

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
FOR THE PERIOD FROM 1 JANUARY TO
31 DECEMBER 2017**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)
INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Türk Ekonomi Bankası A.Ş.

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Türk Ekonomi Bankası A.Ş. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2017, unconsolidated income statement, 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 the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

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 Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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



Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p data-bbox="272 577 783 611">Impairment of Loans and Receivables</p> <p data-bbox="272 651 804 1193">The Bank allocated a specific provision of TL 1,242,811 thousand and a general loan loss provision of TL 576,339 thousand for total loans and receivables of TL 63,290,777 thousand, which represents a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2017. Explanations and notes related to the provision for impairment of loans and receivables are presented in Section Three Part VII, Section Four Part II, Section Four Part X 3.1, Section Five Part I-6 and Section Five Part II-8-a) in the accompanying unconsolidated financial statements as at 31 December 2017.</p> <p data-bbox="272 1234 783 1592">We focused on this area during our audit, while considering the size of loans and receivables and management's judgements and estimations regarding: the classification of the loans and receivables in accordance with legislation, the timely and correct identification of the loss event, and the calculation of the general loan loss and specific provision in accordance with legislation.</p>	<p data-bbox="829 577 1469 936">During our audit we gained an understanding of the Bank's processes, and assessed and tested the design and operating effectiveness of the relevant controls applied by the Bank with respect to identification of the loss event and the estimation of the impairment provision in line with the "Regulation on Procedures and Principles for Determination Qualifications of Loans and Other Receivables by Banks, and Provisions to be set aside", published in Official Gazette No. 26333 dated 1 November 2006.</p> <p data-bbox="829 976 1469 1223">We assessed management's fundamental principles, together with the Bank's lending policy. In this context, we carried out a credit review on a select sample of loans and receivables with the objective of identifying whether the loss event occurred and whether the provision for impairment was recognized in a timely manner.</p> <p data-bbox="829 1263 1469 1554">We tested the appropriateness of the specific provision calculation provided for non-performing loans in accordance with the relevant legislation, including testing collateral on a sample basis to determine whether it was taken into consideration at market value multiplied by specified valuation ratios and adequately classified in the correct collateral group specified by legislation.</p> <p data-bbox="829 1594 1469 1727">In the context of the relevant legislation, we tested the appropriateness of the provisions provided for the portfolio of loans subject to general loan loss provision, in line with the relevant rules.</p>

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Valuation of Pension Fund Obligations</p> <p>Explanations on the valuation of pension fund obligations are presented in Section Three Part XVII and Section Five Part II.8. ii. in the accompanying unconsolidated financial statements as at 31 December 2017.</p> <p>Employees transferred to the Bank following the business combination of the Bank and Fortis Bank A.Ş. are members of “Türk Dış Ticaret Bankası Mensupları Emekli Sandığı” (the “Pension Fund”), which was established in May 1964 under Provisional Article 20 of Social Insurance Law No: 506. As presented in Section Three Part XVI, “Explanations on Liabilities Regarding Employee Benefits”, members of the pension fund are to be transferred to the Social Security Institution (“SSI”). Following the transfer, the social rights and payments defined in the pension agreement which will be not covered by SSI will be covered by the institutions that employ the fund’s members. The Council of Ministers is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumptions for transferrable and non-transferrable benefits. Valuing the pension obligations requires significant judgement and technical expertise in choosing appropriate assumptions. Bank management uses external actuaries to value the pension fund obligations. Valuations of pension fund liabilities include assumptions and estimates, such as transferrable social benefits, discount rates, salary increases, and economic and demographic expectations.</p> <p>During our audit, the above mentioned main assumptions and estimates used in calculations of pension fund obligations, the uncertainty of the transfer date, the technical interest rate determined by law and the significant impact on the Pension Fund’s obligation from differentiation of these assumptions were taken into consideration, and this area is considered to be a key audit matter.</p>	<p>During our audit we tested on a sampling basis the accuracy of the employee data supplied by Bank management to the external actuary firm for the purpose of valuing the Pension Fund’s obligation. In addition, we verified the existence and fair values of Pension Fund assets.</p> <p>We examined whether there were any significant changes in actuarial assumptions used in the calculation, the employee benefits provided during the period, the plan assets and liabilities and the regulations related to valuations, and tested significant changes, if any.</p> <p>Along with our actuarial expert, we assessed the reasonableness of the assumptions and valuations used by the external actuaries in the calculation of the obligation.</p>



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

The Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

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

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

Didem Demir Kaya, SMMM
Partner

Istanbul, 6 February 2018



TEB
BNP PARIBAS JOINT VENTURE

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND AUDIT REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**





**UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017**

Address : Saray Mahallesi Sokullu Caddesi No: 7/A – 7/B
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The unconsolidated financial report for the year-end prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information About the Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information on Financial Position and Risk Management of the Bank
- Disclosures and Footnotes on Unconsolidated Financial Statements
- Other Explanations
- Independent Auditor’s Report

The accompanying audited unconsolidated financial statements, related disclosures and footnotes which are presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and in compliance with the financial records of our Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

 Yavuz Canevi Chairman of the Board of Directors	 Jean Marie Rinino Chairman of the Audit Committee	 Ayşe Aşardag Vice Chairman of the Audit Committee	 Ümit Leblebici General Manager	 M. Aşkın Dolaştır Assistant General Manager Responsible of Financial Reporting	 Gökhan Kazıcılar Director Responsible of Financial Reporting
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Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Aslıhan Kaya / External Reporting Senior Manager
Telephone Number : (0216) 635 24 51
Fax Number : (0216) 636 36 36

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TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

I. History of the Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in these Matters (if any), and the Group the Bank Belongs to

As of 31 December 2017 and 31 December 2016 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2017		31 December 2016	
	Paid in Capital	%	Paid in Capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	467,879	21.23
BNP Paribas SA	5,253	0.24	5,253	0.24
Kocaeli Chamber of Commerce	501	0.02	501	0.02
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2017, the Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1 (full TL) nominal each.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF
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TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Bank They Possess

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr.Akın Akbaygil	Deputy Chairman of the Board of Directors	PhD
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Xavier Henri Jean Guilmeneau	Member of the Board of Directors	Master
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee	University
Ümit Leblebici	General Manager and the Executive Director	Master
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Alain Georges Auguste Fonteneau	Member of the Board of Directors	Master
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Özden Odabaşı	Member of the Board of Directors	Master
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee	University
Assistant General Managers;		
Turgut Boz	Senior Assistant General Manager Responsible from SME Banking Group and Deputy Chairman of General Manager	University
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Dr.Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources Group	PhD
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant General Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs Group	Master
Osman Durmuş	Assistant General Manager Responsible from Retail and Small Business Credit Group	University
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özdi	Assistant General Manager Responsible from Corporate Loans	University
Nuri Tuncalı	Assistant General Manager Responsible from SME Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Dr.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Group Heads (*);		
Nimet Elif Akpınar	Head of Group Risk Management	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Tıraşın	Internal Audit Group	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

(**) Pascal Jean Fischer has resigned from the Board of Directors as of 13 December 2017.

(***) After Pascal Jean FISCHER, the member of the Board of Directors, has resigned from his duty, François Andre Jesualdo BENAROYA has been assigned as a member of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code as of 17 January 2018, that will be presented to the approval of the first general assembly.

There are no Bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Information on the Bank’s Qualified Shareholders

Name / Commercial Name	Share Amount	Share Ratio	Paid-up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding are controlled by BNP Paribas SA.

V. Summary on the Bank’s Functions and Lines of Activity

The Bank’s operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş.. As of 31 December 2017, the Bank has 500 local branches and 4 foreign branches (31 December 2016: 511 local branches, 4 foreign branches). As of 31 December 2017, the number of employees of the Bank is 9,464 (31 December 2016: 9,640).

VI. Differences between the Communiqué on Preparation of Financial Statements of Banks and Turkish Accounting Standards and Short Explanation about the Entities Subject to Full Consolidation or Proportional Consolidation and Entities which are Deducted from Equity or Entities which are not Included in these Three Methods

There is no difference for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements of Banks in Turkey.

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between Bank and its Subsidiaries

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Items
- III. Statement of Income
- IV. Income and Expense Items Under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

			Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016			
			Section 5 Note	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	(I-1)	1,429,476	9,546,296	10,975,772	1,958,800	9,708,614	11,667,414	
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	1,214,439	191,765	1,406,204	1,035,676	237,298	1,272,974	
2.1	Financial Assets Held for Trading		1,214,439	191,765	1,406,204	1,035,676	237,298	1,272,974	
2.1.1	Government Debt Securities		346,092	114,868	460,960	189,384	13,810	203,194	
2.1.2	Equity Securities		-	-	-	-	-	-	
2.1.3	Derivative Financial Assets Held for Trading	(I-3)	868,347	76,897	945,244	846,292	223,488	1,069,780	
2.1.4	Other Marketable Securities		-	-	-	-	-	-	
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-	
2.2.1	Government Debt Securities		-	-	-	-	-	-	
2.2.2	Equity Securities		-	-	-	-	-	-	
2.2.3	Loans		-	-	-	-	-	-	
2.2.4	Other Marketable Securities		-	-	-	-	-	-	
III.	BANKS	(I-4)	669,288	1,844,049	2,513,337	193,881	1,374,797	1,568,678	
IV.	MONEY MARKET PLACEMENTS		-	-	-	2,000,930	-	2,000,930	
4.1	Interbank Money Market Placements		-	-	-	-	-	-	
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-	
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	2,000,930	-	2,000,930	
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-5)	4,630,660	64,804	4,695,464	4,054,403	48,963	4,103,366	
5.1	Equity Securities		24,598	32,696	57,294	20,956	20,908	41,864	
5.2	Government Debt Securities		4,606,062	32,108	4,638,170	4,033,447	28,055	4,061,502	
5.3	Other Marketable Securities		-	-	-	-	-	-	
VI.	LOANS AND RECEIVABLES	(I-6)	51,072,386	12,218,391	63,290,777	44,734,240	11,629,589	56,363,829	
6.1	Loans and Receivables		50,368,572	12,218,391	62,586,963	44,176,746	11,629,589	55,806,335	
6.1.1	Loans to Risk Group of the Bank		187,843	56,681	244,524	81,279	-	81,279	
6.1.2	Government Debt Securities		-	-	-	-	-	-	
6.1.3	Other		50,180,729	12,161,710	62,342,439	44,095,467	11,629,589	55,725,056	
6.2	Loans under Follow-up		1,946,625	-	1,946,625	1,771,775	-	1,771,775	
6.3	Specific Provisions (-)		1,242,811	-	1,242,811	1,214,281	-	1,214,281	
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-	
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(I-7)	401,854	-	401,854	361,508	-	361,508	
8.1	Government Debt Securities		401,854	-	401,854	361,508	-	361,508	
8.2	Other Marketable Securities		-	-	-	-	-	-	
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-8)	-	-	-	-	-	-	
9.1	Accounted with Equity Method		-	-	-	-	-	-	
9.2	Unconsolidated Associates		-	-	-	-	-	-	
9.2.1	Financial Investments		-	-	-	-	-	-	
9.2.2	Non-Financial Investments		-	-	-	-	-	-	
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-9)	115,986	-	115,986	115,986	-	115,986	
10.1	Unconsolidated Financial Subsidiaries		115,986	-	115,986	115,986	-	115,986	
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-	
XI.	JOINT VENTURES (Net)	(I-10)	5	-	5	5	-	5	
11.1	Accounted with Equity Method		-	-	-	-	-	-	
11.2	Unconsolidated Joint Ventures		5	-	5	5	-	5	
11.2.1	Financial Joint Ventures		-	-	-	-	-	-	
11.2.2	Non-Financial Joint Ventures		5	-	5	5	-	5	
XII.	FINANCIAL LEASE RECEIVABLES	(I-11)	-	-	-	-	-	-	
12.1	Financial Lease Receivables		-	-	-	-	-	-	
12.2	Operating Lease Receivables		-	-	-	-	-	-	
12.3	Others		-	-	-	-	-	-	
12.4	Unearned Income (-)		-	-	-	-	-	-	
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-12)	85,940	1,335	87,275	195,320	-	195,320	
13.1	Fair Value Hedge		4,454	-	4,454	-	-	-	
13.2	Cash Flow Hedge		81,486	1,335	82,821	195,320	-	195,320	
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-	
XIV.	TANGIBLE ASSETS (Net)	(I-13)	271,622	-	271,622	242,037	-	242,037	
XV.	INTANGIBLE ASSETS (Net)	(I-14)	519,770	-	519,770	502,712	-	502,712	
15.1	Goodwill		421,124	-	421,124	421,124	-	421,124	
15.2	Other		98,646	-	98,646	81,588	-	81,588	
XVI.	INVESTMENT PROPERTIES (Net)	(I-15)	-	-	-	-	-	-	
XVII.	TAX ASSET		69,744	-	69,744	98,947	-	98,947	
17.1	Current Tax Asset		649	-	649	56,385	-	56,385	
17.2	Deferred Tax Asset	(I-16)	69,095	-	69,095	42,562	-	42,562	
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-17)	90,677	-	90,677	91,254	-	91,254	
18.1	Held for Sale Purpose		90,677	-	90,677	91,254	-	91,254	
18.2	Related to Discontinued Operations		-	-	-	-	-	-	
XIX.	OTHER ASSETS	(I-18)	908,599	411,143	1,319,742	916,140	226,290	1,142,430	
TOTAL ASSETS			61,480,446	24,277,783	85,758,229	56,501,839	23,225,551	79,727,390	

