.12.2016)	Term to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional receivables to central governments or central banks	21.435	-	-	-	-
Conditional and unconditional receivables to banks and brokerage houses	857.798	54.827	-	-	394.213
Conditional and unconditional corporate receivables	121.617	60.493	148.521	262.339	3.308.308
Conditional and unconditional retail receivables	8.240	2.305	10.003	9.643	125.990
Conditional and unconditional receivables secured by real estate property	29.072	14.570	30.482	60.964	796.489
Receivables defined in high risk category by BRSA	7	21	29	159	4.153
Total	**1.038.169**	**132.216**	**189.035**	**333.105**	**4.629.153**

Information on Risk Categories

For the determination of risk weights for risk classes defined in the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", all counter parties are treated as non-rated since no rating agency is authorized by the Bank.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Credit Risk by Risk Weights:

Current Period (31.12.2017) Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity
Before Credit Risk Mitigation	1.071	-	425.026	1.381.498	227.020	6.641.802	38.320	3.868	6.905
After Credit Risk Mitigation	3.157	-	425.026	1.779.339	216.425	6.252.470	38.320	3.868	-

Prior Period (31.12.2016) Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity
Before Credit Risk Mitigation	21.721	-	712.053	921.896	156.181	5.029.802	34.291	3.151	7.645
After Credit Risk Mitigation	23.284	-	712.053	1.121.899	148.343	4.836.074	34.291	3.151	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Information by Major Sectors or Type of Counterparties:

In accordance with the policies determined by BRSA;

Non-Performing Loans; are the loans that overdue up to 90 days but not impaired. For such loans, “General Provisions” are allocated as per the Provisioning Regulation.

Impaired loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, “Specific provisions” are allocated as per the Provisioning Regulation.

Current Period (31.12.2017)				
Major Sectors / Counter Parties	**Credits**			
	Impaired Loans	**Non-Performing Loans**	**Impaired Loans**	**Non-Performing Loans**
Agriculture	**1.775**	-	-	**885**
Farming and Stockbreeding	1.775	-	-	885
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	**52.337**	**699**	**14**	**33.281**
Mining and Quarrying	1.856	-	-	1.334
Production	33.817	-	-	23.615
Electricity, Gas and Water	16.664	699	14	8.332
Construction	-	-	-	-
Services	**67.715**	**220**	**3**	**37.058**
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	58.724	220	3	32.531
Transportation and Telecommunication	72	-	-	72
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	8.919	-	-	4.455
Others	**1.185**	-	-	**1.185**
Total	**123.012**	**919**	**17**	**72.409**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Prior Period (31.12.2016)				
Major Sectors / Counter Parties	**Credits**			
	Impaired Loans	**Non-Performing Loans**	**Impaired Loans**	**Non-Performing Loans**
Agriculture	**1.767**	**-**	**-**	**442**
Farming and Stockbreeding	1.767	-	-	442
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	**55.413**	**1.453**	**29**	**24.840**
Mining and Quarrying	1.848	-	-	1.333
Production	36.906	54	1	21.425
Electricity, Gas and Water	16.659	1.399	28	2.082
Construction	**-**	**-**	**-**	**-**
Services	**67.402**	**4.699**	**85**	**23.604**
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	58.442	4.699	85	21.310
Transportation and Telecommunication	72	-	-	72
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	8.888	-	-	2.222
Others	**1.197**	**-**	**-**	**1.197**
Total	**125.779**	**6.152**	**114**	**50.083**

Information on Movements in Value Adjustments and Provisions:

Current Period (31.12.2017)	**Opening Balance**	**Provision for Period**	**Provision Reversals**	**Other Adjustments**	**Closing Balance**
1. Specific provisions	50.083	24.473	(2.147)	-	72.409
2. General Provisions	57.168	15.625	(170)	-	72.623

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II- Explanations related to credit risk (continued):

Prior Period (31.12.2016)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Specific provisions	46.271	4.454	(642)	-	50.083
2. General Provisions	41.238	15.938	(8)	-	57.168

III- Explanations related to currency risk

The Bank is open to currency risk because of inconsistency of the foreign currency denominated asset and liability balances with respect to the transactions made in foreign currencies.

The Bank's currency risk management policy of the Bank defined as, keeping the "Foreign Currency Net Position / Capital Standard" ratio within the legal boundaries with respect to the economic matters, trends in the market and financial position of the Bank. By keeping up with this main goal and with respect to asset and liability management, foreign currency denominated assets are appreciated with the most favorable interest rates in the foreign currency market.

Currency risk is calculated within the scope of the standard method used for legal reporting.

Besides, the exchange rate risk faced by the Bank on a daily basis is determined by preparing the foreign currency balance sheet by covering individual positions. Proforma foreign currency balance sheets are used for the measurement of the future exchange rate risks (including foreign currency-indexed assets and liabilities).

The Bank has no hedging derivative instruments for foreign currency denominated borrowings and net foreign currency investments.

A non-speculative foreign exchange position management policy is followed in order to limit the exposure of the currency risk. In this respect, distribution of foreign currency denominated on balance sheet and off balance sheet items are considered.

In order to reduce the risk of foreign exchange rate fluctuations affecting the financial structure of the bank, the risk of foreign exchange rate of the bank is determined based on the Foreign Currency Net General Position / Equity ratio determined by the BRSA, which is 20%.

The foreign Exchange buying rates of the Bank as of the date of the financial statements and the last five business days prior to that date are as follows:

Date	**USD**	**EURO**	**100 JPY**
31/12/2017	3,76220	4,49880	3,34060
29/12/2017	3,76220	4,49880	3,34060
28/12/2017	3,80540	4,54170	3,37810
27/12/2017	3,80010	4,51600	3,35910
26/12/2017	3,78760	4,49740	3,34480
25/12/2017	3,78960	4,49790	3,34740

The simple arithmetic average of the last thirty day rates as of 31 December 2017; USD: TRY 3,83028, EURO: TRY 4,54315, JPY: TRY 3,39970.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

III- Explanations related to currency risk (continued):

Information on the currency risk of the Bank:

	EURO	USD	Other FC (1)	Total
Current Period (31.12.2017)				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	760.748	149.126	290	910.164
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets available for sale	61.390	39.511	-	100.901
Loans	3.750.276	2.787.321	-	6.537.597
Subsidiaries, associates and jointly controlled entities (joint ventures)	35.992	-	-	35.992
Investments held to maturity	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other assets	282	2.015	-	2.297
Total assets	**4.608.688**	**2.977.973**	**290**	**7.586.951**
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	4.595.470	2.972.435		7.567.905
Marketable securities issued	-	-	-	-
Sundry creditors	887	4.209		5.096
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	2.829	669	-	3.498
Total liabilities	**4.599.186**	**2.977.313**	**-**	**7.576.499**
Net balance sheet position	9.502	660	290	10.452
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	772	-	-	772
Prior Period (31.12.2016)				
Total assets	3.346.015	2.477.645	259	5.823.919
Total liabilities	3.324.098	2.474.598	-	5.798.696
Net balance sheet position	21.917	3.047	259	25.223
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	22.857	61.545	-	84.402

(1) The foreign currencies presented in the other FC column of assets comprise; 18% GBP, 49% CHF and 33% JPY.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

III- Explanations related to currency risk (continued)

Currency Risk Sensitivity:

The following table shows the sensitivity of the Bank with 10% change in USD and EURO currencies:

Current Period (31.12.2017)	Increase in Exchange Rates	Effect on Profit/Loss (*)		Effect on Capital	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	66	304	1.144	558
EURO	10	(2.649)	2.191	2.382	2.863
Other	10	29	26	29	26

Current Period (31.12.2017)	Decrease in Exchange Rates	Effect on Profit/Loss (*)		Effect on Capital	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(66)	(304)	(1.144)	(558)
EURO	10	2.649	(2.191)	(2.382)	(2.863)
Other	10	(29)	(26)	(29)	(26)

(*) Indicates the values before tax.

Prior Period (31.12.2016)	Increase in Exchange Rates	Effect on Profit/Loss (*)		Effect on Capital	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	304	509	558	(50)
EURO	10	2.191	2.156	2.863	(14)
Other	10	26	23	26	-

Prior Period (31.12.2016)	Decrease in Exchange Rates	Effect on Profit/Loss (*)		Effect on Capital	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(304)	(509)	(558)	50
EURO	10	(2.191)	(2.156)	(2.863)	14
Other	10	(26)	(23)	(26)	-

(*) Indicates the values before tax.

IV- Explanations related to interest rate risk:

The interest rate risk indicates the probability of loss that the Bank may incur due to the position of the financial instruments due to movements in the interest rates. Changes in interest rates affect the return on the assets and the cost of the liabilities. Interest rate risk arising from banking accounts, includes re-pricing risk, yield curve risk, base risk and option risk.

The interest rates determined by the market actors, especially the central banks, have a decisive role on the economic value of the Bank's balance sheet and on the Bank's income-loss balance. Sudden interest shocks in the market because the Bank to open the gap between the applied interest rate of the revenue generating assets and the interest paid on the liabilities. The opening of this gap may cause the Bank interest income to be adversely affected by fluctuations in market interest rates and may cause decrease in profitability of the Bank.

The Bank’s basic principle in the interest rate risk management policy is to avoid mismatch and provide alignment between loans disbursed with fixed and floating rate and funds provided with fixed and floating rate. Accordingly, interest rate, currency and maturity alignment is respected during the disbursement of loans funded by foreign long-term borrowings, which form the material part of the loan portfolio. Almost the entire loan portfolio is financed by floating rate borrowings, thus interest rate risk from changes in interest rates seems not probable for the loan portfolio because of the correlation provided between the sources and the uses. Other loans in the portfolio are financed by the equity of the Bank.

Within the framework of the Bank’s basic principle of interest rate risk policy, optimization of portfolio distribution in the management of interest-sensitive assets other than loans is provided by considering possible changes in duration of positions and current interest rate limits; by taking into account alternative return, limits of tolerable loss and risk. In this context, to measure the interest rate risk exposure of the Bank, the effect of days to maturity and profit/loss are analyzed considering the scenarios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probable losses that may arise as a result of fluctuations in interest rates are examined using different markets. Interest rate sensitivity analysis is also made for the positions besides securities portfolio.

There is no interest rate mismatch on loan portfolio as the main principle of interest rate adjustment on the source and disbursement side of the loan portfolio of the Bank. For this reason, the Bank's credit portfolio does not carry any interest rate risk even if it is affected by market volatility. Sensitive items in the Bank’s balance sheet are limited to the trading and available for sale portfolio sizes in the liquid portfolio only and the standard method is used to measure the interest risk of the portfolio and the capital requirement.

In order to minimize the possibility of unfavorable effects of market interest rate changes on the Bank’s financial position, risk limits are used for the management of interest rate risk. These limits are set by Asset-Liability Committee and approved by Board of Directors. The Bank monitors and controls whether interest-sensitive assets are within the determined limits. Standard method is used reporting legal interest rate risk.

In order to minimize the likelihood that the change in market interest rates in the bank's securities portfolio management will cause adverse effects on the financial structure of the bank, limits have been set on the adjusted duration of the securities portfolio and the amount of daily loss that may arise from the securities portfolio.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV- Explanations related to interest rate risk (continued):

Based on the statutory 20% rate of "The Ratio of Interest Rate Risk Due To Banking Book" determined by the BRSA to the measurement and evaluation of the interest rate risk by using standard shock method, arising from the on-balance sheet and off-balance sheet positions in the banking book within the scope of the interest rate limits of the Bank, is determined with a more conservative approach.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

Current Period (31.12.2017)	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey [1]	-	-	-	-	-	710	710
Banks [1]	1.277.212	44.999	-	-	-	12.979	1.335.190
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	326.024	-	-	-	-	-	326.024
Financial assets available for sale [3]	5.234	16.755	123.941	103.374	-	8.037	257.341
Loans and Receivables [2]	1.881.540	1.028.532	1.909.365	187.151	1.871.730	50.603	6.928.921
Investments held to maturity	-	-	-	-	-	-	-
Other assets [4]	-	-	-	-	-	134.977	134.977
Total Assets	**3.490.010**	**1.090.286**	**2.033.306**	**290.525**	**1.871.730**	**207.306**	**8.983.163**
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	130	-	-	-	-	-	130
Sundry creditors	-	-	-	-	-	18.622	18.622
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	1.215.546	1.263.276	2.959.991	1.134.166	1.011.300	-	7.584.279
Other liabilities [4]						1.380.132	1.380.132
Total liabilities	**1.215.676**	**1.263.276**	**2.959.991**	**1.134.166**	**1.011.300**	**1.398.754**	**8.983.163**
Long position on balance sheet	2.274.334	-	-	-	860.430	-	3.134.764
Short position on balance sheet	-	(172.990)	(926.685)	(843.641)		(1.191.448)	(3.134.764)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	2.274.334	(172.990)	(926.685)	(843.641)	860.430	(1.191.448)	-

(1) Balances without maturity are shown in the “Non-interest Bearing” column.

(2) Net balance of non-performing loans and receivables is shown in “Non-interest Bearing” column.

(3) Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.

(4) Deferred tax asset, shareholders’ equity and other non-interest bearing assets and liabilities are shown in “Non-interest Bearing” column.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV- Explanations related to interest rate risk (continued):

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

Prior Period (31.12.2016)	**Up to 1 Month**	**1 – 3 Months**	**3 – 12 Months**	**1 – 5 Years**	**5 Years and Over**	**Non-Interest Bearing**	**Total**
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey [1]	-	-	-	-	-	1.070	1.070
Banks [1]	857.798	50.212	-	-	-	357.416	1.265.426
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	10.505	-	-	-	-	-	10.505
Financial assets available for sale [3]	32.281	9.265	36.665	107.141	-	8.037	193.389
Loans and Receivables [2]	1.531.685	895.522	1.727.471	59.831	1.135.480	75.696	5.425.685
Investments held to maturity	20.415	-	-	-	-	-	20.415
Other assets [4]	-	-	-	-	-	126.027	126.027
Total Assets	**2.452.684**	**954.999**	**1.764.136**	**166.972**	**1.135.480**	**568.246**	**7.042.517**
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	351	-	-	-	-	-	351
Sundry creditors	-	-	-	-	-	18.114	18.114
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	873.012	1.122.836	2.526.098	590.275	688.286	-	5.800.507
Other liabilities [4]	-	-	-	-	-	1.223.545	1.223.545
Total liabilities	**873.363**	**1.122.836**	**2.526.098**	**590.275**	**688.286**	**1.241.659**	**7.042.517**
Long position on balance sheet	1.579.321	-	-	-	447.194	-	2.026.515
Short position on balance sheet	-	(167.837)	(761.962)	(423.303)	-	(673.413)	(2.026.515)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	1.579.321	(167.837)	(761.962)	(423.303)	447.194	(673.413)	-

(1) Balances without maturity are shown in the "Non-interest Bearing" column.

(2) Net balance of non-performing loans and receivables is shown in "Non-interest Bearing" column.

(3) Securities representing a share in capital and investment funds are shown in "Non-interest Bearing" column.