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
	Section 5 Note	TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-1)	33,335,127	22,241,589	55,576,716	29,200,370	20,632,288	49,832,658
1.1 Deposits from Risk Group of the Bank		563,313	1,760,695	2,324,008	734,791	1,737,251	2,472,042
1.2 Other		32,771,814	20,480,894	53,252,708	28,465,579	18,895,037	47,360,616
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	874,807	83,270	958,077	787,810	154,782	942,592
III. FUNDS BORROWED	(II-3)	176,925	12,590,087	12,767,012	148,425	12,690,631	12,839,056
IV. MONEY MARKET BALANCES		105,206	-	105,206	1,457,750	-	1,457,750
4.1 Interbank Money Market Payables		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Payables		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements	(II-4)	105,206	-	105,206	1,457,750	-	1,457,750
V. SECURITIES ISSUED (Net)	(II-3)	1,289,688	-	1,289,688	739,302	-	739,302
5.1 Bills		1,289,688	-	1,289,688	739,302	-	739,302
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		1,282,734	156,951	1,439,685	1,054,843	359,624	1,414,467
VIII. OTHER EXTERNAL FUNDINGS PAYABLE	(II-5)	594,901	4,136	599,037	843,448	3,352	846,800
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCIAL LEASE PAYABLES	(II-6)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-7)	443,017	314	443,331	284,492	-	284,492
11.1 Fair Value Hedge		9,517	-	9,517	-	-	-
11.2 Cash Flow Hedge		433,500	314	433,814	284,492	-	284,492
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-8)	984,536	31,237	1,015,773	1,119,144	14,063	1,133,207
12.1 General Loan Loss Provisions		576,339	-	576,339	683,893	-	683,893
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		238,284	16,356	254,640	235,302	10,003	245,305
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		169,913	14,881	184,794	199,949	4,060	204,009
XIII. TAX LIABILITY	(II-9)	229,944	-	229,944	137,780	-	137,780
13.1 Current Tax Liability		229,944	-	229,944	137,780	-	137,780
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-10)	-	-	-	-	-	-
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Related to Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-11)	-	2,314,083	2,314,083	-	2,299,885	2,299,885
XVI. SHAREHOLDERS' EQUITY	(II-12)	9,009,504	10,173	9,019,677	7,800,220	(819)	7,799,401
16.1 Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Capital Reserves		1,094,141	10,173	1,104,314	998,728	(819)	997,909
16.2.1 Share Premium		2,565	-	2,565	2,565	-	2,565
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(41,282)	9,733	(31,549)	(51,156)	(819)	(51,975)
16.2.4 Revaluation Surplus on Tangible Assets		266,122	-	266,122	311,160	-	311,160
16.2.5 Revaluation Surplus on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation Surplus on Investment Property		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		527	-	527	527	-	527
16.2.8 Hedging Funds (Effective Portion)		136,153	440	136,593	30,509	-	30,509
16.2.9 Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		730,056	-	730,056	705,123	-	705,123
16.3 Profit Reserves		4,632,637	-	4,632,637	3,645,806	-	3,645,806
16.3.1 Legal Reserves		295,041	-	295,041	247,951	-	247,951
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		4,292,924	-	4,292,924	3,081,817	-	3,081,817
16.3.4 Other Profit Reserves		44,672	-	44,672	316,038	-	316,038
16.4 Profit or Loss		1,078,336	-	1,078,336	951,296	-	951,296
16.4.1 Prior Periods Profit / Loss		9,497	-	9,497	9,497	-	9,497
16.4.2 Current Period Profit / Loss		1,068,839	-	1,068,839	941,799	-	941,799
16.5 Minority Interest	(II-13)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		48,326,389	37,431,840	85,758,229	43,573,584	36,153,806	79,727,390

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
ITEMS AT 31 DECEMBER 2017**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016			
		Section 5 Note	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		83,268,709	73,708,197	156,976,906	64,963,649	77,799,744	142,763,393
I.	GUARANTEES	(III-1)	8,792,233	11,790,149	20,582,382	7,440,755	10,079,370	17,520,125
1.1	Letters of Guarantee		6,874,187	6,165,093	13,039,280	5,980,989	5,644,422	11,625,411
1.1.1	Guarantees Subject to State Tender Law		148,296	80,708	229,004	181,761	65,364	247,125
1.1.2	Guarantees Given for Foreign Trade Operations		397,094	428,037	825,131	340,571	362,876	703,447
1.1.3	Other Letters of Guarantee		6,328,797	5,656,348	11,985,145	5,458,657	5,216,182	10,674,839
1.2	Bank Acceptances		34	42,282	42,316	-	40,100	40,100
1.2.1	Import Letter of Acceptance		34	42,282	42,316	-	40,100	40,100
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		16,215	2,380,353	2,396,568	-	1,720,120	1,720,120
1.3.1	Documentary Letters of Credit		16,215	1,071,808	1,088,023	-	598,503	598,503
1.3.2	Other Letters of Credit		-	1,308,545	1,308,545	-	1,121,617	1,121,617
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		1,883,852	1,992,580	3,876,432	1,452,413	2,166,331	3,618,744
1.9	Other Collaterals		17,945	1,209,841	1,227,786	7,353	508,397	515,750
II.	COMMITMENTS	(III-1)	14,788,485	5,189,789	19,978,274	11,695,666	2,356,422	14,052,088
2.1	Irrevocable Commitments		14,788,485	5,189,789	19,978,274	11,695,666	2,356,422	14,052,088
2.1.1	Asset Purchase and Sale Commitments		2,396,003	4,918,206	7,314,209	491,072	1,119,328	1,610,400
2.1.2	Forward Deposit Purchase and Sale Commitments		-	-	-	-	896,710	896,710
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		4,526,858	104,211	4,631,069	4,038,561	195,532	4,234,093
2.1.5	Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheque Payments		2,387,642	-	2,387,642	2,309,458	-	2,309,458
2.1.8	Tax and Fund Liabilities from Export Commitments		31,047	-	31,047	15,615	-	15,615
2.1.9	Commitments for Credit Card Limits		5,411,646	-	5,411,646	4,648,912	-	4,648,912
2.1.10	Commitments for Credit Cards and Banking Services Promotions		3,723	-	3,723	3,962	-	3,962
2.1.11	Receivables from Short Sale Commitments on Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments on Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		31,566	167,372	198,938	188,086	144,852	332,938
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	59,687,991	56,728,259	116,416,250	45,827,228	65,363,952	111,191,180
3.1	Derivative Financial Instruments for Hedging Purposes		20,206,555	3,132,884	23,339,439	13,446,771	966,515	14,413,286
3.1.1	Fair Value Hedge		105,000	109,454	214,454	-	-	-
3.1.2	Cash Flow Hedge		20,101,555	3,023,430	23,124,985	13,446,771	966,515	14,413,286
3.1.3	Foreign Net Investment Hedges		-	-	-	-	-	-
3.2	Held for Trading Transactions		39,481,436	53,595,375	93,076,811	32,380,457	64,397,437	96,777,894
3.2.1	Forward Foreign Currency Buy/Sell Transactions		7,347,221	10,000,209	17,347,430	3,976,134	6,884,317	10,860,451
3.2.1.1	Forward Foreign Currency Transactions-Buy		2,626,654	6,094,827	8,721,481	1,398,000	3,986,880	5,384,880
3.2.1.2	Forward Foreign Currency Transactions-Sell		4,720,567	3,905,382	8,625,949	2,578,134	2,897,437	5,475,571
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		26,193,704	33,097,712	59,291,416	23,142,359	42,045,891	65,188,250
3.2.2.1	Foreign Currency Swap-Buy		9,168,870	18,887,840	28,056,710	7,429,062	23,440,489	30,869,551
3.2.2.2	Foreign Currency Swap-Sell		17,024,834	11,101,734	28,126,568	15,113,297	15,578,576	30,691,873
3.2.2.3	Interest Rate Swaps-buy		-	1,554,069	1,554,069	300,000	1,513,413	1,813,413
3.2.2.4	Interest Rate Swaps-Sell		-	1,554,069	1,554,069	300,000	1,513,413	1,813,413
3.2.3	Foreign Currency, Interest Rate and Securities Options		5,940,453	9,425,007	15,365,460	5,260,914	15,456,719	20,717,633
3.2.3.1	Foreign Currency Options-Buy		3,069,022	4,609,277	7,678,299	2,939,259	7,466,345	10,405,604
3.2.3.2	Foreign Currency Options-Sell		2,871,431	4,815,730	7,687,161	2,321,655	7,990,374	10,312,029
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	523,178	523,178	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	58,893	58,893	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	464,285	464,285	-	-	-
3.2.5	Interest Rate Futures		-	464,285	464,285	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	464,285	464,285	-	-	-
3.2.5.2	Interest rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		58	84,984	85,042	1,050	10,510	11,560
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		174,733,321	31,338,799	206,072,120	162,286,606	27,759,611	190,046,217
IV.	ITEMS HELD IN CUSTODY		24,323,460	2,013,797	26,337,257	24,201,282	1,822,930	26,024,212
4.1	Assets Under Management		-	-	-	-	-	-
4.2	Investment Securities Held In Custody		11,442,192	775,972	12,218,164	12,344,821	674,459	13,019,280
4.3	Cheques Received for Collection		10,799,060	892,796	11,691,856	9,572,274	803,779	10,376,053
4.4	Commercial Notes Received for Collection		403,804	139,707	543,511	351,773	98,944	450,717
4.5	Other assets Received for Collection		34	205,322	205,356	309	245,748	246,057
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items under Custody		1,678,370	-	1,678,370	1,932,105	-	1,932,105
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		143,380,293	28,269,884	171,650,177	137,408,916	25,893,903	163,302,819
5.1	Marketable Securities		1,478,414	45,461	1,523,875	333,827	42,508	376,335
5.2	Guarantee Notes		57,145,326	18,710,216	75,855,542	54,964,845	17,292,637	72,257,482
5.3	Commodity		48,895	733,876	782,771	25,538	792,274	817,812
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		76,568,882	5,037,944	81,606,826	73,946,655	4,503,250	78,449,905
5.6	Other Pledged Items		8,138,776	3,742,387	11,881,163	8,138,051	3,263,234	11,401,285
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		7,029,568	1,055,118	8,084,686	676,408	42,778	719,186
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			258,002,030	105,046,996	363,049,026	227,250,255	105,559,355	332,809,610

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD
ENDED 31 DECEMBER 2017 AND 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. STATEMENT OF INCOME

	Section 5 Note	Audited Current Period 31.12.2017	Audited Prior Period 31.12.2016
I. INTEREST INCOME	(IV-1)	7,916,379	7,208,135
1.1 Interest Income on Loans		7,119,126	6,631,088
1.2 Interest Income on Reserve Deposits		74,537	52,008
1.3 Interest Income on Banks		65,771	28,665
1.4 Interest Income on Money Market Placements		96,877	24,197
1.5 Interest Income on Securities Portfolio		557,469	468,360
1.5.1 Held-For-Trading Financial Assets		46,962	46,312
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Available-for-sale Financial Assets		462,094	393,193
1.5.4 Held-to-maturity Investments		48,413	28,855
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		2,599	3,817
II. INTEREST EXPENSE	(IV-2)	4,008,562	3,770,851
2.1 Interest Expense on Deposits		3,506,446	3,222,418
2.2 Interest Expense on Funds Borrowed		327,870	277,757
2.3 Interest Expense on Money Market Borrowings		49,124	185,223
2.4 Interest Expense on Securities Issued		83,592	37,759
2.5 Other Interest Expense		41,530	47,694
III. NET INTEREST INCOME (I - II)		3,907,817	3,437,284
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,059,666	977,715
4.1 Fees and Commissions Received		1,464,743	1,326,240
4.1.1 Non-cash Loans		168,630	151,564
4.1.2 Other	(IV-12)	1,296,113	1,174,676
4.2 Fees and Commissions Paid		405,077	348,525
4.2.1 Non-cash Loans		3,091	2,479
4.2.2 Other	(IV-12)	401,986	346,046
V. DIVIDEND INCOME	(IV-3)	19,118	20,742
VI. TRADING INCOME / LOSS (Net)	(IV-4)	(935,107)	(380,987)
6.1 Securities Trading Gains / Losses		(29,236)	3,105
6.2 Gains / Losses on Derivative Financial Instruments		(695,236)	407,973
6.3 Foreign Exchange Gains / Losses		(210,635)	(792,065)
VII. OTHER OPERATING INCOME	(IV-5)	457,562	572,769
VIII. TOTAL OPERATING INCOME/LOSS (III+IV+V+VI+VII)		4,509,056	4,627,523
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-6)	791,220	1,106,846
X. OTHER OPERATING EXPENSES (-)	(IV-7)	2,404,905	2,338,714
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1,312,931	1,181,963
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN / LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT / LOSS FROM CONTINUED OPERATIONS BEFORE TAX (XI+...+XIV)	(IV-8)	1,312,931	1,181,963
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-9)	(244,092)	(240,164)
16.1 Current Tax Provision		(308,657)	(176,761)
16.2 Deferred Tax Provision		64,565	(63,403)
XVII. NET PROFIT / LOSS FROM CONTINUED OPERATIONS (XV±XVI)	(IV-10)	1,068,839	941,799
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on Assets Held for Sale		-	-
18.2 Income on sale of associates, subsidiaries and joint ventures		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3 Loss from Other Discontinued Operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)	(IV-8)	-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(IV-9)	-	-
21.1 Current Tax Provision		-	-
21.2 Deferred Tax Provision		-	-
XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)	(IV-10)	-	-
XXIII. NET PROFIT / LOSS (XVII+XXII)	(IV-11)	1,068,839	941,799
23.1 Group's Profit / Loss		1,068,839	941,799
23.2 Minority Interest Profit / Loss		-	-
Earnings per Share		0.4849	0.4272

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS UNDER
SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY

		Audited Current Period 31.12.2017	Audited Prior Period 31.12.2016
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE SALE FINANCIAL ASSETS	21,475	(63,282)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V.	PROFIT / LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE CHANGES)	136,983	(63,044)
VI.	PROFIT/ LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR FOREIGN NET INVESTMENT HEDGE OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE CHANGES)	-	-
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	31,011	(4,077)
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(38,032)	26,181
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	151,437	(104,222)
XI.	PROFIT / LOSS	1,068,839	941,799
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit / Loss)	(2,617)	95,425
11.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	1,390	(5,789)
11.3	Transfer of Foreign Net Investment Hedge Operations to Income Statement	-	-
11.4	Other	1,070,066	852,163
XII.	TOTAL PROFIT / LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1,220,276	837,577

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares Obtained from Associates	Hedging Funds	Revaluation Surplus on Assets Held for Sale and Assets of Disc. Op.	Total Equity Except from Minority Shares	Minority Shares	Total Equity
I. Prior Period - 01.01-31.12.2016																			
Beginning Balance 31.12.2015		2,204,390	200,262	2,565	-	203,828	-	2,484,698	797,072	-	891,950	(1,435)	97,024	527	80,943	-	6,961,824	-	6,961,824
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The Effects of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)		2,204,390	200,262	2,565	-	203,828	-	2,484,698	797,072	-	891,950	(1,435)	97,024	527	80,943	-	6,961,824	-	6,961,824
Changes in Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences	(V-a)	-	-	-	-	-	-	-	-	-	-	(50,540)	-	-	-	-	(50,540)	-	(50,540)
VI. Hedging Funds (Effective Portion)	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,434)	-	(50,434)	-	(50,434)
6.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(50,434)	-	(50,434)	-	(50,434)
6.2 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Differences	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation Adjustment to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	(3,248)	-	-	-	-	-	-	-	(3,248)	-	(3,248)
XIX. Period Net Income / Loss		-	-	-	-	-	-	-	941,799	-	-	-	-	-	-	-	941,799	-	941,799
XX. Profit Distribution		-	-	-	-	44,123	-	597,119	27,075	-	(882,453)	-	214,136	-	-	-	-	-	-
20.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	44,123	-	597,119	27,075	-	(882,453)	-	214,136	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2016																			
(III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)		2,204,390	200,262	2,565	-	247,951	-	3,081,817	820,899	941,799	9,497	(51,975)	311,160	527	30,509	-	7,799,401	-	7,799,401

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares Obtained from Associates	Hedging Funds	Revaluation Surplus on Assets Held for Sale and Assets of Disc. Op.	Total Equity Except from Minority Interest	Minority Interest	Total Equity
I. Current Period- 01.01-31.12.2017																			
Beginning balance – 31.12.2016		2,204,390	200,262	2,565	-	247,951	-	3,081,817	820,899	-	951,296	(51,975)	311,160	527	30,509	-	7,799,401	-	7,799,401
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences	(V-a)	-	-	-	-	-	-	-	-	-	-	20,426	-	-	-	-	20,426	-	20,426
IV. Hedging Funds (Effective Portion)	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	106,084	-	106,084	-	106,084
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	106,084	-	106,084	-	106,084
4.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Surplus on Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation Surplus on Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	298,893	(183,030)	-	-	-	(90,936)	-	-	-	24,927	-	24,927
XVII. Period net income/loss		-	-	-	-	-	-	-	-	1,068,839	-	-	-	-	-	-	1,068,839	-	1,068,839
XVIII. Profit distribution		-	-	-	-	47,090	-	912,214	(63,403)	-	(941,799)	-	45,898	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	47,090	-	912,214	(63,403)	-	(941,799)	-	45,898	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2017																			
(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)		2,204,390	200,262	2,565	-	295,041	-	4,292,924	574,466	1,068,839	9,497	(31,549)	266,122	527	136,593	-	9,019,677	-	9,019,677

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. STATEMENT OF CASH FLOWS

	Audited Section 5 Note	Audited Current Period 31.12.2017	Audited Prior Period 31.12.2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1,694,459	1,755,433
1.1.1 Interest received		7,830,650	6,331,515
1.1.2 Interest paid		(3,667,048)	(3,277,159)
1.1.3 Dividend received		19,118	20,742
1.1.4 Fees and commissions received		1,490,055	1,889,818
1.1.5 Other income		527,681	889,837
1.1.6 Collections from previously written off loans		670,787	644,667
1.1.7 Payments to personnel and service suppliers		(1,120,339)	(966,737)
1.1.8 Taxes paid		(233,871)	(338,521)
1.1.9 Others	(VI-1)	(3,822,574)	(3,438,729)
1.2 Changes in operating assets and liabilities		(3,461,968)	763,607
1.2.1 Net (increase) / decrease in financial assets held for trading		(251,037)	2,730
1.2.2 Net decrease / increase in financial assets at fair value through profit or loss		-	-
1.2.3 Net increase in due from banks and other financial institutions		-	38,788
1.2.4 Net increase in loans		(7,440,092)	(3,957,911)
1.2.5 Net decrease / (increase) in other assets	(VI-1)	556,847	(279,009)
1.2.6 Net increase in bank deposits		(1,253,063)	(859,669)
1.2.7 Net increase in other deposits		5,516,577	5,409,495
1.2.8 Net (decrease) / increase in funds borrowed		(84,583)	1,266,001
1.2.9 Net increase / decrease in matured payables		-	-
1.2.10 Net increase in other liabilities	(VI-1)	(506,617)	(856,818)
I. Net cash provided from banking operations		(1,767,509)	2,519,040
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(649,584)	(60,896)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
2.3 Fixed assets purchases		(114,861)	(54,288)
2.4 Fixed assets sales		177	301
2.5 Cash paid for purchase of financial assets available for sale		(2,435,786)	(2,247,988)
2.6 Cash obtained from sale of financial assets available for sale		1,964,405	2,313,764
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(VI-1)	(63,519)	(72,685)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		540,206	460,468
3.1 Cash obtained from funds borrowed and securities issued		2,061,841	1,218,270
3.2 Cash used for repayment of funds borrowed and securities issued		(1,521,635)	(757,802)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for financial leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(VI-1)	413,878	601,388
V. Net (decrease) / increase in cash and cash equivalents		(1,463,009)	3,520,000
VI. Cash and cash equivalents at beginning of the period	(VI-2)	7,400,129	3,880,129
VII. Cash and cash equivalents at end of the period	(VI-2)	5,937,120	7,400,129

The accompanying notes are an integral part of these unconsolidated financial statement.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31.12.2017 (*)	Audited Prior Period 31.12.2016
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	1,312,931	1,181,963
1.2 TAXES AND DUTIES PAYABLE (-)	244,092	240,164
1.2.1 Corporate tax (Income tax)	308,657	176,761
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (**)	(64,565)	63,403
A. NET INCOME FOR THE YEAR (1.1-1.2)	1,068,839	941,799
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	47,090
1.5 OTHER STATUTORY RESERVES (-)	64,565	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1,004,274	894,709
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	848,811
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	45,898
II. DISTRIBUTION OF RESERVE		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	0.4849	0.4272
3.2 TO OWNERS OF ORDINARY SHARES (%)	48.49	42.72
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) As of 31 December 2017 when the financial statements has been finalized, the General Assembly meeting did not performed.

(**) Other taxes and duties amount is deferred tax income. (31 December 2016: Deferred tax expense)

The accompanying notes are an integral part of these unconsolidated financial statement

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SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

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

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

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

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained between Notes II and XXV.

The amendments of TAS and TFRS which have entered into force as of 1 January 2017 have no material impact on the Group’s accounting policies, financial position and performance. The amendments of TAS and TFRS which are published but not yet effective as of finalization date of financial statement, except TFRS 9 Financial Instruments, will have no impact on the accounting policies, financial condition and performance of the Group. The effects of the TFRS 16 Leases Standard, which will be effective from 1 January 2019, are evaluated by the Bank.

Explanations on TFRS 9 Financial Instruments Standard

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. The aim of the standard is to determine the financial reporting principles on financial assets and financial liabilities. The Bank will apply the classification, measurement and impairment requirements by adjusting the opening balance sheet and opening equity at 1 January 2018.

Classification and measurement of financial assets

According to TFRS 9, each financial asset will be classified as either fair value through profit or loss (“FVTPL”), amortized cost or fair value through other comprehensive income (“FVOCI”) in accordance with the business model and the contractual cash flow characteristics. The business model is determined by the Bank in terms of the manner in which assets are managed and their performance is reported. As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Compared to the classification under TAS39, the combined application of the contractual cash flow characteristics and business models as at 1 January 2018 will not have a material effect on the Bank’s equity.

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I. Basis of Presentation (continued)

Impairment

Within the scope of TFRS 9, "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be Set Aside" has been published in the Official Gazette dated 22 June 2016 numbered 29750, which will be effective from 1 January 2018. As of 1 January 2018, the Bank will change the method of provisions for impairment by applying the expected credit loss model under TFRS 9. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

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

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to Stage 2. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

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

The Bank will recognize an adjustment to opening retained earnings at 1 January 2018, to reflect the application of the new requirements at the adoption date. Besides, the Bank will calculate deferred tax on credit losses of Stage 1 and Stage 2, and the effect of the deferred tax asset will be reflected to equity at the first time adoption. Along with the on-going works on expected credit losses under TFRS 9, it is assumed that the effect of the credit losses and related deferred tax will cause a decrease of approximately 2% on equity.

Hedge Accounting

TFRS 9 permits not to apply the standard's principles on hedge accounting and to continue to apply hedge accounting principles of TAS 39. The Bank will continue to comply with all principles of TAS 39 for hedge accounting based on the analyzes made so far.

Additional paragraph for convenience of translation into English:

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

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

The Bank aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

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

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

As a component of risk management strategy of the Bank, risk bearing short positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Bank’s foreign currency asset and liability balances are valued with the Parent Bank’s exchange buying rate at the reporting date and recognized as “Foreign Exchange Gains / Losses“ within statement of income.

The Bank’s hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the Currency Risk section; and the Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the balance sheet structure.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

Investments in associates, subsidiaries and joint ventures are accounted with cost values and are reflected on the financial statements after deducting the provision for impairment, if any.

The dividends received from investments in associates, subsidiaries and joint ventures are reflected to income statements at the date of the right to receive dividend.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

Derivative financial instruments are booked under off-balance sheet items. Derivative financial instruments where the underlying asset is money or commodity, are booked based on the amounts to be received / paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market.

The cash flows of forward, currency swap, interest rate swap, and cross currency swap, transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted in to Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives are reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income / expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

The Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

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IV. Explanations on Forward and Option Contracts and Derivative Instruments (continued)

The hedge effectiveness between the derivative instruments / transactions used for hedging and hedged item, are measured regularly and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

During period where the relation between hedging instrument and the hedged item is measured;

- a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit and loss,
- b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

While the Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/ Losses on Derivative Financial Instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued interest on the loans are reversed on the date of classification as loans under follow-up. Interest accruals on the loans under follow-up are recorded as interest income only when they are collected.

VI. Explanations on Fees and Commission Income and Expenses

Income on banking services which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in “commissions on cash loans” account and are recognized as income over the period of the loan by discounting with effective interest rate. Variable costs related with the allocation of consumer loans are calculated and commissions received up to the calculated amount are recorded directly as income.

For Bankassurance services provided by the Bank commissions from insurance companies are recorded as income on accrual basis.

The commissions related with non-cash loans or periodic banking services, are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities and which create operational costs are discounted by effective interest rate and are recorded as expenses in the relevant period according to the cut-off principle.

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VII. Explanations on Financial Assets

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires, (a) accounting of the asset when acquired by the entity and (b) disposing of the asset out of the balance sheet on the date settled by the entity; and accounting of gain or loss on disposal as of the same date. In applying settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between the commercial transaction date and settlement date.

Marketable securities are classified as “Financial assets at fair value through profit or loss”, “Financial assets available for sale” or “held-to-maturity investments”.

The fair value of marketable securities is the market price. The market price of marketable securities traded in stock exchange is the weighted average of their trading price at the market. If marketable securities are not traded in stock exchange, the market price for TL marketable securities are considered as the closing price announced by the Central Bank, and for Eurobonds as the average of buy and sell price in Bloomberg.

Financial Assets at Fair Value through Profit and Loss

Financial Assets at Fair Value through Profit and Loss are divided in two sub-categories: “Financial assets held for trading” and “Financial assets designated upon initial recognition as at fair value through profit or loss”. Financial assets held for trading are acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking. The financial assets held for trading are recognized as at their fair value and are measured with their fair value following their recognition. Gains and losses upon valuation are included in profit and loss accounts.

The amortized cost of financial assets held for trading with maturity are reflected in “Interest Income on Securities”. The positive difference between this interest and the price calculated with fair value method is recorded as “Profits on Purchases/Sales of Marketable Securities” and the negative difference as “Loss on Purchases/Sales of Marketable Securities”. The profit shares are recorded in dividend income. Financial assets designated as financial assets at fair value through profit or loss” is used for the financial assets that are needed to be classified within the scope of Financial Instruments: Accounting and Measurement Accounting Standards in Turkey (TAS 39) in order to have a more proper demonstration even if they were not purchased for trading purposes.

Financial Assets Available for Sale

Financial assets available for sale are comprised of financial assets other than “Loan and receivables”, “Held-to-maturity investments”, “Financial assets at fair value through profit or loss” and non-derivative financial instruments. Financial assets available for sale are recorded at their fair value including related purchase costs plus the transaction costs.

Discounts and premiums of the financial assets available for sale are taken into account on the amortized cost calculation and are recorded in income statement as a part of interest rate.

Amortized cost of financial assets available for sale are recorded in profit and loss as interests from marketable securities. The differences between the fair value and amortized cost, are recorded in “Security valuation differences”, under equity. When financial assets available for sale are sold, all fair value differences accumulated under equity are reflected in income statement.

Held-to-Maturity Investments

Held-to-maturity investments are the financial assets that will be held until the maturity date, for which all requirements are fulfilled to hold till the maturity date including funding capability. They have fixed or determinable payments and fixed maturities. Held-to-maturity investments are firstly recorded by adding the transaction costs to the purchase price which reflect their fair value.

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VII. Explanations on Financial Assets (continued)

Held-to-Maturity Investments (continued)

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

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

Loans and Receivables

Loans are non-derivative financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and are not classified as trading or held for sale.

The Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

The effective interest rate for a loan is the rate that equals the expected cash flows of principal and interest to the loan allocation amount.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for loans under follow-up are determined by the Bank’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

All collected expenses and commissions related with cash loans are rediscounted with the effective interest rate.

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables. The collections regarding the provisions provided in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Loans under Follow-up” account.

Current period provisions are booked in “Provision for Loan Losses and Other Receivables” account. If the provisions for the receivables that had been realized in earlier periods are collected in current year, reversals of specific provisions are booked in “Other Operating Income”. Income realized through the sale of loans under follow-up are booked in “Other Operating Income” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Bank reserves general loan loss provision for loans and other receivables.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or the groups of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the amount of impairment is determined and its provision is made.

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VIII. Explanations on Impairment of Financial Assets (continued)

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one “gain / loss event” after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

IX. Explanations on Offsetting of Financial Assets and Liabilities

If there is a legally enforceable right to offset, financial assets and liabilities are indicated by net amounts on the balance sheet in case that;

- (i) The Bank intends to collect/ pay the related financial assets and liabilities on a net basis, or
- (ii) Realization of the relevant financial asset and payment of the liability occur simultaneously.

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

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as held for trading, available for sale and held-to maturity securities according to the classification of marketable securities subject to repurchase agreement, and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely “Funds provided under repurchase agreements” under “Money market balances”. Income and expenses arisen from these transactions are booked in “Interest Income on Marketable Securities Portfolio” and “Interest Expense on Money Market Borrowings” in income statement.

Securities purchased under repurchase agreements (“Reverse repos”) are accounted under “Money Market Placements” in the balance sheet. The difference between the purchase and resell price of the repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2017, the Bank does not have any reverse repo transaction (31 December 2016: TL2,000,930).

As of 31 December 2017, the Bank does not have any marketable securities lending transaction (31 December 2016: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to those Assets

Assets held for sale are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

As of 31 December 2017, assets held for sale and discontinued operations of the Bank are TL90,677 (31 December 2016: TL91,254). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL4,444 (31 December 2016: TL1,590) has been reserved as provision for impairment losses.

The Bank does not have any discontinued operations.

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XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

As explained in footnote 1 of Section 1, under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

Within the framework of TFRS 3 “Business Combination”, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL421,124, which is the difference between TL2,385,482 which is the fair value of transferred amount and TL1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholder's equity section.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Bank comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software used are mainly developed within the Bank by the Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

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XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Bank are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight line method, without taking residual values in to consideration, over the estimated useful lives expressed in number of months. The calculation of depreciation is based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The economic useful lives of the tangible fixed assets are as follows:

Buildings	50 years
Motor Vehicles	5 years
Furniture, Fixtures and Office Equipment and Others	5-15 years

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

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. Leasehold improvements amount are subject to depreciation during leasing period. This period is taken into consideration maximum five years.