(4) Deferred tax asset, shareholders' equity and other non-interest bearing assets and liabilities are shown in "Non-interest Bearing" column.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV- Explanations related to interest rate risk (continued):

Average interest rates applied to monetary financial instruments (%):

Current Period (31.12.2017)	**EURO**	**USD**	**JPY**	**TRY**
Assets (*)				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,57	1,70	-	13,44
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	13,79
Financial assets available for sale	3,63	5,59	-	10,03
Loans and Receivables	2,61	4,61	-	13,69
Investments held to maturity	-	-	-	-
Liabilities (*)	-	-	-	-
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	4,91
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	0,51	2,60	-	4,32

(*) Rates shown in the table are calculated by using the annual interest rates.

Prior Period (31.12.2016)	**EURO**	**USD**	**JPY**	**TRY**
Assets (*)				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,31	1,09		9,21
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	8,49
Financial assets available for sale	3,63	4,96	-	8,82
Loans and Receivables	2,67	4,29	-	11,94
Investments held to maturity	-	-	-	8,60
Liabilities (*)	-	-	-	-
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	4,94
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	0,49	2,21	-	-

(*) Rates shown in the table are calculated by the annual interest rates.

V- Position risk of equity securities in banking book:

	Current Period (31.12.2017) Equity shares	**Comparison**		
		Carrying Value	**Fair Value**	**Market Value**
1	**Available-for-Sale Financial Assets**	-	-	-
	Quoted securities	-	-	-
2	**Associates**	-	-	-
	Quoted securities	-	-	-
3	**Subsidiaries**	-	-	-
	Quoted securities	-	-	-

	Prior Period (31.12.2016) Equity shares	**Comparison**		
		Carrying Value	**Fair Value**	**Market Value**
1	**Available-for-Sale Financial Assets**	-	-	-
	Quoted securities	-	-	-
2	**Associates**	-	-	-
	Quoted securities	-	-	-
3	**Subsidiaries**	-	-	-
	Quoted securities	-	-	-

VI- Liquidity Risk Management and Liquidity Coverage Ratio:

The Bank’s liquidity management is managed by Treasury Department in coordination with related departments and the strategies constituted by Asset Liability Committee as part of “Risk Management Strategies, Policies and Application Principles” that is approved by the Board of Directors.

The liquidity risk management as per the "Our Bank's Risk Management Strategies, Policies and Implementation Principles" as updated by the decision of the Board of Directors of our Bank are stated as follows:

Liquidity risk refers to the probability that the Bank will incur the consequential loss that it cannot anticipate or face unforeseeable, all cash flow requirements without affecting the day-to-day operations or financial structure.

Liquidity risk also represents the possibility of loss due to Bank’s inability of settling with market prices since the lack of depth and excessive fluctuations in the market.

The main policy of Liquidity Risk Management in the Bank is to provide quality asset structure in which any liabilities can be fulfilled. Since the Bank is specialized, its liquidity need is more predictable as compared to commercial banks, and ensures cash flows provided for its liabilities more regularly.

The type, maturity structure and compliance of interest rates with assets and liabilities in the balance sheet, is assured within the framework of the Asset Liability Management Committee’s decisions. The Bank keeps liquidity ratios within risk limits as set out in legal legislation and follows regularly.

In order to manage liquidity risk, proforma cash flows are set on the basis of predictable data by evaluating the maturities of asset and liability structure. Proper placement of liquidity excess considering alternative gains and meeting liquidity needs with the most appropriate cost of funding is essential.

Additionally, monthly proforma cash flows and balance sheet durations regarding the fulfilment level of medium and long term liabilities are traced in order to determine early factors that generate risk.

VI- Liquidity Risk Management and Liquidity Coverage Ratio (continued):

Mainly for risk measurement and monitoring activities to determine the level of liquidity risk;

The liquidity risk of the Bank is calculated by using "Liquidity Analysis Forms" in accordance with the form determined by the BRSA and reported to the BRSA on a weekly and daily basis.

Limits on liquidity risk are determined under; the legal limitations set out by the BRSA and the Liquidity Emergency Plan Directive of the Bank". The Bank's "Liquidity Emergency Plan Directive" came into force with the decision of the Board of Directors dated 27 October 2016 and numbered 2016-20-10 / 180. Situations that require the implementation of the Liquidity Emergency Plan are followed by indicators derived from bank-specific (internal) and financial market developments. The Liquidity Emergency Plan includes actions to ensure that the Bank fulfills its obligations at its current level and to maintain liquidity at the level required by the Bank or to achieve liquidity at acceptable costs and to provide the necessary liquidity with the objective of protecting the Bank's reputation.

In the Bank’s liquidity risk management, limitations of the related regulations of BRSA, Bank’s “Risk Management Strategies, Policies and Implementation Fundamentals” and internal risk limitations that are determined by general market conditions are fundamental. Consequently, active units within the liquidity risk management Department of Treasury being in the first place, act according to these limitations. First limitation on legal requirements set by the BRSA is; as per the regulation on “Calculation of Liquidity Coverage Ratio”, minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits. On the other hand investment and development banks are exempt from those limitations until 2018.

The Bank's internal reporting within the scope of liquidity risk management consists of daily, weekly and monthly reports that are prepared by the Risk Monitoring Department. Daily balance sheet and duration calculations are prepared by risk monitoring department. On weekly reports, which are prepared by the same department, liquidity limits are monitored. Weekly realized liquidity limits determined by Board of Directors is aggregated in monthly risk limits monitoring report. Those reports investigate legal risks and adaption of early warning limits. Also, to monitor liquidity risk in “TKB Riskness Analysis According to Selected Indicators and Risk Groups” report prepared monthly includes;

- Proforma Cash Flows Statement,
- Proforma Currency Balance Sheet
- Duration of Balance Sheet items, - in detail-Marketable Securities (by class of financial instruments)
- Summary of liquidity forms sent to BRSA by Financial Accounting Department. Proforma cash flows statement and amount of future liquid assets in different scenarios for one year period.

Related report is presented to the Board of Directors; the Audit Committee and senior management on a monthly basis. By taking into consideration these reports, the Asset Liability Committee and Audit Committee evaluate the liquidity position of the Bank, and results of liquidity measurement system are included in the decision making process. Also, these reports prepared by the Risk Monitoring Department are sent to the Audit Committee and senior management.

Regarding the liquidity risk, as well as legal limits, internal limits have been determined in accordance with its own internal procedures, mission and risk appetite, as included in the Bank's risk policies. These limits have been determined by the Board of Directors in excess of legal limits, including early warning limits, and are revised annually.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VI- Liquidity Risk Management and Liquidity Coverage Ratio (continued):

1. Liquidity Coverage Ratio:

According to regulations which is published in the Official Gazette numbered 28948 on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last 12 months unconsolidated foreign currency and total liquidity coverage ratio and minimum and maximum levels are shown below by specified weeks.

Current Period (31.12.2017)	**Liquidity Coverage Ratio(Weekly Unconsolidated Report)**			
	FC	**Date**	**TRY+FC**	**Date**
Maximum (%)	77	20.10.2017	352	08.12.2017
Minimum (%)	60	24.11.2017	234	03.11.2017

Prior Period (31.12.2016)	**Liquidity Coverage Ratio(Weekly Unconsolidated Report)**			
	FC	**Date**	**TRY+FC**	**Date**
Maximum (%)	98	14.10.2016	479	14.10.2016
Minimum (%)	66	11.11.2016	113	30.12.2016

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VI- Liquidity Risk Management and Liquidity Coverage Ratio (continued):

1. Liquidity Coverage Ratio (continued):

	Total Unweighted Value (Average)		Total Weighted Value (Average)	
Current Period (31.12.2017)	**TRY+FC**	**FC**	**TRY+FC**	**FC**
HIGH-QUALITY LIQUID ASSETS			**136.999**	**27.876**
Total high-quality liquid assets (HQLA)	-	-	136.999	27.876
CASH OUTFLOWS				
Retail and small business customers deposits	-	-	-	-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
Unsecured funding other than retail and small business customers deposits	**79.334**	**62.243**	**74.110**	**62.203**
Operational deposits	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured funding	79.334	62.243	74.110	62.203
Secured wholesale funding	-	-	-	-
Other cash outflows	**12.809**	**12.781**	**5.508**	**5.480**
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	641	613	641	613
Debts related to structured financial products	-	-	-	-
Payment commitments related to debts to financial markets and other off balance sheet liabilities	12.168	12.168	4.867	4.867
Commitments that are unconditionally revocable at any time and other contractual commitments	**2.304.332**	**2.024.206**	**115.217**	**101.210**
Other irrevocable or conditionally revocable commitments	1.317	1.317	66	66
TOTAL CASH OUTFLOWS			**194.901**	**168.959**
CASH INFLOWS				
Secured receivables	81.195	73.375	81.195	73.375
Unsecured receivables	930.311	487.279	929.739	486.707
Other cash inflows	644	29	644	29
TOTAL CASH INFLOWS	**1.012.150**	**560.683**	**1.011.578**	**560.111**
			Total Adjusted Value	
TOTAL HIGH QUALITY LIQUID ASSETS			**136.999**	**27.876**
TOTAL NET CASH OUTFLOWS			**48.725**	**42.240**
LIQUIDITY COVERAGE RATIO (%)			**281,17**	**65,99**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VI- Liquidity risk management and liquidity coverage ratio (continued):

1. Liquidity Coverage Ratio (continued):

	Total Unweighted Value (Average)		Total Weighted Value (Average)	
Prior Period (31.12.2016)	**TRY+FC**	**FC**	**TRY+FC**	**FC**
HIGH-QUALITY LIQUID ASSETS			**119.570**	**19.109**
Total high-quality liquid assets (HQLA)	-	-	119.570	19.109
CASH OUTFLOWS				
Retail and small business customers deposits	-	-	-	-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
Unsecured funding other than retail and small business customers deposits	64.879	31.826	62.812	31.826
Operational deposits	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured funding	64.879	31.826	62.812	31.826
Secured wholesale funding	-	-	-	-
Other cash outflows	36.126	35.877	6.424	6.175
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.153	904	1.153	904
Debts related to structured financial products	-	-	-	-
Payment commitments related to debts to financial markets and other off balance sheet liabilities	34.973	34.973	5.271	5.271
Commitments that are unconditionally revocable at any time and other contractual commitments	1.446.464	1.006.318	72.323	50.316
Other irrevocable or conditionally revocable commitments	50.058	50.058	2.503	2.503
TOTAL CASH OUTFLOWS			**144.062**	**90.820**
CASH INFLOWS				
Secured receivables	72.090	66.968	72.090	66.968
Unsecured receivables	710.363	412.575	710.261	412.474
Other cash inflows	1.155	462	1.155	462
TOTAL CASH INFLOWS	**783.608**	**480.005**	**783.506**	**479.904**
			Total Adjusted Value	
TOTAL HIGH QUALITY LIQUID ASSETS			**119.570**	**19.109**
TOTAL NET CASH OUTFLOWS			**36.015**	**22.705**
LIQUIDITY COVERAGE RATIO (%)			**332,00**	**84,16**

VI- Liquidity risk management and liquidity coverage ratio (continued):

2. Explanations Liquidity Coverage Ratio

Significant factors that impact the result of liquidity coverage ratio and change of the items in time that are taken into account in calculation of this ratio

The significant factors that impact liquidity provision rate are net cash outflows and high quality assets stock. Items in the calculation of the rate in consideration may be changed in time because of economic structure and decisions of the Bank on fund management.

The explanation about elements of the High Quality Liquid Assets

High quality liquid assets mostly consist of domestic Government bonds, and Eurobonds.

Content or funds and their composition

The main fund source of the Banks is long term borrowings which are provided by the International Financial Organizations. The coverage of these sources in all funds is approximately 96 percent. Other 4 percent of the Bank's total fund is provided by the repo operations.

Cash outflows generating from derivative transactions and information about which transactions are subject to collateral margin

The Banks' derivative transactions are mainly maturity based transactions. As 31 December 2017, there is no derivative transactions. In the period, incomes and expenses of derivative transactions done are accounted in foreign exchange gains and losses. There is no collateral margin completion transaction.

Counterparty and product-based funding sources and concentration limits on collateral

The funds of the Bank which operates as a development bank are mainly from international development banks and financial organizations. There is no concentration limit on counterparty or product.

The operational and legal factors that hinder liquidity transfer which is needed by the bank itself, its foreign branch and its consolidated subsidiary, and respective liquidity risk.

None.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VI- Liquidity risk management and liquidity coverage ratio (continued):

Maturity analysis of assets and liabilities according to remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period (31.12.2017)								
Assets								
Cash (Cash on hand, Money in Transit, Purchased Cheques and Balances with Central Bank)	710	-	-	-	-	-	-	710
Banks	12.979	1.277.212	44.999	-	-	-	-	1.335.190
Financial Assets at Fair Value through Profit/Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	326.024	-	-	-	-	-	326.024
Financial Assets For Sale	8.037	6.353	16.890	124.987	101.074	-	-	257.341
Loans and Receivables	-	131.453	102.452	741.194	3.890.708	2.012.511	50.603	6.928.921
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	134.977	134.977
Total Assets	**21.726**	**1.741.042**	**164.341**	**866.181**	**3.991.782**	**2.012.511**	**185.580**	**8.983.163**
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Other Funding	-	62.182	86.137	416.141	3.147.482	3.619.567	252.770	7.584.279
Interbank Money Market Takings	-	130	-	-	-	-	-	130
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	18.622	-	-	-	-	-	-	18.622
Other Liabilities	-	1.244	7.819	-	-	-	1.371.069	1.380.132
Total Liabilities	**18.622**	**63.556**	**93.956**	**416.141**	**3.147.482**	**3.619.567**	**1.623.839**	**8.983.163**
Liquidity Gap	3.104	1.677.486	70.385	450.040	844.300	(1.607.056)	(1.438.259)	-
Net Off-Balance Position	-	-	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	37	180	-	592	-	-	-	809
Prior Period (31.12.2016)								
Total Assets	366.523	1.062.488	141.720	531.398	3.053.551	1.685.114	201.723	7.042.517
Total Liabilities	18.114	34.355	80.255	276.057	2.197.914	3.220.828	1.214.994	7.042.517
Liquidity Gap	348.409	1.028.133	61.465	255.341	855.637	(1.535.714)	(1.013.271)	-
Net Off-Balance Position								
Derivative Financial Assets	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	38	9.103	-	72.719	2.580	-	-	84.440

(*) Assets, such as fixed assets, associates, subsidiaries, property value, prepaid expenses and net non performing receivables, other asset accounts that would not be converted to cash in a short time period and needed to used in the banking activities; Liabilities and equity accounts, such as the accounts with no maturities and provisions, are shown in the undistributed column. Deferred tax asset is included in the undistributed column.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VI- Liquidity risk management and liquidity coverage ratio (continued):

Remaining maturity of contractual financial liabilities:

In compliance with the Turkish Financial Reporting Standard No: 7, the following table indicates the maturities of the Bank's major non-derivative financial liabilities. The following tables have been prepared by referencing the earliest dates of payments without discounting the liabilities. The interest to be paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The balances of the related liabilities in balance sheet do not include these amounts.

Current Period (31.12.2017)	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Adjustments**	**Total**
Liabilities							
Funds provided from other financial ınstitutions	63.139	88.519	469.212	3.464.548	3.877.580	(378.719)	7.584.279
Money market borrowings	130	-	-	-	-	-	130
Total	**63.269**	**88.519**	**469.212**	**3.464.548**	**3.877.580**	**(378.719)**	**7.584.409**

Prior Year (31.12.2016)	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Adjustments**	**Total**
Liabilities							
Funds provided from other financial ınstitutions	33.392	78.311	325.823	2.450.824	3.440.162	(528.005)	5.800.507
Money market borrowings	351	-	-	-	-	-	351
Total	**33.743**	**78.311**	**325.823**	**2.450.824**	**3.440.162**	**(528.005)**	**5.800.858**

The following table shows non-cash loans according to remaining maturities.

Current Period (31.12.2017)	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Letters of Credit		180		592	-	-	772
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	37						37
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	**37**	**180**		**592**			**809**
Prior Period (31.12.2016)	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Letters of Credit	-	9.103		72.719	2.580		84.402
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	38	-	-	-	-	-	38
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	**38**	**9.103**	**-**	**72.719**	**2.580**	**-**	**84.440**

As of 31 December 2017, the Bank has no derivative financial assets and liabilities.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VII- Explanation of leverage ratio:

In the current period, the rate of increase in tier I capital was realized higher than the rate of increase in the total amount of risk. The Banks's leverage ratio as of 31 December 2017 calculated by taking average of end of month leverage ratios for the last three month period is 13,70% (31 December 2016: 11,34%). The fact that the current period leverage ratio is higher than the leverage ratio of the previous period is due to the fact that the tier I capital amount. has increased higher than the total risk amount related to on-balance sheet assets

On-balance sheet assets (*)	**Current Period (31.12.2017)**	**Prior Period (31.12.2016)**
Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	8.677.929	6.398.837
(Assets deducted in determining Tier 1 capital)	-	(5.935)
Total balance sheet exposures	8.677.929	6.392.902
Derivative financial instruments and loan derivatives	-	-
Replacement cost of derivative financial instruments and loan derivatives	-	-
Potential loan risk of derivative financial instruments and loan derivatives	-	20
Total derivative financial instruments and loan derivatives exposure	-	20
Securities financing transaction exposure	-	-
Risks from securities financing transaction exposure assets	-	-
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	-	-
Off-balance sheet items	-	-
Gross notional amounts of off-balance sheet items	2.363.446	1.482.347
(Adjustments for conversion to credit equivalent amounts)	(2.126.061)	(1.265.601)
Total risks of off-balance sheet items	237.385	216.746
Capital and total risks	-	
Tier 1 capital	1.221.570	746.069
Total risks	8.915.314	6.609.668
Leverage ratio	-	
Leverage ratio	**13,70**	**11,34**

(*) Calculated by taking the average of the last three months financial statements.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VIII- Explanation related to presentation of financial assets and liabilities at fair value:

When fair value of financial assets and liabilities are determined, discounted values are taken into consideration according to remaining maturities. Transactions traded on the stock exchange are valued by using the daily weighted average prices of the last working day on the balance sheet date based on the stock market value.

	Book Value (*)		Fair Value	
	Current Period (31.12.2017)	Prior Period (31.12.2016)	Current Period (31.12.2017)	Prior Period (31.12.2016)
Financial Assets	**8.847.476**	**6.915.420**	**8.886.666**	**6.949.684**
Money markets placements	326.024	10.505	326.024	10.505
Banks (**)	1.335.190	1.265.426	1.335.190	1.265.426
Financial assets available for sale	257.341	193.389	257.341	193.389
Held to Maturity Investment	-	20.415	-	20.407
Loans	6.928.921	5.425.685	6.968.111	5.459.957
Financial Liabilities	**7.603.031**	**5.818.972**	**7.646.846**	**5.833.372**
Interbank deposits	-	-	-	-
Payables to Money Market	130	351	130	351
Other deposits	-	-	-	-
Funds provided from other financial institutions	7.584.279	5.800.507	7.628.094	5.814.907
Marketable securities issued	-	-	-	-
Sundry creditors	18.622	18.114	18.622	18.114

(*) The book values of financial assets and financial liabilities are stated in the book values by adding accrual amounts at the end of the period.

Methods and estimations used for the fair value determination of financial instruments which are not presented with their fair values in the financial statements:

i- For the fair value determination of loans, interest rates as of balance sheet date are considered
ii- For the fair value determination of banks, interest rates as of balance sheet date are considered
iii- For the fair value determination of investments held-to-maturity, market prices as of the balance sheet date are considered.
iv- For the fair value determination of the funds provided from other financial institutions, alternative resource interest rates are considered.

Information on fair value measurements recognized in the financial statements:

TFRS 7 “Financial Instruments: Disclosures” standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified. According to this standard, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VIII- Explanation related to presentation of financial assets and liabilities at fair value (continued):

Current Period (31.12.2017)	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss	**-**	**-**	-
Debt securities	-	-	-
Share certificates	-	-	-
Derivative financial assets held for trading	-	-	-
Other	-	-	-
Financial assets available-for-sale*	**148.403**	**100.901**	-
Debt securities	148.403	100.901	-
Other	-	-	-
Investment in subsidiaries and associates **	-	-	35.992
Derivative financial liabilities	**-**	**-**	-

(*) Since they are not traded in an active market, share certificates (TRY 8.037) under financial assets available-for-sale are shown in the financial statements with their acquisition costs, therefore not included in the table.

(**) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

Prior Period (31.12.2016)	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss	**-**	**-**	-
Debt securities	-	-	-
Share certificates	-	-	-
Derivative financial assets held for trading	-	-	-
Other	-	-	-
Financial assets available-for-sale*	**185.352**	-	-
Debt securities	185.352	-	-
Other	-	-	-
Investment in subsidiaries and associates **	-	-	-
Derivative financial liabilities	-	-	-

(*) Since they are not traded in an active market, share certificates (TRY 8.037) under financial assets available-for-sale are shown in the financial statements with their acquisition costs, therefore not included in the table.

(**) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

In the current period, there is no transition between Level 1 and Level 2.

There has been a transition from cost to level 3 due to fair value measurement of foreing currency deniominated subsisidary.

Level 3 Movement Table	
Balance at the Beginning 31.12.2016	**18.497**
Valuation Amount	16.038
Payment in the period	1.457
Balance at the End 31.12.2017	**35.992**

IX- Explanations related to transactions made on behalf of others and items held in trust:

The Bank acts as an intermediary for purchases and sales of securities on behalf of others and provides custody services. Besides, the Bank acts as an intermediary for implementation of tourism and infrastructure investments on behalf of Republic of Turkey Ministry of Culture and Tourism.

The Bank has no fiduciary transactions.

X- Explanations on risk management :

1. General information on risk management and risk weighted amounts:

The Bank's risk management approach:

It should be emphasized firstly that the Bank is actively using committees and risk budgeting in decision-making mechanisms and risk management processes while assessing risk management performance in addition to the functional and financial performance, which has operational mechanisms based on a wide range of activities. Within the framework of the Bank's vision, mission, strategic objectives and targets set by the Board of Directors and risk management policies and strategies; the Asset and Liability Management Committee and the Credit Participation Committee constitute two main committees that play a critical role in the execution of the Bank's activities; which the Asset and Liability Management Committee ensuring that the assets and liabilities are managed effectively and efficiently by taking into consideration the current and possible economic developments and the factors such as interest, maturity and currency, and establishing coordination and communication between the Senior Management and the Bank's units, and the Credit Participation Committee with the function of determining the principles of lending, evaluating the credit-participation risk and the situation of the investment, evaluating the reports prepared on the loan appraisal and in summary taking care of all the lending activities. Within the framework of the short-term strategies determined by the Asset and Liability Management Committee in line with the vision and strategic objectives of the Bank's Strategic Plan, each of the units in the Bank comply with these targets and the risk budgeting application based on the consolidation of these budgets are applied to contribute to the basic activities of the Bank.

Risk monitoring processes constitute the main determinant of risk management policies in decision making processes in the Bank. The organizational structure of the risk monitoring processes is composed of, the "Internal Control" and "Risk Monitoring" Directorates which the duties and authorities established within the Bank with the decision of the Board of Directors pursuant to the Banking Law and the BRSA legislation, the Audit Committee and the Internal Inspection Department. The units within the internal systems of the Bank and the Audit Committee undertake their activities in accordance with the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" dated 11/07/2014 and numbered 29057 of the BRSA.

The general principle of the risk policies followed by the Bank where the implementation of committees and risk budgeting actively in decision-making mechanisms and risk management processes; which was approved by Board of Directors dated 11.01.2016, 2016-01-15/015 stated in the Bank’s "Risk Management Strategies, Policies and Implementation Principles", "To specialize in the activities in accordance with the mission, vision and structure determined by the Establishment Law, to take risks that can be identified, controlled and / or managed ", and to make efforts to avoid any risks other than the risks inevitable and arising as part of the nature of the activities". While the Bank is specializing in its activities in accordance with its vision and structure in line with this general principle, it shapes the asset composition in line with this principle and in the risk management policy it is subject to the principle of "taking risks that can be controlled and / or managed, not taking any risks other than the risks that are unavoidable and to apply this principle as much as possible. In this context, it is the basic principle to ensure that the risks to be taken are defined and manageable.

In addition, to the extent that risk measurement and reporting techniques allow, measurement of the present and future potential impacts of the risks taken is made possible and written limits for the risks arising from the operations of the Bank and for the digitization are determined according to the BRSA (BDDK) regulations. Therefore, the risk appetite of the Bank is determined and monitored by the risk limits prepared in accordance with the provisions of Article 39 titled "Risk Appetite Structure" of Internal Systems and ICAAP Regulations of Banks No. 29057 issued by the BRSA and published in the Official Gazette on 11 July 2014. "Risk Limits and Implementation Principles", which are revised by the Risk Monitoring Department annually in accordance with the Bank's risk policies and accepted by the Board of Directors, are the main policy that determines the Bank's risk appetite structure.

X- Explanations on risk management (continued) :

1. General information on risk management and risk weighted amounts (continued):

The Bank's risk management approach (continued):

According to the "Risk Limits and Implementation Guidelines" which is the most important indicator of the risk appetite of the bank, limits, early warning limits and actions to be taken in case of exceeding limit are determined by basic risk groups. In determining limits, the legal limits shape the general framework. However, in addition to the principle of prudence in risk management, specific limits specific to the Bank are also set for each risk type. The early warning limits are intended to prevent limit overs, and the limits are set one level below (or above). Each risk group covered by the Bank's risk limits is monitored by reports made to the Senior Management and the Audit Committee on a daily, weekly, monthly basis by the Risk Monitoring Department and is first informed to the relevant unit in the framework of the actions to be taken in determining the elimination of exceeded limits.

It is clear that both the decision-making mechanisms and the risk management processes are the general principle of risk policies and the Bank has a "risk avoider" risk appetite within the framework of risk limits and implementation principles.

The limits stated in the text of "Risk Appetite Structure, Risk Limits and Implementation Principles" approved by the Board of Directors within the framework of the 37th article of "Regulation on Internal Systems of Banks" issued by the BRSA for quantifiable risks arising from the activities of the Bank are determined, . The Risk Monitoring Department monitors compliance with these limits and regularly reports to the Board of Directors, the Audit Committee and the Senior Management.

Within the scope of risk management activities, shocks are applied on two key parameters of macroeconomic variables, which best represent the conjuncture, in the Bank's ongoing stress testing activities: interest and exchange rates. As a result of the shocks at different rates on current interest rates and exchange rates, possible changes in the Bank's income-expense accounts and equity accounts are obtained. The studies within the scope of "Stress Test and Scenario Analyzes" which are reported to the BRSA annually, are summarized as follows:

- “Profit / Loss and Equity” of the changes that may occur on the basis of TRY and foreign currency (FX) interest rates and 4 base scenarios at exchange rate are tried to be measured on the interest rate and currency sensitive items included in the Bank’s financial statements. This stress test is performed every quarter.

- On the Bank's securities portfolio (Trading Portfolio and Available-for-Sale Portfolio), portfolio sensitivity is firstly calculated against changes in interest rates, and two separate scenarios are set forth to compensate for the potential loss arising from adverse interest rate changes. In the first scenario, the number of days that the loss that will arise due to the disposing of the entire portfolio after the interest rate increase can be recovered from the risk-free interest rate (Takasbank O / N) is calculated while in the second scenario the weighted average number of days (duration) that the nominal value of the new portfolio value resulting from the interest increase will be calculated. Theoretical scenario analyzes for the securities portfolio are made on a daily-basis.

- The sensitivity of the foreign currency position of the Bank to exchange rate changes is also calculated frequently on a daily basis with 3 different scenarios. In the applied stress tests, the profit / loss amounts that will be caused by the changes that may occur in exchange rates on different scenarios are calculated with respect to foreign currency assets and liabilities in the Bank’s balance sheet.

X- Explanations on risk management (continued) :

1. General information on risk management and risk weighted amounts (continued):

The Bank's risk management approach (continued):

- The Bank's specific variable, which is followed up within the scope of the scenario analysis of the stress tests, is the "Non-performing Loan Rates". Non-performing Loan Rates where the Bank's control power is more limited in terms of the asset quality of the Bank and which is highly sensitive to external developments and therefore comparable to other items on the balance sheet is also subject to scenario analysis. This analysis demonstrates that the increase in the current Non-performing Loan Rate by 200 basis points and the decrease in the specific provision ratio at the date of the analysis will result in a decrease in the net provision for the current period's profit and shareholders' equity. This scenario is important for the negative developments to be experienced in the Non-performing Loan Rates for any reason to have effects on the profitability and equity structure of the Bank..

- The Bank's "Proforma Cash Flows Statement" analysis, which is prepared based on the possible cash inflows and outflows in the next one-year period, including seven different scenarios, ranging from 45 percent to 95 percent of "loan collection rates" and implicitly including currency and interest forecasts, it is the most detailed scenario analysis that the Bank has prepared.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

1. General information on risk management and risk weighted amounts (continued):

Overview of risk weighted amounts:

		Risk Weighted Amount		Minimum Capital Requirement	
		Current Period (31.12.2017)	**Prior Period (31.12.2016)**	**Current Period (31.12.2017)**	**Prior Period (31.12.2016)**
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	7.454.624	5.708.395	596.370	456.672
2	Of which standardized approach (SA)	7.454.624	5.708.395	596.370	456.672
3	Of which internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	55	34	4	3
5	Of which standardized approach for counterparty credit risk (SA-CCR)	55	34	4	3
6	Of which internal model method (IMM)	-	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-	-
8	Equity investments in funds – look-through approach	-	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization exposures in banking book	-	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-	-
15	Standard Of which SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market Risk	31.538	38.963	2.523	3.117
17	Of which standardized approach (SA)	31.538	38.963	2.523	3.117
18	Of which internal model approaches (IMM)		**-**		**-**
19	Operational Risk	302.418	256.792	24.193	20.543
20	Of which basic indicator approach	302.418	256.792	24.193	20.543
21	Of which standardized approach	-	-	-	-
22	Of which advanced measurement approach	-	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-	-
24	Floor adjustments	-	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**7.788.635**	**6.004.184**	**623.090**	**480.335**

X- Explanations on risk management (continued):

2. Credit risk explanations:

General qualitative information on credit risk:

The Bank calculates its legal credit risk as per the framework of the "Regulation on the Measurement and Evaluation of Banks' Capital Adequacy" and Basel II criteria. The management of credit risk is essential in such a way as to ensure that the standard ratio of legal capital adequacy is above the minimum limit of existing regulations.