The Bank employs independent appraisers in determining the current fair values of its real estate’s when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Fixed assets obtained through financial leasing are recorded at the lower amount between the fair value and the present value of lease payments in accordance with Turkish Accounting Standard Leases (TAS 17). Fixed assets obtained through financial leasing are classified in tangible assets and the amortization is based on their useful life. In case of any indication of impairment, an “impairment provision” is provided for. Obligations for future lease payments are booked in “financial lease payables” account under liabilities. Interest and currency expenses regarding financial leases are recorded in the related period in the income statement.

In compliance with Turkish Accounting Standard Leases (TAS 17), operating leases are recognized as an expense over the lease term in accordance with the lease agreement.

The Bank does not have any leasing transactions as “Lessor”.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Bank’s best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (“TAS 37”) regarding “Provisions, Contingent Liabilities and Contingent Assets”.

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XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never eventuate. Contingent assets are disclosed in the financial statements’ notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

XVII. Explanations on Liabilities Regarding Employee Benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS 19 “Employee Benefits”.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

Employees transferred to the Bank following the business combination defined in “General Information” of the Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Emekli Sandığı” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are audited by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2017, the Pension Fund has 1,757 employees and 1,065 pensioners (31 December 2016: 1,866 employees and 1,037 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the “Banking Law”) published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

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XVII. Explanations on Liabilities Regarding Employee Benefits (continued)

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 8 April 2013 issued in the Official Gazette No:28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2017. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No: 9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2017, actuarial gain amounting to TL24,335 (1 January - 31 December 2016: TL3,322 loss) was classified as “Other Comprehensive Income” and as of 31 December 2017, a total of TL58,967 (31 December 2016: TL34,632) actuarial gain was accounted under “Other Reserves”.

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

A 75% portion of the gains derived from the sale of immovables which have been acquired due to loans under follow-up from the Bank, participation shares, founder's shares, dividend shares and preemption rights is tax exempt (This rate is applied as 50% for immovable sales beginning from 5 December 2017). A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt (This rate is applied as 50% for immovable sales beginning from 5 December 2017), if such gains are added to paid-in capital or held in a special fund account under liability for five years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation (This rate is applied as 50% for immovable sales as of 5 December 2017).

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

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

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XVIII. Explanations on Taxation (continued)

Deferred Tax Liability/Asset

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

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences are measured by 20%.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax asset will be calculated over general loan loss provision according to TFRS 9 articles from 1 January 2018.

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. Deferred tax income has been presented on statement of gain and loss amounting to TL64,565 (31 December 2016: TL63,403 expense). Portion of deferred tax accounted for under equity related to valuation differences which is presented in the table below has been netted and presented within relevant accounts in statement of profit and loss accounted for under equity.

	Current Period	Prior Period
Financial Assets Available for Sale	(1,049)	12,742
Cash Flow Hedge	(30,899)	12,610
Actuarial Profit or Loss	(6,084)	829
Total	(38,032)	26,181

Deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

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

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

XX. Explanations on Issued Equity Securities

There is no shares issued in 2017.

XXI. Explanations on Bill Guarantees and Acceptances

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

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Bank.

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XXIII. Explanations on Reporting According to Segmentation

The operating segments of the Bank include retail and private banking, SME banking, corporate banking, treasury and asset-liability management.

Retail and private banking lines of the Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Bank also provides account products like “Marifetli”, “Fırsat” and “CEPTETEB” along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regards to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, eurobonds, foreign exchange purchases/sales, a wide-range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call centre, internet and mobile banking.

Corporate banking provides financial solutions and banking services to large-scale local firms, holdings and their group companies, and multinational companies operating in Turkey. In addition to the bank deposit services provided to corporate customers, corporate banking also develops tailored solutions and products for standard cash and non-cash loans, investment loans, cash management services in line with customer needs and demands and foreign trade financing. Foreign exchange purchase and sale transactions, corporate financing services, derivative products and solutions to manage foreign exchange and interest rate risk and commodity financing are other services provided by the Bank. The Bank provides these services and products for its corporate customers via teams, located in its corporate branches and Head Office, who are specialised in foreign trade, cash management, structured finance and multinational companies. It also benefits from the global business network and expertise of BNP Paribas Group.

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The Bank, which specifically designed its services for different segments in the field of SME Banking, has developed solutions that are tailored to the needs of these segments. In addition to solutions developed for small and medium-sized enterprises, solutions were developed for agricultural producers, jewellers, female leaders and entrepreneurship segments and for SME banking, enterprise banking, agriculture banking, gold banking, women’s banking and entrepreneurship banking. These solutions are provided on a larger scale based on the types of financial problems encountered by customers, and they are supported in non-financial matters via offering access to information, training and networks. At this point, the Bank does not only provide financial support to the SMEs but also provides the training and expertise they need to grow their business, strengthen their competitiveness and use their financing properly.

When determining the short, medium and long-term pricing strategy, Asset-Liability Management and the Treasury Group also manage the maturity mismatch, by adopting a principle foreseeing to work with a positive balance sheet margin. Spot and forward TL and foreign exchange purchase-sale transactions, treasury bill, government bond, and eurobond purchase-sale transactions, and derivative product purchase/sale transactions are carried out under defined authorisations. The Bank also carries out activities related to providing medium and long-term funding, enabling funding at a price below the price reflecting the country risk price, diversifying funding resources, and creating an international investor base in this field.

The Financial Markets Group provides structured financial solutions to hedge foreign exchange/interest rate risks of customers and provides the most appropriate price for the market instruments offered to customers by monitoring market conditions.

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XXIII. Explanations on Reporting According to Segmentation (continued)

The details of the income statement and the balance sheet which the Bank operates as a business lane:

Current Period	Retail	Corporate	SME	Treasury, ALM/ Head Office	Total
Net Interest Income	593,597	313,267	1,051,766	1,949,187	3,907,817
Net Fees and Commissions Income and Other					
Operating Income	211,256	197,668	656,806	451,498	1,517,228
Trading Profit / Loss	(70)	25	(7,730)	(927,332)	(935,107)
Dividend Income	-	-	-	19,118	19,118
Impairment Provision for Loans and Other					
Receivables (-)	27,866	44,036	559,438	159,880	791,220
Other Operating Expenses (-)	422,359	48,763	541,258	1,392,525	2,404,905
Profit before taxes	354,558	418,161	600,146	(59,934)	1,312,931
Tax provision (-)	-	-	-	244,092	244,092
Net Profit for the Period	354,558	418,161	600,146	(304,026)	1,068,839

Current Period	Retail	Corporate	SME	Treasury, ALM/ Head Office	Total
Segment Assets	12,515,973	16,458,459	28,813,521	27,854,285	85,642,238
Investments in Associates, Subsidiaries and Jointly					
Controlled Entities	-	-	-	115,991	115,991
Total Assets	12,515,973	16,458,459	28,813,521	27,970,276	85,758,229
Segment Liabilities	32,208,350	12,624,686	10,440,952	21,464,564	76,738,552
Shareholders' Equity	-	-	-	9,019,677	9,019,677
Total Liabilities	32,208,350	12,624,686	10,440,952	30,484,241	85,758,229

Prior Period	Retail	Corporate	SME	Treasury, ALM/ Head Office	Total
Net Interest Income	495,138	269,136	1,176,840	1,496,170	3,437,284
Net Fees and Commissions Income and Other					
Operating Income	208,340	180,397	632,433	529,314	1,550,484
Trading Profit / Loss	(50)	(541)	(3,376)	(377,020)	(380,987)
Dividend Income	-	-	-	20,742	20,742
Impairment Provision for Loans and Other					
Receivables (-)	140,110	83,463	623,336	259,937	1,106,846
Other Operating Expenses (-)	447,115	50,316	520,922	1,320,361	2,338,714
Profit before taxes	116,203	315,213	661,639	88,908	1,181,963
Tax provision (-)	-	-	-	240,164	240,164
Net Profit for the Period	116,203	315,213	661,639	(151,256)	941,799

Prior Period	Retail	Corporate	SME	Treasury, ALM/ Head Office	Total
Segment Assets	12,285,775	13,540,031	25,642,231	28,143,362	79,611,399
Investments in Associates, Subsidiaries and Jointly					
Controlled Entities	-	-	-	115,991	115,991
Total Assets	12,285,775	13,540,031	25,642,231	28,259,353	79,727,390
Segment Liabilities	30,444,094	10,570,571	8,644,258	22,269,066	71,927,989
Shareholders' Equity	-	-	-	7,799,401	7,799,401
Total Liabilities	30,444,094	10,570,571	8,644,258	30,068,467	79,727,390

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XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 27 March 2017 the Bank, TL941,799 that constitutes the 2016 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL47,090 as Legal Reserves, TL0.76 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.09 (full TL) as Legal Reserves and TL45,898 as Tangible and Intangible Assets revaluation funds.

XXV. Reclassifications

In order to be consistent with the presentation of financial statements dated 31 December 2017, some reclassifications are made in the income statement and the statement of cash flows as of 31 December 2016.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2017, Bank's total capital has been calculated as TL10,913,093 (31 December 2016: TL9,668,450) and capital adequacy ratio is 16.12% (31 December 2016: 14.37%). Capital adequacy ratio was calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

The credit risk of banking accounts has been calculated by using the "Standard Approach", the market risk of purchase and sale accounts by using the "Standard Method", counterparty credit risk of derivative and repo transactions by using the "Fair Value Method", credit valuation adjustments of over counter derivative transactions by using the "Standard Model" and operational risk by using the "Basic Indicator Approach".

Information related to the Components of Shareholders' Equity:

	Current Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	5,414,198	
Gains Recognized in Equity as per TAS	-	
Profit	1,078,336	
Current Period Profit	1,068,839	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	
Common Equity Tier 1 Capital Before Deductions	8,900,278	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	31,549	
Leasehold Improvements on Operational Leases	56,452	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	92,241	92,241
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	601,366	
Total Common Equity Tier 1 Capital	8,298,912	

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I. Explanations Related to Components of Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital	-	
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	8,298,912	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	1,799,486	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	245,824	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	576,339	
Tier 2 Capital Before Deductions	2,621,649	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	2,621,649	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	10,920,561	

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Information related to the Components of Shareholders' Equity: (continued)

	Current Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	7,462	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	
Other items to be defined by the BRSA (-)	6	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	10,913,093	
Total Risk Weighted Assets	67,715,955	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.26	
Tier 1 Capital Adequacy Ratio (%)	12.26	
Capital Adequacy Ratio (%)	16.12	
BUFFERS		
Bank-specific total core ratio (%)	1.25	
Capital conservation buffer requirement (%)	1.25	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	5.00	
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	52,080	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	69,095	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	576,339	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	576,339	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Prior Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	4,446,513	
Gains Recognized in Equity as per TAS	-	
Profit	951,296	
Current Period Profit	941,799	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Common Equity Tier 1 Capital Before Deductions	7,805,553	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	51,975	
Leasehold Improvements on Operational Leases	64,762	
Goodwill netted off deferred tax liability	345,300	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	46,095	76,825
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	508,132	
Total Common Equity Tier 1 Capital	7,297,421	

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I. Explanations Related to Components of Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Prior Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	106,554	
Additional Tier 1 Capital before deductions	106,554	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	106,554	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	106,554	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	7,297,421	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	1,466,546	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	228,449	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	683,893	
Tier 2 Capital Before Deductions	2,378,888	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	2,378,888	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	9,676,309	

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I. Explanations Related to Components of Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Prior Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	7,170	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	677	
Other items to be defined by the BRSA (-)	12	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	9,668,450	
Total Risk Weighted Assets	67,261,065	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10.85	
Tier 1 Capital Adequacy Ratio (%)	10.85	
Capital Adequacy Ratio (%)	14.37	
BUFFERS		
Total buffer requirement (%)	0.63	
Capital conservation buffer requirement (%)	0.63	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	4.22	
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	30,008	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	42,562	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	683,893	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	683,893	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to debt instruments included in equity calculation

All of the debt instruments included in equity calculation are issued by the Bank.

Issuer	TEB	TEB	TEB	TEB
Unique identifier of the debt instrument (e.g. CUSIP, ISIN)	XS0700889081	XS0808626013	XS0780562665	XS0947781315
Governing law(s) of the debt instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	Yes	No
Eligible at solo/ group/ group and solo	Available	Available	Available	Available
Type of the debt instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	779.3	453.4	245.8	566.8
Par value of debt instrument (TL Currency in mil)	793.5	453.4	245.8	566.8
Accounting classification of the debt instrument	34701100	34701100	34701100	34701100
Original date of issuance	04.11.2011	20.07.2012	14.05.2012	27.06.2013
Perpetual or dated	Time	Time	Time	Time
Original maturity date	04.11.2023	20.07.2024	14.05.2024	27.06.2023
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	04.11.2018	20.07.2019	14.05.2019	27.06.2018
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	Euribor+4.75%	Euribor+4.75%	LIBOR+5.75%	Euribor+2.10%
Existence of a dividend stopper	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil
Convertible or non-convertible				
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to the debt instrument)	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess	Possess	Not Possess	Possess
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed (*)	-	-	Article 8/2 (ğ)	-

(*) Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	9,019,677
Hedging Funds (effective portion)	(136,593)
Deductions Made Under Regulation	(584,172)
Common Equity Tier 1 Capital	8,298,912
Additional Tier 1 Capital	-
Tier 1 Capital	8,298,912
General Provisions	576,339
Bank's Borrowing Instruments	2,045,310
Deductions Made Under Regulation	(7,468)
Total Equity	10,913,093

II. Explanations Related to Credit Risk

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

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

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

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

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette numbered 26333 dated 1 November 2006 which was revised with the communiqué published in the Official Gazette numbered 29918 dated 14 December 2016; Non-required delay time loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “Non-Performing Loan” in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as “impaired receivables” without considering refinancing or addition accrued interest and quasi-interest loading to principal.

The Bank provides specific reserves to Group III, IV and V loans in accordance with “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”

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II. Explanations Related to Credit Risk (continued)

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	15,389,442	15,327,804
Conditional and unconditional receivables from regional or local governments	585,021	550,868
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,758,527	5,269,332
Conditional and unconditional corporate receivables	36,195,351	31,761,613
Conditional and unconditional retail receivables	30,829,518	29,205,434
Conditional and unconditional secured mortgage receivables	9,291,797	10,895,068
Past due receivables	733,643	762,861
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,646,373	1,569,251
Investments in equities	57,294	50,150

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

Exposure classifications	Prior Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	16,855,734	17,314,205
Conditional and unconditional receivables from regional or local governments	424,412	408,183
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	4,764,864	4,863,919
Conditional and unconditional corporate receivables	29,816,457	28,314,190
Conditional and unconditional retail receivables	26,067,621	26,135,739
Conditional and unconditional secured mortgage receivables	11,994,604	10,270,177
Past due receivables	584,975	601,685
Receivables defined in high risk category by BRSA	-	712,690
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,541,919	1,571,311
Investments in equities	41,864	23,235

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

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II. Explanations Related to Credit Risk (continued)

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

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

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2017, the receivables of the Bank from its top 100 and top 200 cash loan share in total cash loans are respectively 14.99% and 20.05%. (31 December 2016: 13.43% and 18.27%)

As of 31 December 2017, the receivables of the Bank from its top 100 and top 200 non-cash loan share are 47.82% and 58.75% respectively in the total non-cash loans. (31 December 2016: 45.73% and 59.16%)

As of 31 December 2017, the share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 5.89% and 8.30% respectively. (31 December 2016: 5.26% and 7.26%)

As of 31 December 2017, the general loan loss provision related with the credit risk taken by the Bank is TL576,339 (31 December 2016: TL683,893).