Within the scope of "Basel II application" under the measure of credit risk, the standard method prescribed by the BRSA is used and this measurement method based on weighting to the classes and guarantees of the loans is embodied in the KR520 form which is reported monthly to the BRSA. There are basically 3 main headings of the form:

- Risk Classes,
- Credit Risk Reduction Techniques and Credit Risk Substitution Effects,
- Distribution by Risk Weights.

In order to determine the credit risk, the Bank's Risk Weighted Assets are classified by “Separation on the basis of risk classes". After the asset is classified according to the risk classes, collaterals received on loans are assessed under Basel II "Credit Risk Mitigation Techniques and Credit Risk Substitution Effects". The credit risk is measured monthly within the standard method framework, by using the algorithm in the "Basel II Credit Rating Classification".

The Bank provides for the measurement, monitoring, stress testing and scenario analysis studies that are in line with the volume, quality and complexity of the credit risk management and reporting results to the Audit Committee and the Board of Directors.

Moving from the Bank's loan portfolio structure for risk measurement and monitoring activities besides the standard method for determining the level of credit risk that the bank may encounter;

- Credit Risks by Sectors
- Credit Risks by Region
- Non-performing Loans Analysis
- Concentration Analysis of Credits
- Risks Weights of Loan Collaterals
- Sectoral Risks According to Risk Weights of Loans
- Distribution of Loans by Maturity and Source
- Distribution of Performing Credits is analyzed and reported.

In the Bank's credit risk management policy, diversification of credit portfolio is essential.

Although the Bank is not subject to the credit limitations imposed on deposit-taking banks pursuant to Article 77 of the Banking Law No. 5411, the credit limits were set out in Article 7 of the "Internal Loans Circular” dated April 2014, approved by the Board of Directors. In accordance with the Article 8 of the "Internal Loans Circular", transactions that are not subject to credit limitation are excluded from the scope of risk limits.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Credit quality of assets:

Current Period (31.12.2017)		a	B	c	D
		Overdue	Not Overdue	Provisions/ Amortizations and Impairment	Net Value (a+b-c)
		Gross carrying value as per TAS			
1	Loans	123.012	6.878.318	72.409	6.928.921
2	Debt securities	-	249.418	115	249.304
3	Off-balance sheet assets	2	809	2	809
4	**Total**	**123.014**	**7.128.545**	**72.526**	**7.179.034**

Perior Period (31.12.2016)		a	B	c	D
		Overdue	Not Overdue	Provisions/ Amortizations and Impairment	Net Value (a+b-c)
		Gross carrying value as per TAS			
1	Loans	125.779	5.349.989	50.083	5.425.685
2	Debt securities	-	196.514	3.252	193.262
3	Off-balance sheet assets	2	84.440	2	84.440
4	**Total**	**125.781**	**5.630.943**	**53.337**	**5.703.386**

Changes in non-performing loans and debt securities:

Current Period (31.12.2017)

1	Defaulted loans and debt securities at the end of prior reporting period	125.781
2	Defaulted loans and debt securities from last reporting period	1.700
3	Receivables that are not defaulted	12
4	Amounts written of	-
5	Other Changes	(4.479)
6	Defaulted loans and debt securities at the end of reporting period (1+2-3-4+-5)	123.014

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Changes in non-performing loans and debt securities (continued):

Perior Period (31.12.2016)

1	Defaulted loans and debt securities at the end of prior reporting period	107.473
2	Defaulted loans and debt securities from last reporting period	22.754
3	Receivables that are not defaulted	(4.446)
4	Amounts written of	-
5	Other Changes	-
6	Defaulted loans and debt securities at the end of reporting period (1+2-3-4+-5)	125.781

Additional disclosures about the credit quality of assets:

Loans that are overdue by 90 days after the end of reporting period or those that are deemed to be impaired due to their credibility are regarded as non-performing loans. “Specific provisions" are set for these loans within the scope of the Provisioning Regulation.

Overdue loans are loans that have been overdue up to 90 days at the end of the reporting period but have not been impaired. For these loans, a "General Provision" is calculated within the scope of the Provisioning Regulation.

In both types of receivables, the collection of receivables is overdue and general provision is calculated for receivables overdue up to 90 days and the specific provision is calculated for receivables overdue more than 90 days.

Specific provisions are set for all non-performing loans over 90 days and there is no receivable without no provision in this category.

Within the scope of the Provisioning Regulation, the collection of the receivables is delayed and the general provision is calculated for the overdue receivables up to 90 days and the specific provision is calculated for receivables more than 90 days.

Loans and other receivables, including overdue interest, are restructured under the Provisioning Regulation by providing additional credits, if necessary, in order to provide liquidity to the borrower for the purposes of ultimately enabling collection of the receivables in the event that it is arising from temporary liquidity difficulties.

Provisional liquidity problem is considered as manageable cash inflow difficulty arising from the fact that a borrower with credit risk that is able to fulfill its obligations on time and on its terms would have been fundamentally irregular due to fluctuations in sales revenue or operating income due to unforeseen and temporary consequences.

Restructured loans continue to be followed in the same groups they are originally classified. During this period, specific or general provision are made at respective rates for the group to which they are classified.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Additional disclosures about the credit quality of assets (continued):

Breakdown of exposures by geographical areas, industry and maturity

Exposures provisioned by major regions and sectors

Current Period (31.12.2017)	Non-performing loans	Specific provisions
Domestic	123.012	72.409
European Countries	-	-
OECD Countries	-	-
Total	**123.012**	**72.409**

Perior Period (31.12.2016)	Non-performing loans	Specific provisions
Domestic	125.779	50.083
European Countries	-	-
OECD Countries	-	-
Total	**125.779**	**50.083**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Additional disclosures about the credit quality of assets (cont'd):

Exposures provisioned by major regions and sectors (cont'd):

Current Period (31.12.2017)	**Credits**			
Major Sectors/ Counterparties				
	Impaired Credits	**Past Due Credits**	**Value Adjustments**	**Provisions**
Agriculture	1.775	-	-	885
Farming and Animal Breeding	1.775	-	-	885
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	52.337	699	14	33.281
Mining and quarry	1.856	-	-	1.334
Manufacturing	33.817	-	-	23.615
Electricity, gas and water	16.664	699	14	8.332
Construction	-	-	-	-
Service	67.715	220	3	37.058
Wholesale and retail trade	-	-	-	-
Hotel and food services	58.724	220	3	32.531
Transportation and communication	72	-	-	72
Financial institutions	-	-	-	-
Real estate and leasing services	-	-	-	-
Self-employment services	-	-	-	-
Educational services	-	-	-	-
Health and social services	8.919	-	-	4.455
Other	1.185	-	-	1.185
Total	**123.012**	**919**	**17**	**72.409**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Additional disclosures about the credit quality of assets (cont'd):

Exposures provisioned by major regions and sectors (cont'd):

Perior Period (31.12.2016)	**Credits**			
Major Sectors/ Counterparties				
	Impaired Credits	**Past Due Credits**	**Value Adjustments**	**Provisions**
Agriculture	**1.767**	**-**	**-**	**442**
Farming and Animal Breeding	1.767	-	-	442
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	**55.413**	**1.453**	**29**	**24.840**
Mining and quarry	1.848	-	-	1.333
Manufacturing	36.906	54	1	21.425
Electricity, gas and water	16.659	1.399	28	2.082
Construction	**-**	**-**	**-**	**-**
Service	**67.402**	**4.699**	**85**	**23.604**
Wholesale and retail trade	-	-	-	-
Hotel and food services	58.442	4.699	85	21.310
Transportation and communication	72	-	-	72
Financial institutions	-	-	-	-
Real estate and leasing services	-	-	-	-
Self-employment services	-	-	-	-
Educational services	-	-	-	-
Health and social services	8.888	-	-	2.222
Other	**1.197**	**-**	**-**	**1.197**
Total	**125.779**	**6.152**	**114**	**50.083**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Maturity analysis for non-performing loans

Current Period (31.12.2017)	**Up to 3 Months**	**3-12 Months**	**1-3 Years**	**3-5 Years**	**5 Years and above**
Corporate and Commercial Loans	1.259	-	23.405	26.962	70.200
Other	-	-	-	-	1.185
Total	**1.259**	**-**	**23.405**	**26.962**	**71.386**

Perior Period (31.12.2016)	**Up to 3 Months**	**3-12 Months**	**1-3 Years**	**3-5 Years**	**5 Years and above**
Corporate and Commercial Loans	-	21.969	6.568	33.685	62.361
Other	-	-	-	-	1.196
Total	-	**21.669**	**6.568**	**33.685**	**63.557**

Qualitive disclosure on credit risk mitigation techniques:

In the calculation of the amounts subject to credit risk, the Bank evaluates the loans in terms of risk weight, taking into consideration the risk classes, grading notes and risk reduction elements within the context of "Communiqué on Credit Risk Mitigation Techniques".

The receivables from the counterparties in relation to the non-cash loans and commitments, if any, are accounted for at the net amounts after deducting specific provisions, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Loans and Other Receivables and the Provisions to be Made" as per the provisions of the Article 5 of the "Regulation" by using credit conversion factors set out in the Communiqué on "Credit Risk Mitigation Techniques" and included in the relevant risk class specified in the Article 6 of the Regulation and the risk class is determined according to the Annex-1.

The Bank does not make on-balance sheet and off-balance sheet netting within the scope of credit risk mitigation. Applications related to valuation and management of collateral are carried out in line with the Communiqué on Credit Risk Mitigation Techniques. Main guarantees taken by the Bank in the context of credit risk mitigation techniques are financial guarantees (cash) and guarantees (Turkish Treasury and banks). Monetary guarantees are evaluated with the most recent values as of the reporting date in the credit risk reduction process. In the event that a bank loan customer receives guarantees obtained from other institutions, the credit risk worthiness of the guaranteeing institution in the credit risk reduction process is taken into consideration. Risk-reducing effects of collaterals are taken into account through standard volatility adjustments in the portfolios in which the comprehensive financial guarantee method is used.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Overview of credit risk mitigation techniques:

		a	b	c	d	e	f	g
	Current Period (31.12.2017)	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	41.893	6.887.028	100%	-	-	-	-
2	Debt Instruments	-	249.304	100%	-	-	-	-
3	**Total**	**41.893**	**7.136.332**	**100%**	-	-	-	-
4	Overdue	-	123.012	100%	-	-	-	-

		a	b	c	d	e	f	g
	Perior Period (31.12.2016)	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	37.666	5.161.861	100%	-	-	-	-
2	Debt Instruments	-	-	-	-	-	-	-
3	**Total**	**37.666**	**5.161.861**	**100%**	-	-	-	-
4	Overdue	-	125.779	100%	-	-	-	-

Qualitative information on ratings used by the banks while calculating credit risk with standard approach

The risk weigths of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are determined pursuant to the regulations. Any external risk ratings which are determined by any international rating agency are not used.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Standard Approach - Credit risk exposure and credit risk mitigation effects:

The Bank calculates the credit risk with a standard approach and do not use a rating grade.

Current Period (31.12.2017)	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amount and Intensity of Risk Weighted Amount	
Risk Class	On-balance sheet amount	Off-Balance Sheet Amount	On-balance sheet amount	Off-Balance Sheet Amount	RWA	RWA density
Exposures to sovereigns and central banks	899	-	2.985	-	-	0.0%
Exposures to regional and local governments	-	-	-	-	-	0.0%
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	0.0%
Exposures to multilateral development banks	-	-	-	-	-	0.0%
Exposures to international organizations	-	-	-	-	-	0.0%
Exposures to banks and brokerage houses	2.188.057	33	2.585.898	33	1.884.947	25.3%
Exposures to corporates	5.039.815	2.478.597	4.658.819	390	4.659.209	62.5%
Retail exposures	227.020	53.911	216.425	-	162.319	2.2%
Exposures secured by residential property	35.366	-	35.366	-	19.512	0.3%
Exposures secured by commercial property	1.042.303	-	1.033.966	-	522.933	7.0%
Overdue items	50.603	-	50.603	-	49.382	0.7%
Exposures in high-risk categories	40.992	-	40.992	-	63.421	0.9%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0.0%
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0.0%
Exposures in the form of collective investment undertakings	-	-	-	-	-	0.0%
Other exposures	93.128	-	93.128	-	92.956	1.2%
Equity share investments	-	-	-	-	-	0.0%
Total	**8.718.183**	**2.532.541**	**8.718.182**	**423**	**7.454.679**	**100.0%**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Standard Approach - Credit risk exposure and credit risk mitigation effects:

Perior Period (31.12.2016)	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amount and Intensity of Risk Weighted Amount	
Risk Class	On-balance sheet amount	Off-Balance Sheet Amount	On-balance sheet amount	Off-Balance Sheet Amount	RWA	RWA density
Exposures to sovereigns and central banks	21.591	-	23.154	-	-	0,0%
Exposures to regional and local governments	-	-	-	-	-	0,0%
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	0,0%
Exposures to multilateral development banks	-	-	-	-	-	0,0%
Exposures to international organizations	-	-	-	-	-	0,0%
Exposures to banks and brokerage houses	1.672.257	34	1.872.261	34	1.198.615	21,0%
Exposures to corporates	3.867.897	1.340.281	2.374.253	1.340.281	3.714.535	65,2%
Retail exposures	147.354	75.849	72.494	75.849	111.257	1,9%
Exposures secured by residential property	20.068	-	20.068	-	10.801	0,2%
Exposures secured by commercial property	911.508	-	904.524	-	458.806	8,0%
Overdue items	75.696	-	75.696	-	81.057	1,4%
Exposures in high-risk categories	22.866	-	22.866	-	35.875	0,6%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0,0%
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0,0%
Exposures in the form of collective investment undertakings	-	-	-	-	-	0,0%
Other exposures	97.615	-	97.615	-	97.485	1,7%
Equity share investments	-	-	-	-	-	0,0%
Total	**6.836.852**	**1.416.164**	**5.462.931**	**1.416.164**	**5.708.431**	**100,0%**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Standard Approach: Exposures by asset classes and risk weights:

The Bank calculates the credit risk with the standard approach and does not use a rating score

	Current Period (31.12.2017)	a	b	c	d	e	f	g	h	İ	j
	Risk Class	0%	10%	20%	50% Secured by property mortgages	75%	100%	150%	200%	Other	Total risk amount (after CCF and CRM)
1	Exposures to sovereigns and their central banks	2.985	-	-	-	-	-	-	-	-	2.985
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	425.026	721.926	-	1.438.979	-	-	-	2.585.931
7	Exposures to corporates	-	-	-	-	-	4.659.209	-	-	-	4.659.209
8	Retail exposures	-	-	-	-	216.425	-	-	-	-	216.425
9	Exposures secured by residential property	-	-	-	31.708	-	3.658	-	-	-	35.366
10	Exposures secured by commercial property	-	-	-	1.022.067	-	11.899	-	-	-	1.033.966
11	Past-due items	-	-	-	3.638	-	45.769	1.196	-	-	50.603
12	Exposures in high-risk categories	-	-	-	-	-	-	37.124	3.868	-	40.992
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Other exposures	172	-	-	-	-	92.956	-	-	-	93.128
17	Equity share investments	-	-	-	-	-	-	-	-	-	-
18	**Total**	**3.157**	**-**	**425.026**	**1.779.339**	**216.425**	**6.252.470**	**38.320**	**3.868**	**-**	**8.718.605**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

2. Credit risk explanations (continued):

Standard Approach: Exposures by asset classes and risk weights:

Perior Period (31.12.2016)		a	b	c	d	e	f	g	h	İ	j
	Risk Class	0%	10%	20%	50% Secured by property mortgages	75%	100%	150%	200%	Other	Total risk amount (after CCF and CRM)
1	Exposures to sovereigns and their central banks	23.154	-	-	-	-	-	-	-	-	23.154
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	712.053	208.073	-	952.168	-	-	-	1.872.294
7	Exposures to corporates	-	-	-	-	-	3.714.535	-	-	-	3.714.535
8	Retail exposures	-	-	-	-	148.343	-	-	-	-	148.343
9	Exposures secured by residential property	-	-	-	18.535	-	1.533	-	-	-	20.068
10	Exposures secured by commercial property	-	-	-	891.437	-	13.087	-	-	-	904.524
11	Past-due items	-	-	-	3.854	-	57.266	14.576	-	-	75.696
12	Exposures in high-risk categories	-	-	-	-	-	-	19.715	3.151	-	22.866
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Other exposures	130	-	-	-	-	97.485	-	-	-	97.615
17	Equity share investments	-	-	-	-	-	-	-	-	-	-
18	**Total**	**23.284**	**-**	**712.053**	**1.121.899**	**148.343**	**4.836.074**	**34.291**	**3.151**	**-**	**6.879.095**

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk:

Evaluation of counterparty credit risk according to measurement methods:

A counterparty credit risk is the risk that a counterparty who is involved in a transaction that is liable to both parties defaults before the final payment in the cash flow of that transaction.