Credit Rating System

The credit risk is assessed through the system named as TEBCORE and internal rating system related to Bank's rating scala, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2017, consumer loans, business loans and agriculture loans are excluded from the internal rating system of the Bank and those loans are about 30.56% of total loan portfolio. Application and behavioral score card models are used in the credit risk evaluation process of consumer and business segments.

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

Category	Description of Category	Share in the Total % 31.12.2017	Share in the Total % 31.12.2016
1st Category	The borrower has a very strong financial structure	32.22	34.56
2nd Category	The borrower has a good financial structure	25.88	29.56
3rd Category	The borrower has an intermediate level of financial structure	34.50	28.97
4th Category	The financial structure of the borrower has to be closely monitored in the medium term	7.40	6.91
Total		100.00	100.00

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II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	Total
Current Period																		
Domestic	169,365	290,256	-	-	-	1,411,210	23,582,726	20,775,083	3,427,550	958,612	-	-	-	-	-	526,403	57,294	51,198,499
European Union (EU)																		
Countries	-	-	-	-	-	895,438	31,011	7,497	4,017	1,330	-	-	-	-	-	1,570	-	940,863
OECD Countries (*)	-	-	-	-	-	48,449	14	1,756	840	6	-	-	-	-	-	5,748	-	56,813
Off-Shore Banking																		
Regions (****)	236,336	-	-	-	-	9	207,620	88,731	57,760	2,130	-	-	-	-	-	159	-	592,745
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	20,702	59,233	1,314	810	1	-	-	-	-	-	-	-	82,060
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	-	115,986
Unallocated Assets/Liabilities (**)	-	2,982	-	-	-	268,844	11,317,108	2,243,924	91,983	33,118	-	-	-	-	-	2,328	-	13,960,287
Total	405,701	293,238	-	-	-	2,644,652	35,197,712	23,118,305	3,582,960	995,197	-	-	-	-	-	652,194	57,294	66,947,253

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions: (continued)

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	Total
Prior Period																		
Domestic	4,796,802	209,912	-	-	-	561,145	19,286,963	17,412,843	4,547,681	711,722	-	-	-	-	-	526,843	41,864	48,095,775
European Union (EU)																		
Countries	-	-	-	-	-	854,954	15,395	5,720	3,874	1,975	-	-	-	-	-	1,044	-	882,962
OECD Countries (*)	-	-	-	-	-	80,214	13,560	2,090	1,070	-	-	-	-	-	-	5,345	-	102,279
Off-Shore Banking Regions (****)	122,659	-	-	-	-	8	228,334	70,894	37,377	1,285	-	-	-	-	-	137	-	460,694
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	8,099	56,858	787	1,025	11	-	-	-	-	-	-	-	66,780
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	-	115,986
Unallocated Assets/Liabilities (**)	-	2,300	-	-	-	279,948	9,432,977	2,053,197	102,241	29,826	-	-	-	-	-	1,638	-	11,902,127
Total	4,919,461	212,212	-	-	-	1,784,368	29,034,087	19,545,531	4,693,268	744,819	-	-	-	-	-	650,993	41,864	61,626,603

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions

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II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Exposure Categories (**)																				
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	TL (*)	FC	Total
Current Period																				
Agriculture	-	-	-	-	-	-	650,635	1,122,211	85,272	80,422	-	-	-	-	-	5,748	-	1,774,495	169,793	1,944,288
Farming and Stockbreeding	-	-	-	-	-	-	598,041	1,105,714	84,383	78,226	-	-	-	-	-	5,748	-	1,718,850	153,262	1,872,112
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	52,594	16,497	889	2,196	-	-	-	-	-	-	-	55,645	16,531	72,176
Manufacturing	-	-	-	-	-	-	17,039,930	5,599,685	470,320	288,949	-	-	-	-	-	3	-	13,706,942	9,691,945	23,398,887
Mining and Quarrying	-	-	-	-	-	-	1,124,207	281,185	31,329	4,558	-	-	-	-	-	-	-	894,665	546,614	1,441,279
Production	-	-	-	-	-	-	15,212,420	5,298,546	430,595	282,486	-	-	-	-	-	3	-	12,539,755	8,684,295	21,224,050
Electricity, Gas and Water	-	-	-	-	-	-	703,303	19,954	8,396	1,905	-	-	-	-	-	-	-	272,522	461,036	733,558
Construction	-	-	-	-	-	-	3,260,017	1,477,482	279,655	107,938	-	-	-	-	-	-	-	3,532,948	1,592,144	5,125,092
Services	405,701	293,238	-	-	-	2,644,652	13,709,172	6,651,810	870,126	405,472	-	-	-	-	-	645,686	57,131	16,262,158	9,420,830	25,682,988
Wholesale and Retail Trade	-	-	-	-	-	-	5,299,828	3,303,935	308,213	187,682	-	-	-	-	-	820	-	6,811,926	2,288,552	9,100,478
Accommodation and Dining	-	-	-	-	-	-	1,142,026	441,391	205,419	22,940	-	-	-	-	-	-	-	905,617	906,159	1,811,776
Transportation and Telecom.	-	-	-	-	-	-	2,021,199	1,311,855	112,216	96,392	-	-	-	-	-	230	-	2,699,714	842,178	3,541,892
Financial Institutions	405,701	-	-	-	-	2,644,652	1,944,101	50,870	2,949	7,015	-	-	-	-	-	644,574	57,131	2,606,826	3,150,167	5,756,993
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	2,733,017	1,117,702	210,534	81,208	-	-	-	-	-	56	-	2,046,211	2,096,306	4,142,517
Self-Employment Services	-	-	-	-	-	-	396,390	365,949	26,540	9,391	-	-	-	-	-	-	-	663,402	134,868	798,270
Educational Services	-	-	-	-	-	-	15,958	50,876	3,558	669	-	-	-	-	-	2	-	70,995	68	71,063
Health and Social Services	-	293,238	-	-	-	-	156,653	9,232	697	175	-	-	-	-	-	4	-	457,467	2,532	459,999
Other	-	-	-	-	-	-	537,958	8,267,117	1,877,587	112,416	-	-	-	-	-	757	163	10,578,731	217,267	10,795,998
Total	405,701	293,238	-	-	-	2,644,652	35,197,712	23,118,305	3,582,960	995,197	-	-	-	-	-	652,194	57,294	45,855,274	21,091,979	66,947,253

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties: (continued)

Prior Period	Exposure Categories (**)																		
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	629,245	542,734	165,463	21,725	-	-	-	-	5,345	-	1,231,090	133,422	1,364,512
Farming and Stockbreeding	-	-	-	-	-	-	595,301	517,914	162,480	20,693	-	-	-	-	5,345	-	1,168,456	133,277	1,301,733
Forestry	-	-	-	-	-	-	8,746	5,949	950	766	-	-	-	-	-	-	16,266	145	16,411
Fishery	-	-	-	-	-	-	25,198	18,871	2,033	266	-	-	-	-	-	-	46,368	-	46,368
Manufacturing	-	-	-	-	-	-	13,606,660	4,690,883	720,529	226,532	-	-	-	-	54	-	10,877,612	8,367,046	19,244,658
Mining and Quarrying	-	-	-	-	-	-	680,127	232,290	31,003	5,046	-	-	-	-	-	-	640,726	307,740	948,466
Production	-	-	-	-	-	-	12,490,763	4,440,946	686,510	219,901	-	-	-	-	54	-	10,084,820	7,753,354	17,838,174
Electricity, Gas and Water	-	-	-	-	-	-	435,770	17,647	3,016	1,585	-	-	-	-	-	-	152,066	305,952	458,018
Construction	-	-	-	-	-	-	3,004,565	1,226,366	326,610	83,208	-	-	-	-	-	-	3,106,313	1,534,436	4,640,749
Services	4,919,461	212,212	-	-	-	1,784,368	11,535,498	5,793,532	1,229,542	282,446	-	-	-	-	617,850	41,700	18,205,865	8,210,744	26,416,609
Wholesale and Retail Trade	-	36	-	-	-	-	4,371,967	2,841,140	538,661	136,648	-	-	-	-	10	-	5,751,867	2,136,595	7,888,462
Accommodation and Dining	-	608	-	-	-	-	1,113,976	366,179	207,845	17,750	-	-	-	-	-	-	819,574	886,784	1,706,358
Transportation and Telecom.	-	-	-	-	-	-	1,995,272	1,268,908	170,405	83,573	-	-	-	-	-	-	2,474,487	1,043,671	3,518,158
Financial Institutions	4,919,461	-	-	-	-	1,784,368	1,062,869	49,986	8,309	6,398	-	-	-	-	617,840	41,700	6,784,689	1,706,242	8,490,931
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	6	-	-	-	-	2,056,098	921,046	256,327	30,903	-	-	-	-	-	-	1,189,627	2,074,753	3,264,380
Self-Employment Services	-	-	-	-	-	-	855,543	295,089	43,300	5,459	-	-	-	-	-	-	844,306	355,085	1,199,391
Educational Services	-	-	-	-	-	-	15,044	37,844	2,516	1,400	-	-	-	-	-	-	55,969	835	56,804
Health and Social Services	-	211,562	-	-	-	-	64,729	13,340	2,179	315	-	-	-	-	-	-	285,346	6,779	292,125
Other	-	-	-	-	-	-	258,119	7,292,016	2,251,124	130,908	-	-	-	-	27,744	164	4,998,372	4,961,703	9,960,075
Total	4,919,461	212,212	-	-	-	1,784,368	29,034,087	19,545,531	4,693,268	744,819	-	-	-	-	650,993	41,864	38,419,252	23,207,351	61,626,603

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period		Term To Maturity			
Exposure classifications	Up to 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	309,221	3,782	2,269	-	18,837
Conditional and unconditional exposures to regional governments or local authorities	47	1,778	1,655	8,096	278,675
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,419,781	205,614	114,282	81,647	225,198
Conditional and unconditional exposures to corporates	6,183,447	2,188,897	2,270,131	3,898,660	9,333,917
Conditional and unconditional retail exposures	5,053,048	622,267	1,602,024	1,764,520	11,825,609
Conditional and unconditional exposures secured by real estate property	539,951	73,276	118,625	181,957	2,576,300
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	3,370	-	-	-	-
Investment in equities	41,890	-	-	15,404	-
Total	13,550,755	3,095,614	4,108,986	5,950,284	24,258,536

Prior Period		Term To Maturity			
Exposure classifications	Up to 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	4,748,785	-	-	-	8,158
Conditional and unconditional exposures to regional governments or local authorities	1,285	804	1,554	7,111	199,154
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	581,812	196,630	87,040	170,905	194,925
Conditional and unconditional exposures to banks and brokerage houses	5,714,482	1,573,554	1,626,250	3,545,193	7,136,661
Conditional and unconditional exposures to corporates	5,390,196	696,673	1,442,756	1,622,923	8,335,141
Conditional and unconditional retail exposures	723,360	77,080	160,181	252,748	3,376,769
Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	6,261	-	-	-	-
Other receivables	26,637	-	-	15,226	-
Total	17,192,818	2,544,741	3,317,781	5,614,106	19,250,808

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II. Explanations Related to Credit Risk (continued)

Information about the risk exposure categories:

The credit rating of Fitch Ratings International Rating Agency is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk concentration is used for receivables with a maturity period of more than three months, and the risk concentration used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long-Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

Exposures by risk weights:

Current Period												
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before												
Credit Risk Mitigation	15,964,836	-	3,191,048	7,086,255	6,033,487	30,816,677	36,784,784	609,879	-	-	-	577,285
Exposures after												
Credit Risk Mitigation	22,691,918	-	3,021,680	7,086,255	6,073,266	24,978,936	34,044,366	536,598	-	-	-	577,285
Prior Period												
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before												
Credit Risk Mitigation	8,275,965	-	2,464,363	8,693,573	16,658,751	26,051,001	29,484,809	421,426	-	42,562	-	570,567
Exposures after												
Credit Risk Mitigation	8,275,965	-	2,200,837	8,693,573	16,741,738	25,486,069	28,561,501	349,656	-	42,562	-	570,567

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II. Explanations Related to Credit Risk (continued)

Information in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	129,231	197,073	2,661	72,111
Farming and Stockbreeding	126,393	179,124	2,419	70,905
Forestry	246	1,709	23	115
Fishery	2,592	16,240	219	1,091
Manufacturing	656,462	344,785	4,656	462,636
Mining and Quarrying	13,753	15,532	210	9,332
Production	640,316	323,162	4,364	452,088
Electricity, Gas and Water	2,393	6,091	82	1,216
Construction	174,214	231,963	3,132	105,997
Services	718,640	1,117,049	15,084	441,852
Wholesale and Retail Trade	346,678	702,789	9,490	216,259
Accommodation and Dining	38,155	206,049	2,782	22,317
Transportation and Telecom.	165,025	136,374	1,842	100,373
Financial Institutions	6,066	3,090	42	2,178
Real Estate and Rental Services	139,364	-	-	84,672
Professional Services	21,506	37,534	507	14,791
Educational Services	1,399	5,638	76	942
Health and Social Services	447	25,575	345	320
Other	268,078	965,096	13,033	160,215
Total	1,946,625	2,855,966	38,566	1,242,811

Prior Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	71,748	157,019	1,900	56,287
Farming and Stockbreeding	70,680	139,606	1,689	55,906
Forestry	737	9,547	116	229
Fishery	331	7,866	95	152
Manufacturing	600,636	336,915	4,077	443,360
Mining and Quarrying	13,723	28,917	350	8,917
Production	584,595	299,052	3,619	433,120
Electricity, Gas and Water	2,318	8,946	108	1,323
Construction	149,285	287,632	3,481	95,736
Services	592,206	1,263,130	15,285	392,416
Wholesale and Retail Trade	293,264	875,205	10,591	194,894
Accommodation and Dining	34,892	106,351	1,287	21,882
Transportation and Telecom.	162,161	186,227	2,253	104,468
Financial Institutions	7,332	7,712	93	3,402
Real Estate and Rental Services	79,620	-	-	58,333
Professional Services	12,500	51,147	619	8,156
Educational Services	1,899	5,504	67	950
Health and Social Services	538	30,984	375	331
Other	357,900	1,051,819	12,727	226,482
Total	1,771,775	3,096,515	37,470	1,214,281

Information about Value Adjustment and Change in Provisions

Current Period	31.12.2016 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments (*)	31.12.2017 Balance
Specific Provisions	1,214,281	846,493	(262,207)	(555,756)	-	1,242,811
General Provisions	683,893	14,948	(122,502)	-	-	576,339

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

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II. Explanations Related to Credit Risk (continued)

Previous Period	31.12.2015 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments (*)	31.12.2016 Balance
Specific Provisions	829,347	1,107,191	(207,847)	(514,410)	-	1,214,281
General Provisions	698,089	33,978	(48,174)	-	-	683,893

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

III. Explanations Related to Risks Involved in Counter-Cyclical Capital Buffer Calculation:

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	55,637,439	405,381	56,042,820
TRNC	319,599	-	319,599
England	138,908	9	138,917
The Ivory Coast	45,817	-	45,817
Germany	32,487	-	32,487
Russia	25,157	294	25,451
Bulgaria	18,218	-	18,218
Egypt	13,110	-	13,110
Other	19,616	11	19,627

IV. Explanations Related to Currency Risk

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

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

As an element of the Bank's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

Asset Liability Management and Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee on a weekly basis.