The Bank takes necessary measures to limit counterparty credit risks arising from bilateral transactions, such as off-balance sheet over the counter derivative transactions, by taking into account risk capacities.

Transactions made by the Treasury Department including counter-party risks such as over the counter forward, swaps and options are reported daily to the Senior Management and Risk Monitoring Department. All transactions made by the other party are considered within the limits of the counterparty. Exceeded limits are reported daily to the responsible managers and are recorded with all measures taken to overcome these limitations.

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk:

Evaluation of counterparty credit risk according to measurement methods:

		a	b	c	d	e	f
	Current Period (31.12.2017)	Replacement cost	Potential Credit Risk Amount	EEPE	Alpha used for competing regulatory EAD	EAD Post-CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (for derivatives)	-	-	-	1,4	-	-
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	273	55
6	**Total**	**-**	**-**	**-**	**-**	**273**	**55**

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk:

Evaluation of counterparty credit risk according to measurement methods:

		a	b	c	d	e	f
	Perior Period (31.12.2016)	Replacement cost	Potential Credit Risk Amount	EEPE	Alpha used for competing regulatory EAD	EAD Post-CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (for derivatives)	-	-	-	1,4	-	-
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	156	34
6	**Total**	**-**	**-**	**-**	**-**	**156**	**34**

KKR2: Capital Requirements for KDA:

The table is not prepared since advanced method is not used in the calculation of KDA.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk (continued):

Standard approach - counterparty credit risk based on risk classes and risk weights:

Current Period (31.12.2017)	a	b	c	d	e	f	g	h	i
Risk Class	0%	10%	23%	50%	75%	100%	150%	Other	Total credit exposure*
Exposures to sovereigns and their central banks	273	-	-	-	-	-	-	-	273
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-		-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Overdue items	-	-	-	-	-	-	-	-	
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-		-	-	-	-	-	-
Total	**273**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**273**

(*) Total credit risk: Risk amount after the counterparty credit risk measurement techniques are applied.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk (continued):

Standard approach - counterparty credit risk based on risk classes and risk weights:

Perior Period (31.12.2016)	a	b	c	d	e	f	g	h	i
Risk Class	0%	10%	23%	50%	75%	100%	150%	Other	Total credit exposure*
Exposures to sovereigns and their central banks	156	-	-	-	-	-	-	-	156
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-		-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Overdue items	-	-	-	-	-	-	-	-	
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**156**

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk (continued):

KKR5 - Collaterals for counterparty credit risk:

A counterparty credit risk is the risk that a counterparty who is involved in a transaction that is liable to both parties defaults before the final payment in the cash flow of that transaction.

The Bank takes necessary measures to limit counterparty credit risks arising from bilateral transactions, such as off-balance sheet derivative transactions, by taking into account risk capacities.

Transactions made by the Treasury Department including counter-party risks such as over the counter forward, swaps and options are reported daily to the Senior Management and Risk Monitoring Department. All transactions made by the counter party are considered within the limits of the counter party. Exceeded limits are reported daily to the responsible managers and are recorded with all measures taken to overcome these limitations.

Current Period (31.12.2017)

	a	**b**	**c**	**D**	**e**	**f**
	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral Received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	10.522	146
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**10.522**	**146**

X- Explanations on risk management (continued):

3. Explanations on counterparty credit risk (continued):

KKR5 - Collaterals for counterparty credit risk:

Perior Period (31.12.2016)

	a	b	c	D	e	f
	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral Received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	11.650	392
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**11.650**	**392**

Credit derivatives

None.

Exposures to central counterparties (CCP)

None.

Explanations on securitizations

None.

4. Explanations on market risk:

Qualitative information to be publicly disclosed on market risk:

The fluctuations that may occur in the financial market due to the activities of the Bank are exposed to market risk due to the fluctuations in interest rates and stock prices.

The Bank calculates and legally reports its market risk by using the standard method within the framework of the provisions of the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" published in the Official Gazette No. 29511 dated 23 October 2015.

In addition to the monthly standardized methodology, the market risk is calculated on a daily basis using the Value At Risk(VaR) approach. The VaR calculated by using the internal model to predict the potential loss in financial market conditions, the stress tests and scenario analysis results, including the price changes occurring in the crises that occurred in previous years or the probable effects of different interest and exchange rate shocks on existing portfolios.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

4. Explanations on market risk:

In accordance with the "Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process" published on the Official Gazette dated 11 July 2014 and numbered 29057, the limits of these risks are determined by taking into account the main risks borne by the Bank and such risk limits are determined within the framework of changing market conditions and Bank strategies "Risk Appetite Structure, Risk Limits and Implementation Principles" which are frequently revised and approved by the Board of Directors.

The reports prepared within the framework of compliance with the risk limits are regularly presented to the Board of Directors, the Audit Committee and senior management.

Market risk amounts based on standard approach:

		A
	Current Period (31.12.2017)	**RAT**
	Direct (cash) Products	
1	Interest rate risk (general and specific)	29.788
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1.750
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	**Total**	**31.538**

		A
	Perior Period (31.12.2016)	**RAT**
	Direct (cash) Products	
1	Interest rate risk (general and specific)	26.338
2	Equity risk (general and specific)	-
3	Foreign exchange risk	12.625
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	**Total**	**38.963**

X- Explanations on risk management (continued):

5. Link between the financial statements and risk amounts:

Explanations on differences between the amounts prepared as per TAS and the risk amounts:

"Market Risks" are calculated over the securities classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets".

Repurchase and Reverse Repo transactions of the Bank are subject to "Counterparty Loan Risks" and the Capital Obligation against Counterparty Credit Risk is calculated and reported under the "Credit Risk". In addition, "Market Risk " is calculated over the securities used in the "Reverse Repo" transactions.

The amount included in the "Off-balance sheet amounts" line of the B2 table is reported as "Subject to Credit risk" by multiplying with "Loan Conversion Rates".

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

5. Linkages between financial statements and risk amounts (continued):

Differences and matching between accounting consolidation and legal consolidation:

			Items in accordance with TMS				
Current Period (31.12.2017)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with the Central Bank	710	-	710	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Banks	1.335.190	-	1.335.190	-	-	-	-
Interbank money market	326.024	-	316.014	10.010	-	-	-
Financial assets available-for-sale (net)	257.341	-	8.037	-	-	249.304	-
Loans	6.928.921	-	6.928.921	-	-	-	-
Factoring receivables	-	-	-	-	-	-	-
Investments held to maturity (net)	-	-	-	-	-	-	-
Investments in associates	46.804	-	46.804	-	-	-	-
Lease receivables	9	-	9	-	-	-	-
Tangible assets (net)	63.452	-	63.452	-	-	-	-
Intangible assets (net)	1.048	-	-	-	-	-	1.048
Investment properties (net)	937	-	937	-	-	-	-
Tax asset	4.957	-	-	-	-	-	4.957
Other assets	17.770	-	17.770		-	-	-
Total Assets	**8.983.163**	-	**8.717.844**	**10.010**	-	**249.304**	**6.005**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

5. Linkages between financial statements and risk amounts (continued):

Differences between accounting consolidation and legal consolidation (continued):

			Items in accordance with TMS				
Current Period (31.12.2017)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposit	-	-	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-	-	-
Borrowing funding loans	7.315.664	-	-	-	-	-	-
Money markets balances	130	-	273	130	-	-	-
Issued securities		-	-	-	-	-	-
Funds	268.615	-	-	-	-	-	-
Miscellaneous Payables	18.622	-	-	-	-	-	-
Other external funding's payable	6.051	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-	-
Provisions	108.753	-	-	-	-	-	-
Tax liability	9.063	-	-	-	-	-	-
Liabilities for assets held for sale and discontinued operations	-	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-	-
Shareholders' equity	1.256.265	-	-	-	-	-	-
Total liabilities and equity	**8.983.163**	-	**273**	**130**	-	**-**	**-**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

5. Linkages between financial statements and risk amounts (continued):

Differences and matching between accounting consolidation and legal consolidation (continued):

			Items in accordance with TMS				
Perior Period (31.12.2016)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with the Central Bank	1.070	-	1.070	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Banks	1.265.426	-	1.265.426	-	-	-	-
Interbank money market	10.505	-	151	10.505	-	10.505	-
Financial assets available-for-sale (net)	193.389	-	8.037	-	-	185.352	-
Loans	5.425.685	-	5.425.685	-	-	-	-
Factoring receivables	-	-	-	-	-	-	-
Investments held to maturity (net)	20.415	-	20.415	-	-	-	-
Investments in associates	28.407	-	28.407	-	-	-	-
Lease receivables	-	-	-	-	-	-	-
Tangible assets (net)	70.386	-	70.386	-	-	-	-
Intangible assets (net)	1.531	-	-	-	-	-	1.531
Investment properties (net)	980	-	980	-	-	-	-
Tax asset	8.433	-	-	-	-	-	8.433
Other assets	16.290	-	16.290	-	-	-	-
Total Assets	**7.042.517**	-	**6.836.847**	**10.505**	-	**195.857**	**9.964**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

5. Linkages between financial statements and risk amounts (continued):

Differences and matching between accounting consolidation and legal consolidation (continued):

			Items in accordance with TMS				
Perior Period (31.12.2016)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposit	-	-	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-	-	-
Borrowing funding loans	5.785.103	-	-	-	-	-	-
Money markets balances	351	-	5	351	-	-	-
Issued securities	-	-	-	-	-	-	-
Funds	15.404	-	-	-	-	-	-
Miscellaneous Payables	18.114	-	-	-	-	-	-
Other external funding's payable	347.652	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-	-
Provisions	91.961	-	-	-	-	-	-
Tax liability	8.805	-	-	-	-	-	-
Liabilities for assets held for sale and discontinued operations	-	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-	-
Shareholders' equity	775.127	-	-	-	-	-	-
Total liabilities and equity	**7.042.517**	-	**5**	**351**	-	-	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

5. Connections between financial statements and risk amounts (continued):

Main sources of differences between the risk amounts and carrying values in financial statements prepared as per TAS:

	Current Period (31.12.2017)	Total	Subject to credit risk	Securitization positions	Subject to counterparty risk	Subject to market risk
1	Carrying values of assets in accordance with TAS within legal consolidation	8.983.163	8.717.844	-	10.010	249.304
2	Carrying values of liabilities in accordance with TAS within legal consolidation	-	273	-	130	-
3	Total net amount under legal consolidation	8.983.163	8.717.571	-	9.880	249.304
4	Off-balance sheet items	2.532.541	424	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from netting of differences (outside line 2)	-	-	-	-	-
7	Differences arising from consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the BRSA	-	-	-	-	-
	Risk balances	**11.515.704**	**8.717.995**	**-**	**9.880**	**249.304**

	Perior Period (31.12.2016)	Total	Subject to credit risk	Securitization positions	Subject to counterparty risk	Subject to market risk
1	Carrying values of assets in accordance with TAS within legal consolidation	7.042.517	6.836.852	-	10.505	195.857
2	Carrying values of liabilities in accordance with TAS within legal consolidation	-	-	-	-	-
3	Total net amount under legal consolidation	-	-	-	-	-
4	Off-balance sheet items	1.416.164	42.243	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from netting of differences (outside line 2)	-	-	-	-	-
7	Differences arising from consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the BRSA	-	-	-	-	-
	Risk balances	**8.458.681**	**6.879.095**	**-**	**10.505**	**195.857**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X. Explanations on risk management (continued):

6. Explanations on operational risk:

Operational risk amount is calculated by using the basic indicator approach within the scope of 14th article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks. The value is, 15% of the Banks' gross income for the last three years multiplied with 12,5.

The annual gross income, as presented in the statement of income, is composed of net interest income by adding net fees and commissions income, dividend income from shares except for the subsidiaries and associates, net trading income/(expenses) and other operating income and after deducting realized gains/losses from the sale of securities held-to-maturity, extraordinary income, operating expenses due to support services and income derived from insurance claims at year-end.

Current Period (31.12.2017)	31.12.2014	31.12.2015	31.12.2016	Total / Positive BG year amount	Ratio (%)	Total
Gross Income	134.560	162.086	187.223	161.290	15	24.193
Value at operational risk (Total * 12,5)						**302.418**

Prior Period (31.12.2016)	31.12.2014	31.12.2015	31.12.2016	Total / Positive BG year amount	Ratio (%)	Total
Gross Income	114.221	134.560	162.086	136.956	15	20.543
Value at operational risk (Total * 12,5)						**256.792**

7. Interest rate risk on banking accounts:

Bank calculates the interest rate risk on banking book according to “Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method” and reports to the BRSA monthly.

Interest Rate Risk on Banking Book report includes Receivables from Central Bank, Money Market Placements, Receivables from Banks, Available for Sale Financial Assets (excluding government bonds), Receivables from Reverse-repo, Loans and Receivables, Investments Held to Maturity and Other Receivables in the asset side, and Payables to Central Bank, Money Market Borrowings, Payables to Banks, Funds Obtained from Repo Transactions, Issued Bonds; Borrowings, Subordinated Debt and Other Payables on the liabilities side.