As of 31 December 2017, the Bank's balance sheet short position is TL10,327,088 (31 December 2016: TL10,021,057 short position), off-balance sheet long position is TL10,443,721 (31 December 2016: TL9,466,658 long position) and as a result foreign currency net long position is TL116,633 (31 December 2016: net TL554,399 short position).

The announced current foreign exchange buying rates of the Bank at 31 December 2017 and the previous five working days in full TL are as follows:

	25.12.2017	26.12.2017	27.12.2017	28.12.2017	29.12.2017	31.12.2017
USD	3.7968	3.8015	3.8166	3.7715	3.7819	3.7819
JPY	0.0335	0.0336	0.0337	0.0334	0.0336	0.0336
EUR	4.5007	4.5094	4.5414	4.4983	4.5341	4.5341

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2017 are as follows:

	Monthly Average Foreign Exchange Rate
USD	3.8321
JPY	0.0339
EUR	4.5358

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IV. Explanations Related to Currency Risk (continued)

Information on the foreign currency risk of the Bank:

The table below shows the Bank's distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Bank also monitors the delta-adjusted position of the option transactions. As of 31 December 2017, the Bank has net USD short position TL113,858 and net EUR short position TL1,251.

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,912,930	4,714,021	1,919,345	9,546,296
Banks	180,788	924,207	739,054	1,844,049
Financial Assets at Fair Value through Profit and Loss (****)	10,065	118,827	-	128,892
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	410	53,476	10,918	64,804
Loans (**)	9,946,068	3,369,680	1,704,052	15,019,800
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-to-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	1,335	-	-	1,335
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	314,462	92,684	3,997	411,143
Total Assets	13,366,058	9,272,895	4,377,366	27,016,319
Liabilities				
Bank Deposits	4,831	-	2,583	7,414
Foreign Currency Deposits (*)	6,568,214	14,168,079	1,497,882	22,234,175
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	7,097,525	4,954,830	2,851,815	14,904,170
Securities Issued	-	-	-	-
Miscellaneous Payables	39,296	91,739	25,916	156,951
Derivative Financial Liabilities for Hedging Purposes	314	-	-	314
Other Liabilities (***)	27,784	12,525	74	40,383
Total Liabilities	13,737,964	19,227,173	4,378,270	37,343,407
Net Balance Sheet Position				
Net Off-Balance Sheet Position	(371,906)	(9,954,278)	(904)	(10,327,088)
Financial Derivative Assets (****)	44,990	10,424,488	(25,757)	10,443,721
Financial Derivative Liabilities (****)	8,924,989	26,256,628	863,476	36,045,093
Non-Cash Loans (*****)	8,879,999	15,832,140	889,233	25,601,372
	6,050,326	5,487,498	252,325	11,790,149
Prior Period				
Total Assets	12,480,627	10,484,037	3,021,818	25,986,482
Total Liabilities	15,188,792	17,419,541	3,399,206	36,007,539
Net Balance Sheet Position	(2,708,165)	(6,935,504)	(377,388)	(10,021,057)
Net Off-Balance Sheet Position	1,728,876	7,101,057	636,725	9,466,658
Financial Derivative Assets (****)	12,376,683	24,314,508	1,283,778	37,974,969
Financial Derivative Liabilities (****)	10,647,807	17,213,451	647,053	28,508,311
Non-Cash Loans (*****)	5,139,058	4,748,746	191,566	10,079,370

(*) Precious metal accounts amounting to TL692,499 (31 December 2016: TL582,761) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL2,801,409 (31 December 2016: TL2,973,738) are included in the loan portfolio.

(***) TL78,260 (31 December 2016: TL147,086) expense accruals from derivative financial instruments are deducted from other liabilities.

(****) Forward asset and marketable securities purchase-sale commitments of TL2,363,470 (31 December 2016: TL592,146) are added to derivative financial assets and TL2,554,736 (31 December 2016: TL527,182) has been added to derivative financial liabilities.

(*****) TL62,873 (31 December 2016: TL212,807) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value through Profit and Loss.

(*****) There are no effects on the net off-balance sheet position.

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V. Explanations Related to Interest Rate Risk

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

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Liquidity Risk and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank.

The Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Bank when necessary.

Since the Bank does not allow maturity mismatches or imposes limits on mismatch, no significant interest rate risk exposure is expected.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,936,275	-	-	-	-	2,039,497	10,975,772
Banks	1,611,119	-	-	-	-	902,218	2,513,337
Financial Assets at Fair Value Through Profit and Loss	116,906	75,855	99,297	350,591	70,741	692,814	1,406,204
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available for Sale	401,236	873,755	2,226,778	1,080,632	55,769	57,294	4,695,464
Loans (*)	15,311,197	3,700,898	11,301,111	25,740,100	6,530,415	707,056	63,290,777
Held-To-Maturity Investments	40,737	112,666	248,451	-	-	-	401,854
Other Assets	77,090	4,454	2,115	3,616	-	2,387,546	2,474,821
Total Assets	26,494,560	4,767,628	13,877,752	27,174,939	6,656,925	6,786,425	85,758,229
Liabilities							
Bank Deposits	258,821	-	-	-	-	20,549	279,370
Other Deposits	38,326,928	6,231,923	1,253,745	773	120	9,483,857	55,297,346
Money Market Borrowings	105,206	-	-	-	-	-	105,206
Miscellaneous Payables	-	-	-	-	-	1,439,685	1,439,685
Securities Issued	-	992,862	296,826	-	-	-	1,289,688
Funds Provided From Other Financial Institutions	3,251,295	3,308,342	8,403,975	117,483	-	-	15,081,095
Other Liabilities	176,173	60,976	88,843	341,361	2,274	11,596,212	12,265,839
Total Liabilities	42,118,423	10,594,103	10,043,389	459,617	2,394	22,540,303	85,758,229
Balance Sheet Long Position	-	-	3,834,363	26,715,322	6,654,531	-	37,204,216
Balance Sheet Short Position	(15,623,863)	(5,826,475)	-	-	-	(15,753,878)	(37,204,216)
Off-Balance Sheet Long Position	9,149,837	69,037	-	-	-	-	9,218,874
Off-Balance Sheet Short Position	-	-	(1,657,178)	(7,347,502)	(161,330)	-	(9,166,010)
Total Position	(6,474,026)	(5,757,438)	2,177,185	19,367,820	6,493,201	(15,753,878)	52,864

(*) Revolving loans amounting to TL7,128,307 are included in "Up to 1 Month", income accrual of TL99 due to changes in the fair value of the loans hedged is presented in "1-3 Months" maturity schedule.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL271,622 intangible assets amounting to TL519,770, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL90,677 while other liabilities line includes the shareholders' equity of TL9,019,677.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

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V. Explanations Related to Interest Rate Risk (continued)

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	9,171,740	-	-	-	-	2,495,674	11,667,414
Banks	948,004	-	-	-	-	620,674	1,568,678
Financial Assets at Fair Value Through Profit and Loss	1,660	97,751	138,953	119,510	12,756	902,344	1,272,974
Money Market Placements	2,000,930	-	-	-	-	-	2,000,930
Financial Assets Available for Sale	615,310	1,213,367	1,358,138	803,200	71,487	41,864	4,103,366
Loans (*)	15,422,022	2,858,586	10,261,731	19,997,815	7,266,145	557,530	56,363,829
Held-To-Maturity Investments	36,415	100,709	224,384	-	-	-	361,508
Other Assets	42,430	-	87,754	65,136	-	2,193,371	2,388,691
Total Assets	28,238,511	4,270,413	12,070,960	20,985,661	7,350,388	6,811,457	79,727,390
Liabilities							
Bank Deposits	176,275	-	-	-	-	4,710	180,985
Other Deposits	34,385,723	6,696,036	937,420	8,588	17	7,623,889	49,651,673
Money Market Borrowings	1,457,750	-	-	-	-	-	1,457,750
Miscellaneous Payables	-	-	-	-	-	1,414,467	1,414,467
Securities Issued	136,778	-	602,524	-	-	-	739,302
Funds Provided From Other Financial Institutions	2,496,952	5,077,060	7,420,551	41,193	103,185	-	15,138,941
Other Liabilities	35,209	66,909	35,625	243,776	3,012	10,759,741	11,144,272
Total Liabilities	38,688,687	11,840,005	8,996,120	293,557	106,214	19,802,807	79,727,390
Balance Sheet Long Position	-	-	3,074,840	20,692,104	7,244,174	-	31,011,118
Balance Sheet Short Position	(10,450,176)	(7,569,592)	-	-	-	(12,991,350)	(31,011,118)
Off-Balance Sheet Long Position	7,000,825	-	-	-	-	-	7,000,825
Off-Balance Sheet Short Position	-	(654,642)	(954,460)	(5,127,552)	-	-	(6,736,654)
Total Position	(3,449,351)	(8,224,234)	2,120,380	15,564,552	7,244,174	(12,991,350)	264,171

(*) Revolving loans amounting to TL7,824,588 are included in “Up to 1 Month.”

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL242,037, intangible assets amounting to TL502,712, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL91,254 while other liabilities line includes the shareholders’ equity of TL7,799,401.

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V. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1.50	-	4.00
Banks	(0.45)	1.25	-	12.78
Financial Assets at Fair Value Through Profit and Loss	1.99	4.78	-	13.83
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	0.99	4.87	-	13.02
Loans	3.18	4.54	4.95	15.30
Held-To-Maturity Investments	-	-	-	15.49
Liabilities				
Bank Deposits	-	-	-	4.11
Other Deposits	1.40	3.20	1.41	13.45
Money Market Borrowings	-	-	-	12.26
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	13.93
Funds Provided From Other Financial Institutions	1.28	3.09	-	6.68
	EUR %	USD %	YEN %	TL %
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	0.75	-	3.31
Banks	(0.21)	0.64	-	8.42
Financial Assets at Fair Value Through Profit and Loss	1.98	5.58	-	9.70
Money Market Placements	-	-	-	8.49
Financial Assets Available for Sale	2.59	5.78	-	9.77
Loans	3.15	3.82	3.20	14.15
Held-To-Maturity Investments	-	-	-	10.78
Liabilities				
Bank Deposits	-	-	-	3.64
Other Deposits	1.44	2.91	1.16	10.45
Money Market Borrowings	-	-	-	8.01
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	10.20
Funds Provided From Other Financial Institutions	1.06	2.43	1.00	6.66

Interest rate risk on banking accounts:

- a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk:

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities.

Early repayment rate of loans is determined upon auditing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issue products in calculation of interest rate sensitivity.

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V. Explanations Related to Interest Rate Risk (continued)

Interest rate risk on banking accounts:

- b) Economic value differences resulted from interest rate instabilities calculated according to "Regulation on measurement and evaluation of interest rate risk resulting from the banking accounts as per standard shock method":

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
TL	(400)	1,108,506	10.16%
TL	500	(1,202,872)	(11.02)%
EUR	(200)	84,388	0.77%
EUR	200	(73,357)	(0.67)%
USD	(200)	(35,905)	(0.33)%
USD	200	35,420	0.32%
Total (of negative shocks)	(800)	1,156,989	10.60%
Total (of positive shocks)	900	(1,240,809)	(11.37)%

Explanations Related to Equity Share Position Risk in Banking Accounts

Equity securities which are not publicly traded are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determined properly.

VI. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio

- a) Information on liquidity risk management, such as the Bank's risk capacity, responsibilities and the structure of liquidity risk management, Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for monitoring the Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group uses authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for developing/setting middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the Bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks, and at a Liquidity Risk Committee meeting which is held monthly.

- b) Information on the centralization degree of liquidity management and funding strategy and on operations between the Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Bank's liquidity risk and performs this role only for the Bank. Liquidity gap values are monitored within the limits set by the Board of Directors and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity, and we provide them borrowing facilities within market conditions and legal limits.

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

- c) Informations about the Bank's funding strategy including the policies on funding types and variety of maturities:

While the Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the Bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Bank uses instruments such as long-term syndicated loans, securities issued in TL, and foreign currency to diversify funding resources.

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the General Manager, Assistant General Manager Responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

- e) Information on liquidity risk mitigation techniques:

The Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Asset-Liability Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FC swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimize these risks in the long term.

- f) Explanations on the usage of the stress test:

The aim of the liquidity stress test is to analyse how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analyzed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Bank and in the whole banking system, in cases of stress event are analyzed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

- g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine:

- Whether the liquidity problem is specific to the Bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Assets-Liabilities Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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

Liquidity Coverage Ratio:

		Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
Current Period - 31 December 2017		TL+FC	FC	TL+FC	FC
High Quality Liquid Assets					
1	High Quality Liquid Assets			15,637,407	9,176,269
Cash Outflows					
2	Real Person and Retail Deposits	35,487,852	14,376,874	3,198,478	1,437,687
3	Stable Deposits	7,006,143	-	350,307	-
4	Less Stable Deposits	28,481,709	14,376,874	2,848,171	1,437,687
5	Unsecured Debts Other than Real Person and Retail Deposits	17,773,537	9,224,213	9,268,967	5,317,097
6	Operational Deposits	1,392,091	758,149	348,023	189,537
7	Non-Operational Deposits	14,367,443	7,329,306	6,956,571	3,990,802
8	Other Unsecured Funding	2,014,003	1,136,758	1,964,373	1,136,758
9	Secured Funding				
10	Other Cash Outflows	8,118,155	5,689,887	8,118,155	5,689,887
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	8,118,155	5,689,887	8,118,155	5,689,887
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	28,632,503	10,121,458	2,247,325	946,802
16	Total Cash Outflows			22,832,925	13,391,473
Cash Inflows					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	8,201,020	3,647,482	5,757,090	2,850,708
19	Other cash Inflows	7,593,633	13,285,978	7,593,633	13,285,978
20	Total Cash Inflows	15,794,653	16,933,460	13,350,723	16,136,686
Values to which the upper limit is applied					
21	Total High Quality Liquid Assets			15,637,407	9,176,269
22	Total Net Cash Outflows			9,482,202	3,347,868
23	Liquidity Coverage Ratio (%)			164.91	274.09

(*) Simple arithmetic average of the last three months data calculated by using weekly simple arithmetic averages.