Economic value differences due to the interest rate instabilities calculated according to “Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method” are presented below for each currency.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

X- Explanations on risk management (continued):

7. Interest rate risk on banking accounts (continued):

	Current Period (31.12.2017) Currency	Applied Shock (+/- x base points)	Gains / Losses	Gains / Equity - Losses / Equity
1	TRY	(+) 500 base points	(9.911)	(0.76)%
2	TRY	(-) 400 base points	9.305	0.71%
3	EURO	(+) 200 base points	5.713	0.44%
4	EURO	(-) 200 base points	(6.478)	(0.50)%
5	USD	(+) 200 base points	36.171	2.78%
6	USD	(-) 200 base points	(42.874)	(3.29)%
	Total (Of Negative Shocks)		**(40.046)**	**(3.07)%**
	Total (Of Positive Shocks)		**31.973**	**2.45%**

	Prior Period (31.12.2016) Currency	Applied Shock (+/- x base points)	Gains / Losses	Gains / Equity - Losses / Equity
1	TRY	(+) 500 base points	(9.535)	(1,18)%
2	TRY	(-) 400 base points	9.269	1,15%
3	EURO	(+) 200 base points	17.641	2,19%
4	EURO	(-) 200 base points	(20.906)	(2,60)%
5	USD	(+) 200 base points	14.022	1,74%
6	USD	(-) 200 base points	(16.008)	(1,99)%
	Total (Of Negative Shocks)		**(27.645)**	**(3,43)%**
	Total (Of Positive Shocks)		**22.129**	**2,75%**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE
EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I- Explanations and notes related to assets:

1.a) Information on cash and balances with the Central Bank of the Republic of Turkey:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
Cash and foreign currency	84	-	50	-
Central Bank of the Republic of Turkey	626	-	1.020	-
Other	-	-	-	-
Total	**710**	**-**	**1.070**	**-**

1.a.1) Information on required reserve deposits:

Since the Bank does not accept deposits, it is not subject to Central Bank of the Republic of Turkey's Communiqué No: 2005/1 "Reserve Requirements".

1.b) Information on the account of Central Bank of the Republic of Turkey:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
Unrestricted Demand Deposit	626	-	1.020	-
Unrestricted Time Deposit		-	-	-
Restricted Time Deposit		-	-	-
Total	**626**	**-**	**1.020**	**-**

2.a.1) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

2.a.2) Financial assets at fair value through profit and loss given as collateral or blocked:

None.

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

None.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

3.a) Information on banks:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	FC	TRY	FC
Banks				
Domestic	425.026	909.173	712.049	545.032
Foreign	-	991	-	8.345
Foreign Head Office and Branches	-	-	-	-
Total	**425.026**	**910.164**	**712.049**	**553.377**

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2017)	Prior Period (31.12.2016)	Current Period (31.12.2017)	Prior Period (31.12.2016)
EU Countries	936	2.494	-	-
USA and Canada	55	5.851	-	-
OECD Countries (*)	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	**991**	**8.345**	-	-

4) Information on financial assets available-for-sale:

4.a.1) Financial assets available-for-sale subject to repurchase agreements:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	146	-	392	-
Other	-	-	-	-
Total	**146**	**-**	**392**	**-**

4.a.2) Information on financial assets available-for-sale given as collateral or blocked:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	42.706	-	15.260	-
Other		-	-	-
Total	**42.706**	**-**	**15.260**	**-**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

4.b) Information on financial assets available-for-sale:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Debt Securities	249.419	185.794
Quoted on a stock exchange	249.419	185.794
Unquoted	-	-
Share Certificates	10.847	10.847
Quoted on a stock Exchange	-	-
Unquoted	10.847	10.847
Provision for impairment (-)	(2.925)	(3.252)
Total	**257.341**	**193.389**

5. Information on loans:

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

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	5.000	-	4.368	-
Total	**5.000**	**-**	**4.368**	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.b) Information on the first and second group loans and other receivables including restructuredor rescheduled loans:

Current Period (31.12.2017)

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Follow Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized loans	5.628.524	-	106.900	234.669	5.674	35.461
Discount notes	31.685	-	237	-	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	528.815	-	-	-	-	-
Consumer loans	5.000	-	-	-	-	-
Credit cards		-	-	-	-	-
Other	5.063.024	-	106.663	234.669	5.674	35.461
Special loans	929.262	5.979	9.612	85.863	11.210	-
Other receivables	-	-	-	-	-	-
Total	**6.557.786**	**5.979**	**116.512**	**320.532**	**16.884**	**35.461**

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
1 or 2 Times Extended	114.452	52.345
3 - 4 or 5 Times Extended	8.039	-
Over 5 Times Extended	-	-

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 - 6 Months	1.545	-
6 – 12 Months	36	533
1 - 2 Years	18.206	7.356
2 - 5 Years	30.620	20.175
5 Years and Over	72.084	24.281

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.b) Information on the first and second group loans and other receivables including restructuredor rescheduled loans:

Prior Period (31.12.2016)

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Follow Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized loans	4.613.654	-	44.546	178.180	2.353	22.457
Discount notes	51.222	-	3.867	152	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	398.791	-	-	-	-	-
Consumer loans	4.368	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	4.159.273	-	40.679	178.028	2.353	22.457
Special loans	456.270	-	-	101.885	9.430	-
Other receivables	-	-	-	-	-	-
Total	**5.069.924**	**-**	**44.546**	**280.065**	**11.783**	**22.457**

Prior Period (31.12.2016)

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
1 or 2 Times Extended	-	11.783
3 - 4 or 5 Times Extended	**-**	**-**
Over 5 Times Extended	-	**-**

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 - 6 Months	-	11.783
6 – 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.c) Loans according to their maturity structure:

	Standard Loans and Other Receivables		**Loans and Other Receivables Under Follow Up**	
	Loans and Other Receivables	**Loans and Receivables with Revised Contract Terms**	**Loans and Other Receivables**	**Loans and Receivables with Revised Contract Terms**
Short term loans and other receivables	**37.657**	-	**1.488**	-
Non-specialized loans	-	-	-	-
Specialized loans	10.573	-	-	-
Other receivables	27.084	-	1.488	-
Medium and long term loans and other receivables	**6.520.129**	-	**319.044**	-
Non-specialized loans	5.601.440	-	233.181	-
Specialized loans	918.689	-	85.863	-
Other receivables	-	-	-	-

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.ç) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards:

Current Period (31.12.2017)	Short Term	Medium and Long Term	Total
Consumer Loans- TRY	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans - TRY	-	5.000	5.000
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	5.000	5.000
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**-**	**5.000**	**5.000**

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.ç) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards:

Perior Period (31.12.2016)	**Short Term**	**Medium and Long Term**	**Total**
Consumer Loans- TRY	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans - TRY	-	4.368	4.368
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	4.368	4.368
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**-**	**4.368**	**4.368**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.d) Information on commercial loans with installments and corporate credit cards:

The Bank has not granted any commercial loans with installments and corporate credit cards as of balance sheet date.

5.e) Loans according to type of borrowers::

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Public	-	-
Private	6.878.318	5.349.989
Total	**6.878.318**	**5.349.989**

5.f) Breakdown of domestic and international loans:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Domestic loans	6.878.318	5.349.989
International loans	-	-
Total	**6.878.318**	**5.349.989**

5.g) Loans granted to subsidiaries and associates:

TRY 5.627 of loan disbursed to Arıcak A.Ş., a subsidiary of the Bank, has been followed at Group V. TRY 5.546 specific provision has been provided for this loan.

5.ğ) Specific provisions provided against loans:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Loans and other receivables with limited collectability	63	-
Loans and other receivables with doubtful collectability	-	2.082
Uncollectible loans and receivables	72.346	48.001
Total	**72.409**	**50.083**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5h) Information on non-performing loans (net):

5.h.1) Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group: Loans and Other Receivables With Limited Collectability	IV. Group: Loans and Other Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (31.12.2017)	-	-	-
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-
Prior Period (31.12.2016)	1.612	-	-
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	1.612	-	-
Rescheduled loans and other receivables	-	-	-

5.h.2) Information on the movement of non-performing receivables:

	III. Group Loans and Other Receivables With Limited Collectability	IV. Group Loans and Other Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior period end balance	-	16.659	109.120
Additions (+)	1.259	4	647
Transfer from other categories of non-performing loans (+)	-	-	16.663
Transfer to other categories of non-performing loans (-)	-	(16.663)	-
Collections (-)	-	-	(4.677)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	1.259	-	121.753
Specific provisions (-)	(63)	-	(72.346)
Net balance on balance sheet	1.196	-	49.407

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.h.3) Information on foreign currency non-performing loans:

As set out in the third part of the Communiqué on the Bank's Uniform Chart of Accounts and Prospectus, the context of definitions of Doutbtful Receivables, Uncollectible Fees, Commissions and Other Receivables and Non-Performing Loans and Other Receivables, foreign currency loans which become non-performing loans are transferred to and monitored in terms of Turkish Lira.

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net) (31.12.2017)	**1.196**	**-**	**49.407**
Loans to Real Persons and Legal Entities (Gross)	1.259	-	121.753
Specific provisions (-)	(63)	-	(72.346)
Loans to Real Persons and Legal Entities (Net)	1.196	-	49.407
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net) (31.12.2016)	-	**14.577**	**61.119**
Loans to Real Persons and Legal Entities (Gross)	-	16.659	109.120
Specific provisions (-)	-	(2.082)	(48.001)
Loans to Real Persons and Legal Entities (Net)	-	14.577	61.119
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

5.h.5) Maturity analysis of post due but not impaired loans per classes of financial statements:

Current Period (31.12.2017)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	699	-	-	699
Consumer Loans	-	-	-	-
Specialized Loans	220	-	-	220
Total	**919**	-	-	**919**

Prior Period (31.12.2016)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	119	1.334	-	1.453
Consumer Loans	-	-	-	-
Specialized Loans	2.168	1.267	1.264	4.699
Total	**2.287**	**2.601**	**1.264**	**6.152**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and Notes Related to Assets (continued):

5. Information on loans (continued):

Net Value of Collaterals of Loans Under Follow Up, Collateral Type and Risk Mapping

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
Type of collateral	**Net Value of Collateral**	**Loan Balance**	**Net Value of Collateral**	**Loan Balance**
Real Estate Mortgages (*)	93.137	93.137	65.442	65.442
Vehicle Pledges	-	-	-	-
Cash Collateral (Cash, Marketable Securities, etc.)	227.395	227.395	214.623	214.623
Pledge on wages	-	-	-	-
Cheque/Notes	-	-	-	-
Other (suretyship, commercial enterprise pledge, export documents etc.)	-	-	-	-
Non-collateralized	-	-	-	-
Total	**320.532**	**320.532**	**280.065**	**280.065**

(*) Net values of collaterals are stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk loan balance, credit risk loan balance is presented.

Net Value of Collaterals of Non-performing Loans, Collateral Types and Risk Mapping

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
Type of collateral	**Net Value of Collateral**	**Loan Balance**	**Net Value of Collateral**	**Loan Balance**
Real Estate Mortgages (*)	99.155	99.155	102.046	102.046
Cash collateral	-	-	-	-
Vehicle Pledges	-	-	-	-
Other (suretyship, commercial enterprise pledge, commercial valuable papers etc.)(**)	16.931	16.931	16.916	16.916
Without Colleteral	-	6.926		6.817
Total	**116.086**	**123.012**	**118.962**	**125.779**

(*) Net values of collaterals are stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk of loan balance, loan balance is presented.

5.ı) Main principles of liquidating non-performing loans and other receivables:

In case collaterals complying with Article 9 of the "Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions" are present, liquidation of receivables are realized by converting collaterals into cash immediately as a result of either administrative or legal procedures.

In the case collaterals are not present; the Bank is engaged in substantive intelligence in various periods to determine whether any property holdings are subsequently acquired in order to apply for legal procedures, even if there is evidence of insolvency for the debtor.

Before and after liquidation process; the Bank reviews financial information of the debtor companies. Then, in the case it is agreed that the companies show indications of operating on an ongoing basis and probably are going to have contributions to the economy; the Bank tries to make collections through rescheduling the payment terms.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

5. Information on loans (continued):

5.i) Explanations on write-off policy:

Uncollectible loans or receivables are written-off with the decision of the Board of Directors, after the date 100% provision is set considering the collaterals using the rates determined in the related communiqué, when they are deemed impossible to collect in accordance with a convincing document or a court order.

6. Information on held-to-maturity investments:

6.a) Information on comparative net values of held-to-maturity investments subject to repurchase agreements and given as collateral or blocked:

a.1) Held-to-maturity investments subject to repurchase agreements:

None.

a.2) Held-to-maturity investments given as collateral or blocked:

None.

6.b) Information on held-to-maturity debt securities::

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Government bonds	-	20.415
Treasury bills	-	-
Other public sector debt securities	-	-
Total	**-**	**20.415**

6.c) Information on held-to-maturity investments:

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Debt securities	-	20.415
Quoted on a stock Exchange	-	20.415
Unquoted	-	-
Provision for impairment(-)	-	-
Total	**-**	**20.415**

6.ç) Movement of held-to-maturity investments:

	Current Period (31.12.2017)	**Prior Period (31.12.2016) (*)**
Balance at the beginning of the period	20.415	20.532
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	-	1.301
Disposals through sales and redemptions (*)	(20.415)	(1.418)
Provision for impairment (-)	-	-
Balance at the end of the period	**-**	**20.415**

(*) As of 31 December 2016, TRY 1.296 of purchases and TRY 1.381 of disposals include discount differences.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I- Explanations and notes related to assets (continued):

7. Information on Investments in associates (net):

7.a. Information on associates:

	Description	Address (City/ Country)	The Bank's share percentage-if different voting percentage (%)	The Bank's risk group share percentage (%)
1	Maksan A.Ş.	Malatya	20,00	31,14
2	Türk Suudi Holding A.Ş.(*)	İstanbul	10,00	24,69
3	Yozgat Otelcilik A.Ş.	Yozgat	20,00	3,75
4	İstanbul Risk Sermayesi Girişimi	Lüksemburg	11,11	6,25

(*) Türk Suudi Holding A.Ş is the process of liquidation.

7.b. Financial statement information of associates as sorted in (7.a)

(*)	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/ Loss	Prior Period Profit/ Loss	Fair Value (*)
1	25.176	15.338	2.823	-	-	1.101	1.148	-
2	24.643	24.408	-	1.039	-	928	1.017	-
3	266	270	151	2	-	35	78	-
4	553.997	553.376	-	4	36.252	32.606	13.078	-

.(*) The information of Maksan A.Ş., Yozgat Otelcilik A.Ş, Türk Suudi Holding A.Ş. and Istanbul Venture Capital Initiative are provided from the unaudited financial statements as of 30 September 2017. Capital commitment of İstanbul Venture Capital ("IVCI") is EUR 160 Million and the Bank's capital commitment is EUR 10 Million. The Bank has made EUR 7.467.500 capital payment. Prior period information of Maksan A.Ş., Yozgat Otelcilik A.Ş, Türk Suudi Holding A.Ş. and Istanbul Venture Capital Initiative is provided from the unaudited financial statements as of 30 September 2016.

Bank has the right to nominate a member for the Board of Directors of the Company due to the investment of the Investment Fund of Turkey (TII) -Alt Fund, Istanbul Venture Capital Initiative (İVCİ). The Bank's current term has expired on 30 September 2016 and the election of new members has not been realized yet.

7.c. Movement of associates:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Balance at the beginning of the period	28.407	26.332
Movements during the period	18.397	2.075
Additions (*)	1.457	1.618
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
Revaluation increase	16.038	-
Provision for impairment (-) / Cancellation of provision	902	457
Balance at the end of the period	**46.804**	**28.407**
Capital commitments(*)	11.393	10.484
Share percentage at the end of the period (%)	**-**	-

(*) 2.532 EURO is the remainingapital commitment of IVCI.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

7. Information on associates (net):

7.ç. Sectoral information about associates and their carrying amounts:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	35.992	18.497

Associates quoted in the stock exchange:

None.

8. Information on Investments in subsidiaries:

8.a. Information on subsidiaries:

By the application of the company's Board of Directors and approval the Capital Markets Board (CMB), the company's activities has been temporarily suspended beginning from 31 December 2009. In 2011, the licenses of the company have been canceled. In the General Assembly held on 20 March 2012, it was resolved to liquidate the company. Since the company is in liquidation process, the Bank has lost control over its subsidiary and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been classified as financial assets available for sale in the accompanying financial statements.

8.b. Movement of subsidiaries:

None.

8.c. Sectoral information about subsidiaries and their carrying amounts:

None.

8.d. Subsidiaries quoted on the stock exchange:

None.

9. Information on jointly controlled entities (joint ventures):

None.

10. Information on finance lease receivables (net):

The Bank has no financial leasing transaction. The receivables from operating leasing are TRY 9 (31 December 2016: None).

11. Information on derivative financial assets for hedging purposes:

None.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

12. Information on tangible fixed assets:

Current Period (31.12.2017)	**Real-Estates**	**Non-Current Assets to be Disposed**	**Vehicles**	**Other**	**Total**
Cost					
Balance at the beginning of the period	121.547	31.795	130	11.266	164.738
Provision for impairment	(1.797)	(1.376)	-	-	(3.173)
Movements during the period	-	-	-	-	-
-Additions	-	-	-	78	78
-Disposals (-)	-	(2.543)	-	(472)	(3.015)
-Transfer from investment properties	-	-	-	-	-
-Provision for impairment (-)	-	148	-	-	148
-Reversal from provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	**119.750**	**27.728**	**130**	**10.872**	**158.480**
Accumulated Depreciation					
Balance at the beginning of the period	81.972	2.258	116	6.833	91.179
Movements during the period	-	-	-	-	-
-Depreciation charge (*)	2.441	52	8	1.818	4.319
-Transfer from investment properties	-	-	-	-	-
-Disposals (-)	-	-	-	470	470
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	**84.413**	**2.310**	**124**	**8.181**	**95.028**
Net book value at the end of the period	**35.337**	**25.418**	**6**	**2.691**	**63.452**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

12. Information on tangible fixed assets(continued):

Prior Period (31.12.2016)	Real-Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	121.547	27.299	130	9.679	158.655
Provision for impairment	(9.594)	(967)	-	-	(10.561)
Movements during the period					
-Additions	-	4.496	-	1.860	6.356
-Disposals (-)	-	-	-	(273)	(273)
-Transfer from investment properties	-	-	-	-	-
-Provision for impairment (-)	-	(409)	-	-	(409)
-Reversal from provision for impairment (-)(*)	7.797	-	-	-	7.797
Balance at the end of the period	**119.750**	**30.419**	**130**	**11.266**	**161.565**
Accumulated Depreciation					
Balance at the beginning of the period	79.531	1.546	109	5.414	86.600
Movements during the period	-	-	-	-	-
-Depreciation charge (*)	2.441	712	7	1.686	4.846
-Transfer from investment properties	-	-	-	-	-
-Disposals (-)	-	-	-	(267)	(267)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	**81.972**	**2.258**	**116**	**6.833**	91.179
Net book value at the end of the period	**37.778**	**28.161**	**14**	**4.433**	**70.386**

(*) The real estates of our bank have been appraised at the end of 2015 and as a result of the test made according to the new expertise figures, TRY 7.797 has been reversed from the amount allocated for real estates in previous years.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

13. Information on intangible assets:

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Cost		
Balance at the beginning of the period	5.241	3.958
Movements during the period	-	
-Additions	314	1.283
- Disposals	-	-
Balance at the end of the period	**5.555**	**5.241**
Accumulated Amortisation		
Balance at the beginning of the period	3.710	2.795
Movements during the period	-	
-Amortization charge	797	915
-Disposals	-	-
Balance at the end of the period	**4.507**	**3.710**
Net book value at the end of the period	**1.048**	**1.531**

14. Information on investment properties:

As of 31 December 2017, the Bank has investment properties held for rent whose net book value is TRY 937 (31 December 2016: TRY 980). According to appraisal report prepared by an independent and the CMB registered real-estate appraiser company and issued in December 2015 fair value of the investment properties is determined as TRY 5.386. As of 31 December 2017, the Bank has rental income amounting to TRY 570. (31 December 2016: TRY 507).

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Cost		
Balance at the beginning of the period	2.149	2.149
Provision for impairment	-	-
Movements during the period		
-Additions	-	-
-Disposals(-)	-	-
-Classified as tangible fixed assets (-)	-	-
-Provision for impairment(-)	-	-
-Reversal from provision for impairment (-)	-	-
Balance at the end of the period	**2.149**	**2.149**
Accumulated Depreciation		
Balance at the beginning of the period	1.169	1.125
Movements during the period		
- Accumulated depreciation classified as investment property (-)	-	-
- Depreciation charge	43	44
- Accumulated depreciation classified as tangible fixed asset (-)	-	-
- Disposals	-	-
- Provision for impairment(-)	-	-
Balance at the end of the period	**1.212**	**1.169**
Net book value at the end of the period	**937**	**980**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

I. Explanations and notes related to assets (continued):

15. Information on deferred tax assets:

As of 31 December 2017 the Bank has deferred tax asset amounting to TRY 4.957 (31 December 2016: TRY 8.433). The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases. In the case assets or liabilities which are subject to deferred tax calculation are presented under shareholders' equity, respective deferred tax asset/liability has been also presented under shareholders' equity. The Bank has no deferred tax assets calculated for period losses or tax deductions as of 31 December 2017 (31 December 2016: None).

	Current Period	**Perior Period**
	(31.12.2017)	**(31.12.2016)**
Deferred Tax Assets		
From Financial Loses	-	-
From Tax Discounting and Its Exceptions	-	-
From Depreciations	-	-
From Interest Rediscounts	63	7
From Severence Payments	7.226	6.958
Other Non-Financial Treasury Bills and Government Bonds	363	-
Uncollectable Loans	484	1.362
Actuarial	432	-
Other	786	449
Total Deferred Tax Assets	**9.354**	**8.776**
Deferred Tax Liabilities		
From Depreciations	296	(332)
From Interest Rediscounts	24	(9)
Actuarial	465	-
Other (*)	3.612	(2)
Total Deferred Tax Liabilities	**4.397**	**(343)**
Net Deferred Tax Assets	**4.957**	**8.433**

(*) TRY 3.208 of the amount is the deferred tax which is calculated on the amount of associates' valuations.

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

None.

17. Information on other assets:

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Inventory	88	80
Prepaid expenses	5.420	4.819
Temporary account debtor	11.467	11.080
Sundry receivables	795	311
Total	**17.770**	**16.290**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II. Explanations and notes related to liabilities:

1. Information on maturity structure of deposits:

The Bank is not accepting deposits and funds.

2. Information on derivative financial liabilities held-for-trading:

2.a) Negative differences related to derivative financial liabilities held-for-trading:

None.

3. Information on funds borrowed:

3.a) Information on banks and other financial institutions:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and ınstitutions	440	1.034.528	-	657.559
From foreign banks, institutions and funds	-	6.280.696	-	5.127.544
Total	**440**	**7.315.224**	**-**	**5.785.103**

3.b) Maturity structure of funds borrowed:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
Short-term	440	-	-	-
Medium and long-term	-	7.315.224	-	5.785.103
Total	**440**	**7.315.224**	**-**	**5.785.103**

3.c) Additional information for the areas of liability concentrations:

As the Bank is not authorized to accept deposits, liabilities are composed of funds obtained from domestic and international financial institutions, medium and long term loans.

Most of the loans from international finance institutions are from World Bank, European Investment Bank, European Commission Development Bank, Islamic Development Bank, French Development Agency and Japan International Corporation Bank. Domestic loans are from Eximbank, Arab Turkish Bank and Turkish Treasury.

3.c.1) Explanations on funds:

Material part of the domestic funds amounting to TRY 268.615 (31 December 2016: TRY 15.404) is obtained from Dünya Bank amount to TRY 64 and Turkish Treasury amount to TRY 268.551.

3.c.2) Information on funds provided under repurchase agreements:

All of repurchase agreements amounting to TRY 130 belong to other agency and institutions (31 December 2016: TRY 351).

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II. Explanations and notes related to liabilities (continued):

4. If other liabilities exceed 10 % of the balance sheet total, name and amount of sub-accounts constituting at least 20 % of grand total:

Other liabilities do not exceed 10% of the balance sheet total.

5. Explanations on financial lease payables (net):

The Bank has no financial lease payables.

6. Information on derivative financial liabilities for hedging purposes:

The Bank has no derivative financial liabilities for hedging purposes.

7. Explanations on Provisions:

7.a) Information on General Provisions:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
General Provisions	**72.623**	**57.168**
Allocated for Group - I loans and receivables (Total)	64.829	50.239
Additional provision for loans and receivables with extended maturities	-	-
Allocated for Group - II loans and receivables (Total)	6.344	5.531
Additional provision for loans and receivables with extended maturities	-	-
Allocated for non-cash loans	2	173
Other	1.448	1.225

7.b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

There are no foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables (31 December 2016: None).

7.c) Specific provisions provided for unindemnified non-cash loans:

As of December 31, 2017, the specific provision for indemnified non-cash loans is TRY 2. (31 December 2016: TRY 2).

7.d) Other provisions:

i) The Bank has not allocated provision for probable risks.

ii) The Bank accounts for the provisions for employee benefits in accordance with the Turkish Accounting Standards No: 19 and recognizes in financial statements. As of 31 December 2017, the Bank allocated provision for employee benefits amounting to TRY 35.877 (31 December 2016: TRY 34.550) and for unused vacation accruals amounting to TRY 251 (31 December 2016: TRY 241).

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Liabilities at the beginning of period	34.550	32.472
Change in the period	5.332	4.666
Actuarial gain/loss	(167)	(1.048)
Payments in the period	(3.838)	(1.540)
Liabilities at the end of period	**35.877**	**34.550**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II. Explanations and notes related to liabilities (continued):

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
Corporation tax and deferred tax	TRY	FC	TRY	FC
Corporate tax payable	7.819	-	7.496	-
Deferred tax payable	-	-	-	-
Total	**7.819**	**-**	**7.496**	**-**

8.a.2) Information on taxes payable:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Corporate tax payable	7.819	7.496
Taxation on income on marketable securities	1	3
Property tax	1	1
Banking ınsurance transaction tax (BITT)	171	90
Foreign exchange transaction tax	-	-
Value added tax payable	91	234
Other	823	796
Total	**8.906**	**8.620**

8.a.3) Information on premiums:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Social security premiums- Employee	59	69
Social security premiums- Employer	86	101
Bank social aid pension fund premium- Employee	-	-
Bank social aid pension fund premium- Employer	-	-
Pension fund membership fees and provisions- Employee	-	-
Pension fund membership fees and provisions- Employer	-	-
Unemployment insurance- Employee	4	5
Unemployment insurance- Employer	8	10
Other	-	-
Total	**157**	**185**

8.b) Information on deferred tax liabilities, if any:

None.

9. Information on liabilities regarding assets held for sale and discontinued operations:

None.

10. Information on the number of subordinated loans the Bank used, maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

None.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II. Explanations and notes related to riabilities (continued):

11. Information on shareholder's equity:

11.a) Presentation of paid-in capital:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Common Stock	500.000	160.000
Preferred Stock	-	-

11.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Bank, if so amount of registered capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered capital	500.000	2.500.000

11.c) Information on share capital increases and their sources; other information on increased capital shares in current period:

Date of Increase	Amount of Increase	Cash	Profit reserves that are subject of increasement	Capital reserves that are subject of increasement
31 January 2017	340.000	340.000	-	-

11.ç) Information on additions from capital reserves to capital in the current period:

There is no increase from capital reserves.

11.d) Capital commitments in the last fiscal year and that continue until the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments.

11.e) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions based on the uncertainty of these indicators on the Bank's equity

The income of the prior periods, profitability and liquidity of the Bank and projections for the successive periods are followed by Business, Product and Planning Department. Given the conditions of Turkish economy and the Bank's prior period performance; when its revenue, profitability and liquidity is considered, it is estimated that Bank will continue to increase its shareholders' equity and is not going to experience significant issue in capital adequacy ratio.

11.f) Information on preferred shares:

The Bank has no preferred shares.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

II. Explanations and notes related to liabilities (continued):

11. Information on shareholder's equity (continued):

11.g) Information on marketable securities valuation differences:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
From associates, subsidiaries and jointly controlled entities (joint ventures)	10.912	1.918	-	-
Valuation difference	(997)	713	451	(552)
Foreign exchange difference	-	-	-	-
Total	**9.915**	**2.631**	**451**	**(552)**

12. Information on minority interests:

None.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

III. Explanations and notes related to off-balance sheet accounts

1. Information on off-balance sheet liabilities:

1.a) Nature and amount of irrevocable loan commitments:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Share capital commitments to associates and subsidiaries	11.393	10.484
Total	**11.393**	**10.484**

1.b) Nature and amount of possible losses and commitments from the off-balance sheet items including the below mentioned:

The Bank's provision of possible losses arising from the off-balance sheet items is TRY 2 (31 December 2016: TRY 2).

1.b.1) Guarantees, confirmed bills and guarantees assessed as financial guarantees and non-cash loans including other letter of credits:

The Bank's letters of credit commitments are TRY 772 (31 December 2016: TRY 84.402). The Bank has no guarantee and bank acceptances.

1.b.2) Definite guarantees, tentative guarantees, suretyships and similar transactions:

Total amount of the Bank's TRY letters of guarantee are TRY 37 (31 December 2016: TRY 38). TRY 4 (31 December 2016: TRY 4) of this amount is letters of guarantee given to customs and other part is definite letters of guarantees.