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

Liquidity Coverage Ratio: (continued)

		Rate of "Percentage" to Be Taken into Account not Implemented Total Value(*)		Rate of "Percentage" to Be Taken into Account Implemented Total Value(*)	
Prior Period - 31 December 2016		TL+FC	FC	TL+FC	FC
High Quality Liquid Assets					
1	High Quality Liquid Assets			13,193,185	8,320,157
Cash Outflows					
2	Small Business Customers and Retail Deposits	31,283,439	11,726,387	2,721,360	1,172,639
3	Stable Deposits	8,139,665	-	406,983	-
4	Less Stable Deposits	23,143,774	11,726,387	2,314,377	1,172,639
5	Unsecured Debts Other than Real Person and Retail Deposits	17,005,171	7,620,844	8,063,410	3,916,092
6	Operational Deposits	2,907,745	1,503,101	726,936	375,775
7	Non-Operational Deposits	13,383,383	6,073,551	6,622,431	3,496,125
8	Other Unsecured Funding	714,043	44,192	714,043	44,192
9	Secured Funding	-	-	-	-
10	Other Cash Outflows	16,253,730	8,227,354	16,253,730	8,227,354
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	16,253,730	8,227,354	16,253,730	8,227,354
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	27,815,414	9,491,086	2,104,563	842,805
16	Total Cash Outflows			29,143,063	14,158,890
Cash Inflows					
17	Secured Liabilities	-	-	-	-
18	Unsecured Liabilities	6,371,149	2,939,803	4,197,615	2,253,314
19	Other Cash Inflows	15,808,844	11,770,145	15,808,844	11,770,145
20	Total Cash Inflows	22,179,993	14,709,948	20,006,459	14,023,459
Values to which the upper limit is applied					
21	Total High Quality Liquid Assets			13,193,185	8,320,157
22	Total Net Cash Outflows			9,136,604	3,539,722
23	Liquidity Coverage Ratio (%)			144.40	235.05

(*) Simple arithmetic average of the last three months data calculated by using weekly simple arithmetic averages.

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

High quality liquid assets in order of their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

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

Liquidity Coverage Ratio: (continued)

Liquidity management of subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section two of communiqué.

The weeks with lowest and highest liquidity coverage ratio for the last three months calculated by using weekly simple arithmetic averages are presented below:

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
Lowest Week	129.25% 13.10.2017	204.11% 27.10.2017	121.51% 07.10.2016	164.92% 30.12.2016
Highest Week	212.83% 15.12.2017	337.96% 15.12.2017	172.86% 02.12.2016	305.20% 07.10.2016

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,039,497	8,936,275	-	-	-	-	-	10,975,772
Banks	902,218	1,611,119	-	-	-	-	-	2,513,337
Financial Assets at Fair Value Through Profit and Loss	-	155,633	119,357	373,020	649,171	109,023	-	1,406,204
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available for Assets	57,294	57,277	128,481	604,073	3,236,365	611,974	-	4,695,464
Loans (**)	-	15,293,765	3,664,480	11,313,768	25,784,535	6,530,415	703,814	63,290,777
Held-To-Maturity Investments	-	-	-	-	401,854	-	-	401,854
Other Assets	-	77,090	4,454	2,115	3,616	-	2,387,546	2,474,821
Total Assets	2,999,009	26,131,159	3,916,772	12,292,976	30,075,541	7,251,412	3,091,360	85,758,229
Liabilities								
Bank Deposits	20,549	258,821	-	-	-	-	-	279,370
Other Deposits	9,483,857	38,321,076	6,231,512	1,260,008	773	120	-	55,297,346
Funds Provided From Other Financial Institutions	-	2,755,865	2,471,250	6,861,187	678,710	2,314,083	-	15,081,095
Money Market Borrowings	-	105,206	-	-	-	-	-	105,206
Securities Issued	-	-	992,862	296,826	-	-	-	1,289,688
Miscellaneous Payables	-	1,439,685	-	-	-	-	-	1,439,685
Other Liabilities	-	1,194,573	203,968	367,718	461,104	3,026	10,035,450	12,265,839
Total Liabilities	9,504,406	44,075,226	9,899,592	8,785,739	1,140,587	2,317,229	10,035,450	85,758,229
Liquidity Gap	(6,505,397)	(17,944,067)	(5,982,820)	3,507,237	28,934,954	4,934,183	(6,944,090)	-
Net Off-Balance Sheet Position	-	(112,505)	(104,333)	230,224	81,010	(2,254)	-	92,142
Financial Derivative Assets	-	19,107,247	9,546,026	16,619,829	12,584,766	396,328	-	58,254,196
Financial Derivative Liabilities	-	19,219,752	9,650,359	16,389,605	12,503,756	398,582	-	58,162,054
Non-Cash Loans	5,544,145	1,011,848	2,529,575	6,556,744	4,940,070	-	-	20,582,382
Prior Period								
Total Assets	3,158,212	27,993,465	3,560,007	11,429,365	22,966,731	7,868,745	2,750,865	79,727,390
Total Liabilities	7,628,599	40,825,625	9,410,319	10,259,030	614,626	2,056,583	8,932,608	79,727,390
Liquidity Gap	(4,470,387)	(12,832,160)	(5,850,312)	1,170,335	22,352,105	5,812,162	(6,181,743)	-
Net Off-Balance Sheet Position	-	(12,120)	109,506	189,124	93,010	(11,742)	-	367,778
Financial Derivative Assets	-	20,875,177	11,321,706	13,474,627	9,876,546	231,423	-	55,779,479
Financial Derivative Liabilities	-	20,887,297	11,212,200	13,285,503	9,783,536	243,165	-	55,411,701
Non-Cash Loans	5,086,011	820,336	2,183,231	4,866,008	4,564,539	-	-	17,520,125

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

(**) Revolving loans amounting to TL7,128,307 (31 December 2016: TL7,824,588) are included in "Up to 1 Month" while income accrual from mark to market differences of hedged loans amounting to TL99 are included in "1-3 Months".

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

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Adjustments	Total
31 December 2017								
Money Market Borrowings	-	105,241	-	-	-	-	(35)	105,206
Deposit	9,483,857	38,454,190	6,303,782	1,331,060	823	249	(276,615)	55,297,346
Bank Deposit	20,549	258,877	-	-	-	-	(56)	279,370
Funds Borrowed From Other Financial Institutions	-	2,876,241	2,524,394	7,387,305	713,327	2,865,579	(1,285,751)	15,081,095
Total	9,504,406	41,694,549	8,828,176	8,718,365	714,150	2,865,828	(1,562,457)	70,763,017
31 December 2016								
Money Market Borrowings	-	1,458,678	-	-	-	-	(928)	1,457,750
Deposit	7,623,889	34,463,625	6,755,791	982,448	8,894	19	(182,993)	49,651,673
Bank Deposit	4,710	176,310	-	-	-	-	(35)	180,985
Funds Borrowed From Other Financial Institutions	-	2,173,856	2,535,120	8,665,913	399,048	2,490,672	(1,125,668)	15,138,941
Total	7,628,599	38,272,469	9,290,911	9,648,361	407,942	2,490,691	(1,309,624)	66,429,349

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
31 December 2017						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	227,188	-	-	-	227,188
Cash flow hedge	1,646,639	129,974	790,267	877,696	-	3,444,576
Held for trading transactions						
Foreign exchange forward contracts-sell	2,909,601	2,026,037	2,604,450	1,079,295	6,566	8,625,949
Currency swaps-sell	11,237,673	5,104,670	8,155,829	4,060,585	185,007	28,743,764
Interest rate swaps-sell	2,459	308	4,360	13,301	3,917	24,345
Foreign currency futures-sell	-	278,665	185,620	-	-	464,285
Foreign currency options-sell	2,274,207	1,959,171	3,248,756	205,027	-	7,687,161
Total	18,070,579	9,726,013	14,989,282	6,235,904	195,490	49,217,268
31 December 2016						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	458,739	154,852	1,090,094	1,132,067	-	2,835,752
Held for trading transactions						
Foreign exchange forward contracts-sell	1,321,435	1,221,184	1,957,968	916,474	58,510	5,475,571
Currency swaps-sell	16,815,704	5,801,193	5,304,480	2,968,308	11,427	30,901,112
Interest rate swaps-sell	11,897	14,263	5,956	28,876	1,050	62,042
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	1,755,446	3,455,772	4,704,209	396,602	-	10,312,029
Total	20,363,221	10,647,264	13,062,707	5,442,327	70,987	49,586,506

Cash disposal of derivative financial instruments is shown in the table above.

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VII. Explanations Related to Leverage Ratio

- a) Information on issues that cause differences between current period and previous period leverage ratios:

There is an increase in cash and non-cash loan portfolio and fair value of derivative transactions, resulting in a decrease in the leverage ratio.

- b) Leverage ratio:

Assets on the Balance Sheet	Current Period(*)	Prior Period(*)
1 Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	84,431,610	78,877,363
2 (Assets Deducted from Core Capital)	(549,525)	(545,659)
3 Total Risk Amount for Assets on the Balance Sheet	83,882,085	78,331,704
Derivative Financial Instruments and Credit Derivatives		
4 Renewal Cost of Derivative Financial Instruments and Loan Derivatives	1,391,857	1,012,719
5 Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	698,335	553,161
6 Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	2,090,192	1,565,880
Financing Transactions With Securities Or Goods Warranties		
7 Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	-	-
8 Risk Amount Arising from Intermediated Transactions	-	-
9 Total Risk Amount of Financing Transactions with Securities or Goods Warranties	-	-
Off-the-Balance Sheet Transactions		
10 Gross Nominal Amount of the Off-Balance Sheet Transactions	40,298,665	32,832,812
11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12 Total Risk Amount for Off-Balance Sheet Transactions	40,298,665	32,832,812
Capital and Total Risk		
13 Tier 1 Capital	8,253,609	7,372,497
14 Total Risk Amount	126,270,942	112,730,396
Leverage Ratio		
15 Leverage Ratio	6.54%	6.54%

(*) The amounts in the table are calculated by using the quarterly average amounts.

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

The table below shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Bank.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	70,901,432	64,398,311	70,430,859	64,010,331
Money Market Placements	-	2,000,930	-	2,000,930
Banks	2,513,337	1,568,678	2,513,337	1,568,678
Financial Assets Available for Sale	4,695,464	4,103,366	4,695,464	4,103,366
Held-To-Maturity Investments	401,854	361,508	403,707	364,740
Loans	63,290,777	56,363,829	62,818,351	55,972,617
Financial Liabilities	73,492,390	68,583,118	73,829,248	68,792,914
Bank Deposit	279,370	180,985	279,370	180,998
Other Deposit	55,297,346	49,651,673	55,603,482	49,831,899
Funds Borrowed From Other Financial Institutions (*)	15,186,301	16,596,691	15,217,023	16,626,248
Marketable Securities Issued	1,289,688	739,302	1,289,688	739,302
Sundry Creditors	1,439,685	1,414,467	1,439,685	1,414,467

(*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available for sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

31 December 2017	Level 1	Level 2	Level 3	Total
Financial Assets	5,085,633	1,098,096	-	6,183,729
Financial assets at fair value through profit and loss	460,960	945,244	-	1,406,204
<i>Public sector debt securities</i>	460,960	-	-	460,960
<i>Derivative financial assets held for trading</i>	-	945,244	-	945,244
Derivative financial assets for hedging purposes	-	87,275	-	87,275
Financial assets available for sale	4,624,673	65,577	-	4,690,250
<i>Public sector debt securities</i>	4,624,673	13,497	-	4,638,170
<i>Other financial assets available for sale (*)</i>	-	52,080	-	52,080
Financial Liabilities	-	1,401,408	-	1,401,408
Derivative financial liabilities held for trading	-	958,077	-	958,077
Derivative financial liabilities for hedging purposes	-	443,331	-	443,331
31 December 2016	Level 1	Level 2	Level 3	Total
Financial Assets	4,252,764	1,307,040	-	5,559,804
Financial assets at fair value through profit and loss	203,194	1,069,780	-	1,272,974
<i>Public sector debt securities</i>	203,194	-	-	203,194
<i>Derivative financial assets held for trading</i>	-	1,069,780	-	1,069,780
Derivative financial assets for hedging purposes	-	195,320	-	195,320
Financial assets available for sale	4,049,570	41,940	-	4,091,510
<i>Public sector debt securities</i>	4,049,570	11,932	-	4,061,502
<i>Other financial assets available for sale (*)</i>	-	30,008	-	30,008
Financial Liabilities	-	1,227,084	-	1,227,084
Derivative financial liabilities held for trading	-	942,592	-	942,592
Derivative financial liabilities for hedging purposes	-	284,492	-	284,492

(*) All unquoted share certificates of TL5,214 which are recorded at cost since its fair value cannot be reliably estimated are not included (31 December 2016: TL11,856).

There is no transition between the levels in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

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X. Explanations Related to Risk Management

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Bank.

1. Risk management approach and Risk Weighted Amounts

1.1. Bank’s risk management approach

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Bank and all of its subsidiaries have been gathered under the Group Risk Management. Group Risk Management reports to the Boards of Directors of TEB Group through the Audit Committee within the TEB A.Ş. and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

With Risk Policies, the Bank aims to,

- i) Identify the main risks to which bank is exposed and be cautious of the risks taken;
- ii) Define roles and responsibilities to identify, analyse, measure, monitor, and control the main risks bank faces and other risks which may arise as a consequence of changes in activity structure and economic conditions,
- iii) Identify the volume of transactions which may cause non-controllable risks by considering equity strength or decrease the activities affected by such risks.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of the Bank to provide compliance with risk policies containing the criteria required for each unit and to provide that TEB Risk Academy is founded and supported.

Risk Management Operations consist of;

- i) risk measurement,
- ii) monitoring of risks,
- iii) control of risk and reporting operations

Risk management operations are conducted by Group Risk Management and personnel.