1.c.1) Total non-cash loans:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Non-cash loans for providing cash loans	-	-
With original maturity of one year or less	-	-
With original maturity more than one year	-	-
Other non-cash loans	809	84.440
Total	**809**	**84.440**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

III. Explanations and notes related to off-balance sheet accounts (continued)

1. Information on off-balance sheet liabilities (continued):

1.c.2) Non-cash loans sectoral risk concentrations:

	Current Period (31.12.2017)				**Prior Period (31.12.2016)**			
	TRY	(%)	TRY	(%)	TRY	(%)	TRY	(%)
Agriculture	2	5,41	-	-	2	5,26	-	-
Farming and raising livestock	2	5,41	-	-	2	5,26	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	2	5,41	772	100,00	2	5,26	84.402	100,00
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	2	5,41	-	-	2	5,26	-	-
Electricity, gas and water	-	-	772	100,00	-	-	84.402	100,00
Construction	-	-	-	-	-	-		-
Service	33	89,19	-	-	34	89,47	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	-	-	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	33	89,19	-	-	34	89,47	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	**37**	**100,00**	**772**	**100,00**	**38**	**100,00**	**84.402**	**100,00**

1.c.3) Non-cash loans classified in Group I and II:

	Current Period (31.12.2017)		**Prior Period (31.12.2016)**	
	I. Group		**I. Group**	
Non-cash loans	**TRY**	**FC**	**TRY**	**FC**
Letters of guarantee	37	-	38	-
Letters of credit	-	772	-	84.402

2. Information on derivative financial instruments:

The Bank has no derivative instruments.

III. Explanations and notes related to off-balance sheet accounts (continued):

3. Information on contingent liabilities and assets:

Istanbul Venture Capital Initiative (IVCI - A Luxemburg Investment Company Fund) is founded as a stock company having variable capital and subject to laws of Luxemburg. The Bank has committed to buy "Group A" shares equal to nominal value of EUR 10 million and to pay this amount at the date determined by Fund according to its investment plan. The Fund's initial capital commitment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Bank's participation was approved by the Board of Directors of IVCI on 13 November 2007 and share purchase agreement was signed at of the same date.

The Bank made payment of share capital amounting to EUR 6.655.000 constituting payments equal to EUR 300.000 on 7 November 2008, EUR 218.750 on 6 July 2009 and EUR 281.250 on 12 November 2010, EUR 167.500 on 15 July 2011, EUR 437.500 on 10 November 2011, EUR 500.000 on 15 February 2012, EUR 500.000 on 25 May 2012, EUR 250.000 on 10 August 2012, EUR 500.000 on 19 September 2012, EUR 500.000 on 18 January 2013, EUR 500.000 on 27 June 2013 and EUR 500.000 on 13 December 2013, EUR 500.000 on 1 August 2014, EUR 500.000 on 29 August 2014, EUR 500.00 on 4 May 2015, EUR 500.000 on 16 October 2015, EUR 500.00 on 3 May 2016 and EUR 312.500 on 30 November 2017. The total capital payment is EUR 7.467.500.

With reference to the above capital contributions, out of the Bank's total commitment of EURO 10 million, EURO 7.467.500 have been paid , EURO 2.532.500 is not yet paid as of the balance sheet date.

As 31 December 2017, there are 103 cases which are brought against the Bank. The risk amount is TRY 4.449. The Bank doesn't expect any obligation by results of the cases so there is no any provision on the financial tables for these cases

4. Services supplied on behalf of others:

The Bank does not act as an intermediary for purchases and sales of securities on behalf of others and provides custody services.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV. Explanations and notes related to income statement:

1.a) Information related to interest income on loans:

	Current Period (31.12.2017)		**Prior Period (31.12.2016)**	
	TRY	**FC**	**TRY**	**FC**
Interest on Loans				
Short term loans	604	2.202	1.508	3.780
Medium and long term loans	34.876	209.561	21.799	141.514
Interest on non-performing loans	12.422	-	2.461	-
Total	**47.902**	**211.763**	**25.768**	**145.294**

1.b) Information related to interest income on banks

	Current Period (31.12.2017)		**Prior Period (31.12.2016)**	
	TRY	**FC**	**TRY**	**FC**
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks	62.993	4.542	28.596	894
From foreign banks	-	5	-	-
From foreign head offices and branches	-	-	-	-
Total	**62.993**	**4.547**	**28.596**	**894**

1.c) Information related to interest income on marketable securities:

	Current Period (31.12.2017)		**Prior Period (31.12.2016)**	
	TRY	**FC**	**TRY**	**FC**
From financial assets held-for-trading	-	-	-	-
From financial assets at fair value through profit and loss	-	-	-	-
From financial assets available-for-sale	12.972	3.434	7.312	2.741
From investments held-to-maturity	15	-	1.919	-
Total	**12.987**	**3.434**	**9.231**	**2.741**

1.ç) Information related to interest income from subsidiaries and associates:

None.

1.d) Information on interest income from money market transactions:

	Current Period (31.12.2017)		**Prior Period (31.12.2016)**	
	TRY	**FC**	**TRY**	**FC**
Money Market Transactions	-	-	-	-
Reverse repurchase agreements	31.345	-	6.509	-
Total	**31.345**	**-**	**6.509**	-

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV. Explanations and notes related to income statement (continued):

2.a) Information related to interest expense on borrowings:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
Banks (*)	2	3.549	1	1.899
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	2	-	1	3
Foreign Banks	-	3.549	-	1.896
Foreign Head Office and Branches	-	-	-	-
Other Institutions	660	89.557	1.101	50.987
Total	**662**	**93.106**	**1.102**	**52.886**

(*)Includes fees and commissions related to borrowings.

2.b) Information related to interest expenses to subsidiaries and associates:

None.

2.c) Information related to interest on securities issued:

The Bank has no securities issued.

2.ç) Information related to interest on money market transactions:

	Current Period (31.12.2017)		Prior Period (31.12.2016)	
	TRY	**FC**	**TRY**	**FC**
Repurchase agreements	1.819	-	42	-

3. Information related to dividend income:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
From financial assets held-for-trading	-	-
From financial assets at fair value through profit and loss	-	-
From financial assets available-for-sale	296	272
Other	-	202
Total	**296**	**474**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV. Explanations and Notes Related to Income Statement (continued):

4. Information related to trading income/loss:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Gain	**10.349**	**9.137**
Gains on capital market operations	3	16
Gains on derivative financial instruments	-	-
Foreign exchange gains	10.346	9.121
Loss (-)	**(13.992)**	**(8.029)**
Losses from the capital market operations	(7)	(7)
Losses on derivative financial instruments	-	-
Foreign exchange losses	(13.985)	(8.022)

5. Information related to other operating income:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Income from sale of assets	2.076	347
Reversals from prior years' provisions	3.461	8.957
Other	813	881
Total	**6.350**	**10.185**

In general, other operating income consists of collections and/or cancellations of specific provisions recognized as expense and income from sales of assets in prior periods.

6. Provision expenses for impairment on loans and other receivables:

	Current Period (31.12.2017)	Prior Period (31.12.2016)
Specific provisions on loans and other receivables	24.473	4.454
Group- III loans and receivables	63	-
Group- IV loans and receivables	1	2.082
Group-V loans and receivables	24.409	2.372
General loan provision expenses	15.625	15.938
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	-	-
Total	**40.098**	**20.392**

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

IV. Explanations and Notes Related to Income Statement (continued):

7. Information related to other operating expenses:

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Personnel expenses	60.022	56.909
Provision for employee termination benefits	5.332	4.885
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment charges	-	-
Depreciation charges of fixed assets	4.311	4.178
Intangible assets impairment charges	-	-
Goodwill impairment charges	-	-
Amortization charges of intangible assets	797	915
Impairment charges on investments accounted for at equity method accounting	-	-
Impairment charges of assets that will be disposed	-	270
Amortization charges of assets that will be disposed	-	711
Impairment charges for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	15.020	12.306
Operational leasing expenses	76	90
Maintenance expenses	421	346
Advertisement expenses	173	61
Other expenses (*)	14.350	11.809
Loss on sale of assets	-	1
Other	4.920	3.805
Total	**90.402**	**83.980**

(*) Other expenses consist of cleaning expenses amounting to TRY 3.798 (31 December 2016: TRY 3.497), communication expenses amounting to TRY 1.561 (31 December 2016: TRY 1.396), security expenses amounting to TRY 1.422 (31 December 2016: TRY 1.322), computer usage expenses amounting to TRY 1.166 (31 December 2016: TRY 635), heating, lighting and water expenses amounting to TRY 1.002 (31 December 2016: TRY 921), vehicle expenses amounting to TRY 590 (31 December 2016: TRY 615), dues amounting to TRY 3.868 (31 December 2016: TRY 3.443) and other expenses amounting to TRY 943 (31 December 2016: TRY 980).

8. Information related to operating profit/loss before taxes:

As of 31 December 2017, the Bank's income before tax from the continuing operations is TRY 164.644 (31 December 2016: TRY 92.846) and the Bank has no discontinued operations.

9. Information related to tax provisions for taxes:

As of 31 December 2017, the Bank's income tax provision from continuing operations amounting to TRY (36.378), (31 December 2016: TRY (21.726)) consists of TRY (36.120) of current tax charge (31 December 2016: TRY (22.433)) and TRY (258) of deferred tax charge (31 December 2016: TRY 707 deferred tax benefit).

10. Information related to net operating income after taxes:

The Bank has earned net profit of TRY 128.266 from continuing operations between 1 January 2017 and 31 December 2017 (Between 1 January 2016-31 December 2016: TRY 71.120).

IV. Explanations and Notes Related to Income Statement (continued):

11. Information on net profit/loss:

11.a) The nature and amount of income and expenses from ordinary banking operations, if their nature, amount and frequency are required for the complete understanding of the performance of the Bank in the current period:

None.

11.b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in accounting estimates.

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

As of 31 December 2017, "Other Fees and Commissions Received" amounts to TRY 12.297; (31 December 2016: TRY 18.804) and TRY 9.603 of this amount consists of project service income (31 December 2016: TRY 14.156)

V. Explanations and Notes Related to Statement of Changes in Shareholders' Equity:

In legal records, paid-in capital is TRY 500.000 (31 December 2016: TRY 160.000). As of the balance sheet date, the balance of legal reserves is TRY 32.150 (31 December 2016: TRY 32.150), the balance of extraordinary reserves is TRY 370.897 (31 December 2016: TRY 300.484) and the balance of other legal reserves is TRY 2.886 (31 December 2016: TRY 2.179).

The valuation difference which is total TRY 12.546 (31 Aralık 2016: TRY (101)) on securities are resulted from IVCI exchange difference and appreciation which are TRY 12.830 in total and available for sale revaluation for sale which is TRY 284.

TRY 1.864 (31 December 2016: TRY 1.730) in other reserves totally consist of actuarial gains / losses after deferred tax balances.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VI. Explanations and Notes Related to Cash Flow Statement:

1. Explanations related to "other" items and "effect of change in foreign currency rates on cash and cash equivalents" in statement of cash flows:

The Bank's net cash inflow arising from banking operations is equal to TRY 12.218 (31 December 2016: TRY 669.919). TRY (166.349) (31 December 2016: TRY 595.035) of this amount is generated from the change in operating assets and liabilities, and TRY 178.567 (31 December 2016: TRY 101.884) from operating profit. Net increase/decrease in other payables under the changes in operating assets and liabilities is resulted from changes in funds received, funds provided through repurchase agreements, sundry payables, other liabilities and taxes, duties, and premiums payable, in total amounts to TRY (88.219) (31 December 2016: TRY 351.125). The "others" item under operating income composes of fees and commissions paid, trading gains/losses and other operating expenses excluding employee costs, and amounts to TRY (6.705) (31 December 2016: TRY (1.461)).

Because of the increasement of cash capital in 2017 , there is not any net cash outflows from financing activities during 2016-2017.

The effect of change in foreign currency rates on cash and cash equivalents is calculated by converting original currencies of cash and cash equivalents into TRY using rates for both beginning and end of the period. The effect for the current period is calculated as TRY 57.465 (31 December 2016: TRY 49.144).

2. Cash and cash equivalents at the beginning of the period:

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Cash	358.482	10.141
Cash in TRY and foreign currencies	47	71
Demand deposits at banks	358.435	10.070
Cash equivalents	917.170	549.853
Interbank money market placements	10.505	35.000
Time deposits at banks	906.665	514.853
Total cash and cash equivalents	1.275.652	559.994

The total value of the transactions in prior period is the sum of current periods cash and cash equivalents.

3. Cash and cash equivalents at the end of the period:

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Cash	13.688	358.482
Cash in TRY and foreign currencies	84	47
Demand deposits at banks and Central Bank of the Republic of Turkey	13.604	358.435
Cash equivalents	1.643.919	917.170
Interbank money market	323.413	10.505
Time deposits at banks	1.320.506	906.665
Total cash and cash equivalents	1.657.607	1.275.652

VII. Explanations Related to Risk Group of the Bank:

Predicted limitations determined in the Banking Law are maintained through internal regulations in the Bank which has no transactions related to deposit acceptance. For the transactions with risk groups, normal customer relationships and market conditions are taken into account. The Bank adopts policies that restrict the balance of transactions with risk groups in total assets and liabilities. Practices are carried out in accordance with this policy.

a) Current Period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures))		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	418	-	-	-	-	-
Closing Balance	81	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

(*) TRY 5.627 of loan extended to Arıcak A.Ş., a subsidiary of the Bank, has been followed in Group V. For this loan, TRY 5.546 specific provision has been provided.

b) Prior Period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures))		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	403	-	-	-	-	-
Closing Balance	418	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

(*) TRY 1.444 of loan extended to Arıcak A.Ş., a subsidiary of the Bank, has been followed in Group V. For this loan, TRY 1.026 specific provision has been provided.

c) Information on forward transactions, option contracts and similar other transactions between the Bank and its risk groups:

None.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

VII. Explanations Related to Risk Group of the Bank (continued):

d) Information on remuneration and benefits provided for the senior management of the Bank:

Salaries and dividend paid to members of Board of Directors, Supervisory Board, General Manager and Vice General Managers are presented below.

	Current Period (31.12.2017)	**Prior Period (31.12.2016)**
Salaries	991	965
Dividend and fringe benefits	148	148
Total	**1.139**	**1.113**

VIII. Explanations Related to the Bank's Domestic, Foreign and Off-shore Branches and Representatives Abroad:

	Number	Number of Employees			
Domestic branches (*)	1	12			
			Country		
Foreign rep-offices	-	-			
				Total Assets	Capital
Foreign branches	-	-		-	-
Off-shore branches	-	-		-	-

(*) Total number of employees is 553 and 12 of them are employed at İstanbul Branch.

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to Operations of the Bank:

The summary of information on the Bank's rating by International Rating Agencies:

The international ratings of the Bank are performed by Fitch in 4 October 2017 and summary of the results as of 31 December 2017 and 31 December 2016 are presented below:

	2017	**2016**
Foreign Currency Commitments		
Long Term	BB+	BBB-
Short Term	B	F3
Outlook	Durağan	Negative
Turkish Lira Commitments		
Long Term	BBB-	BBB-
Short Term	F3	F3
Outlook	Durağan	Negative
National		
Long Term	AAA(TUR)	AAA(TUR)
Outlook	Durağan	Stable
Individual Rating	3	2
Support Points	BB+	BBB-

II. Explanations related to subsequent events

None.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor's Report:

The unconsolidated financial statements as of 31 December 2017 were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of KPMG International Cooperative, a Swiss entity) and Independent Auditor's Report dated 9 February 2018 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.