Group Risk Management applies second order controls for quantifiable risks as part of continuous control system.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

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X. Explanations Related to Risk Management (continued)

1. Disclosures on risk management approach and overview of Risk Weighted Amounts (continued)

1.2. Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum capital
		Current Period	Prior Period	Requirement
1	Credit Risk (Excluding Counterparty Credit Risk) (CCR)	58,694,864	59,101,534	4,695,589
2	Of which Standardized Approach (SA)	58,694,864	59,101,534	4,695,589
3	Of which Internal Rating-Based (IRB) Approach	-	-	-
4	Counterparty Credit risk	1,558,203	1,933,426	124,656
5	Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	1,558,203	1,933,426	124,656
6	Of which Internal Model Method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity Investment in Funds - Look-Through Approach	-	-	-
9	Equity Investment in Funds - Mandate-Based Approach	-	-	-
10	Equity Investment in Funds - 1250% Weighted Risk Approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitization Positions in banking accounts	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	677,913	317,576	54,233
17	Of which Standardized approach (SA)	677,913	317,576	54,233
18	Of which Internal model approaches (IMM)	-	-	-
19	Operational Risk	6,784,975	5,908,529	542,798
20	Of which Basic Indicator Approach	6,784,975	5,908,529	542,798
21	Of which Standart Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts Below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24	Floor Adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	67,715,955	67,261,065	5,417,276

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X. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values under scope of regulatory consolidation	Carrying values of items in accordance with TAS			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	10,975,772	10,975,772	-	-	-
Financial assets held for trading	1,406,204	-	945,244	460,960	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	2,513,337	2,513,337	-	-	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	4,695,464	4,695,464	-	-	-
Loans and receivables	63,290,777	63,290,777	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	401,854	401,854	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	115,986	115,986	-	-	-
Investments in joint ventures (net)	5	5	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	87,275	-	87,275	-	-
Tangible assets (net)	271,622	215,170	-	-	56,452
Intangible assets (net)	519,770	-	-	-	519,770
Investment properties (net)	-	-	-	-	-
Tax assets	69,744	69,744	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	90,677	90,677	-	-	-
Other assets	1,319,742	1,309,932	-	9,810	-
Total Assets	85,758,229	83,678,718	1,032,519	470,770	576,222
Liabilities					
Deposits	55,576,716	-	-	-	-
Derivative financial liabilities held for trading	958,077	-	-	-	-
Loans	12,767,012	-	-	-	-
Debt to money markets	105,206	-	105,206	-	-
Debt securities in issue	1,289,688	-	-	-	-
Funds	-	-	-	-	-
Various Debts	1,439,685	-	-	-	-
Other Debts	599,037	-	-	-	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	443,331	-	-	-	-
Provisions	1,015,773	-	-	-	-
Tax liability	229,944	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	2,314,083	-	-	-	-
Equity	9,019,677	-	-	-	-
Total Liabilities	85,758,229	-	105,206	-	-

(*) Refers to the Bank's unconsolidated financial statements.

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X. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures (continued)

2.2. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	11,667,414	11,667,414	-	-	-
Financial assets held for trading	1,272,974	-	1,069,780	203,194	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	1,568,678	1,568,678	-	-	-
Receivables from money markets	2,000,930	-	2,000,930	-	-
Financial assets available for sale (net)	4,103,366	4,103,366	-	-	-
Loans and receivables	56,363,829	56,363,829	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	361,508	361,508	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	115,986	115,986	-	-	-
Investments in joint ventures (net)	5	5	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	195,320	-	195,320	-	-
Tangible assets (net)	242,037	177,275	-	-	64,762
Intangible assets (net)	502,712	-	-	-	502,712
Investment properties (net)	-	-	-	-	-
Tax assets	98,947	98,947	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	91,254	91,254	-	-	-
Other assets	1,142,430	1,141,519	-	911	-
Total Assets	79,727,390	75,689,781	3,266,030	204,105	567,474
Liabilities					
Deposits	49,832,658	-	-	-	-
Derivative financial liabilities held for trading	942,592	-	-	-	-
Loans	12,839,056	-	-	-	-
Debt to money markets	1,457,750	-	1,457,750	-	-
Debt securities in issue	739,302	-	-	-	-
Funds	-	-	-	-	-
Various Debts	1,414,467	-	-	-	-
Other Debts	846,800	-	-	-	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	284,492	-	-	-	-
Provisions	1,133,207	-	-	-	-
Tax liability	137,780	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	2,299,885	-	-	-	-
Equity	7,799,401	-	-	-	-
Total Liabilities	79,727,390	-	1,457,750	-	-

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X. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures (continued)

2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
Current Period	Total			
1 Asset carrying value amount under scope of regulatory consolidation	85,758,229	83,678,718	1,032,519	470,770
2 Liabilities carrying value amount under regulatory scope of consolidation	105,206	-	105,206	-
3 Total net amount under regulatory scope of consolidation	85,653,023	83,678,718	927,313	470,770
4 Off-balance sheet amounts	94,722,108	15,094,125	666,667	-
5 Differences in valuations	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-
8 Differences due to prudential filters	-	-	-	-
9 Exposure amounts considered for regulatory purposes		98,772,843	1,593,980	470,770
Prior Period	Total			
1 Asset carrying value amount under scope of regulatory consolidation	79,727,390	75,689,781	3,266,030	204,105
2 Liabilities carrying value amount under regulatory scope of consolidation	1,457,750	-	1,457,750	-
3 Total net amount under regulatory scope of consolidation	78,269,640	75,689,781	1,808,280	204,105
4 Off-balance sheet amounts	81,572,003	13,097,432	621,423	-
5 Differences in valuations	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-
8 Differences due to prudential filters	-	-	-	-
9 Exposure amounts considered for regulatory purposes		88,787,213	3,887,453	204,105

2.3. Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

The market value approach is used to make valuation of the positions in the Bank portfolios. The market data sources used for valuations are identified, defined in the Market Risk Policy, and reviewed annually. The relevant action is taken immediately when it is determined that the data does not reflect the market condition other than annual data source evaluation. Product valuations are checked by using sources such as Reuters and Bloomberg.

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure

3.1. General information about credit risk

3.1.1. General qualitative information about credit risk

The objective of the Risk Management system is to provide that the risks that are derived from the bank's activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Credit Risk Management reports aim to supply risk level trends and present risk expectations. Details and content vary depending on the requirements of meetings and are presented in graphs and figures for ease of explanation and taking decisions.

The main report presented to Senior Management is the Credit Risk General Overview report, which is prepared monthly and discussed by the Risk Policies Committee. This report is also presented to the Board of Directors and to the Audit Committee. Additionally, Group Risk Management prepares reports with special titles less frequently. Most of these reports are presented to the Risk Policies Committee. These reports may also be used in irregular meetings where emergent subjects are discussed or in meetings where the attendance of Senior Management is not required.

Credit risk policies are prepared in line with the Banking Law, external regulations, and general banking practices, and are approved by the Risk Policies Committee, Audit Committee, and Board of Directors. The Bank's credit activities are managed according to the General Credit Policy that is approved by the Risk Policies Committee and the Board of Directors.

The risk appetite declaration is approved and reviewed once a year by the Board of Directors. The Bank combines existing risk management tools, processes, principles, and policies, using a consistent approach with risk appetite declaration, and ensures that risks taken are within the agreed upon limits. In this way, the consistency of risk practices is improved across the Bank.

The Bank controls the credit risk by monitoring loan receivables, limiting certain transactions with counter parties, evaluating the loan valuation of the counter party regularly, diversifying loan types and products separately based on customer groups and industry to prevent the concentration of deferred payments and receiving guarantees when appropriate.

3.1.2. Credit quality of assets

Current Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	1,946,625	62,586,963	1,242,811	63,290,777
Debt Securities	-	5,040,024	-	5,040,024
Off-balance sheet exposures	-	40,560,656	48,741	40,511,915
Total	1,946,625	108,187,643	1,291,552	108,842,716

Prior Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	1,771,775	55,806,335	1,214,281	56,363,829
Debt Securities	-	4,423,010	-	4,423,010
Off-balance sheet exposures	-	31,572,213	48,515	31,523,698
Total	1,771,775	91,801,558	1,262,796	92,310,537

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X. Explanations Related to Risk Management (continued)

3.1.3. Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the 31 December 2016	1,771,775
2	Loans and debt securities that have defaulted since the last reporting period	1,416,218
3	Returned to non-defaulted status	12,936
4	Amounts written off	557,645
5	Other changes (*)	670,787
6	Defaulted loans and debt securities at end of 31 December 2017 (1+2-3-4-5)	1,946,625

(*) Includes collections during the period.

1	Defaulted loans and debt securities at end of the 31 December 2015	1,232,527
2	Loans and debt securities that have defaulted since the last reporting period	1,725,218
3	Returned to non-defaulted status	20,851
4	Amounts written off	520,452
5	Other changes (*)	644,667
6	Defaulted loans and debt securities at end of 31 December 2016 (1+2-3-4-5)	1,771,775

(*) Includes collections during the period.

3.1.4 Additional disclosure related to the credit quality

- a) The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting purposes.

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, non-required delay time loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “non-performing loan” in the Accounting Practice.

Receivables past due more than 90 days are considered as “impaired receivables”, and they are classified as group III, IV, and V in accordance with Communiqué. A specific reserve is allocated for such receivables.

- b) The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

A specific provision is allocated for receivables for which collection is deferred more than 90 days in accordance with the Communiqué.

- c) Description of methods used for determining impairments.

Provision amount is determined in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”.

- d) The definition of the restructured exposure.

If the borrower fails to make payment to the Bank due to a temporary lack of liquidity, loans and other receivables including deferred interest payments may be restructured to provide the borrower with additional liquidity to enable the Bank to collect its receivables, or a new repayment schedule may be arranged.

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4 Additional disclosure related to the credit quality (continued)

e) Breakdown of exposures by geographical areas, industry and residual maturity:

Breakdown of Loans and Receivables by Sector:

	Current Period			
	TL	(%)	FC	(%)
Agriculture	2,070,232	4.11	131,076	1.08
Farming and Stockbreeding	2,012,992	4.00	114,545	0.94
Forestry	-	-	-	-
Fishery	57,240	0.11	16,531	0.14
Manufacturing	8,260,502	16.41	4,928,277	40.33
Mining and Quarrying	854,046	1.70	333,262	2.73
Production	7,230,696	14.36	4,304,834	35.23
Electricity, Gas and Water	175,760	0.35	290,181	2.37
Construction	3,136,735	6.23	774,678	6.34
Services	21,062,961	41.82	6,324,487	51.76
Wholesale and Retail Trade	12,253,016	24.33	1,839,438	15.06
Accommodation and Dining	1,035,988	2.06	941,150	7.70
Transportation and Telecom.	2,712,250	5.38	366,737	3.00
Financial Institutions	2,057,948	4.09	1,283,292	10.50
Real Estate and Rental Services	1,445,431	2.87	1,839,937	15.06
Self-Employment Services	731,743	1.45	53,869	0.44
Educational Services	87,014	0.17	61	-
Health and Social Services	739,571	1.47	3	-
Other	15,838,142	31.43	59,873	0.49
Total	50,368,572	100.00	12,218,391	100.00

	Prior Period			
	TL	(%)	FC	(%)
Agriculture	1,503,577	3.40	82,486	0.71
Farming and Stockbreeding	1,439,775	3.25	82,293	0.71
Forestry	17,086	0.04	193	-
Fishery	46,716	0.11	-	-
Manufacturing	6,490,698	14.69	4,222,489	36.31
Mining and Quarrying	596,581	1.35	150,892	1.30
Production	5,798,172	13.12	3,899,791	33.53
Electricity, Gas and Water	95,945	0.22	171,806	1.48
Construction	2,866,408	6.49	828,115	7.12
Services	17,811,987	40.32	6,448,766	55.45
Wholesale and Retail Trade	10,701,496	24.22	1,916,170	16.47
Accommodation and Dining	964,116	2.18	962,360	8.28
Transportation and Telecom.	2,575,923	5.83	570,461	4.91
Financial Institutions	904,649	2.05	1,186,638	10.20
Real Estate and Rental Services	1,209,742	2.74	1,614,367	13.88
Self-Employment Services	920,429	2.08	193,291	1.66
Educational Services	64,943	0.15	44	-
Health and Social Services	470,689	1.07	5,435	0.05
Other	15,504,076	35.10	47,733	0.41
Total	44,176,746	100.00	11,629,589	100.00

Breakdown of loans and receivables according to remaining maturities is provided in the note VI. of section 4 under the "Presentation of assets and liabilities according to their remaining maturities".

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4 Additional disclosure related to the credit quality (continued)

- f) Amounts of impaired exposures on geographical areas and industry basis (according to the definition used by the Bank for accounting purposes) and write-offs with related allowances.

All of the Bank’s loans under follow-up is in Turkey. Amounts of provision allocated receivables based on sector are presented in the note II of section 4 under “Information in terms of major sectors and type of counterparties”.

- g) Ageing analysis of accounting past-due exposures

31 December 2017	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables				
Commercial Loans	1,070,364	480,791	505,945	2,057,100
Consumer Loans	182,831	305,112	159,291	647,234
Credit Cards	87,178	45,607	18,847	151,632
Total	1,340,373	831,510	684,083	2,855,966
31 December 2016	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables				
Commercial Loans	1,253,420	504,294	492,076	2,249,790
Consumer Loans	204,320	317,271	153,492	675,083
Credit Cards	99,278	49,843	22,521	171,642
Total	1,557,018	871,408	668,089	3,096,515

- h) Breakdown of restructured exposures between impaired and not impaired exposures

Not-impaired loans:

Current Period	Gross Amount	Specific Provision	Net Amount
Commercial Loans	1,604,691	-	1,604,691
Consumer Loans	114,754	-	114,754
Credit Cards	75,098	-	75,098
Total	1,794,543	-	1,794,543
Prior Period	Gross Amount	Specific Provision	Net Amount
Commercial Loans	1,386,772	-	1,386,772
Consumer Loans	128,366	-	128,366
Credit Cards	69,144	-	69,144
Total	1,584,282	-	1,584,282

Impaired loans:

Current Period	Gross Amount	Specific Provision	Net Amount
Commercial Loans	13,952	5,209	8,743
Consumer Loans	16,298	5,988	10,310
Credit Cards	4,808	1,605	3,203
Total	35,058	12,802	22,256
Prior Period	Gross Amount	Specific Provision	Net Amount
Commercial Loans	12,014	5,870	6,144
Consumer Loans	20,818	7,664	13,154
Credit Cards	5,887	1,902	3,985
Total	38,719	15,436	23,283

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.2 Credit Risk Mitigation

3.2.1. Qualitative disclosure requirements related to credit risk mitigation techniques

- a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on and off-balance sheet netting

The bank does not perform on and off balance sheet offsetting to decrease credit risk, and credit derivatives are not used.

- b) Core features of policies and processes for collateral evaluation and management.

Financial collaterals are measured at fair value as of reporting date and are included in the risk mitigation process. When allocating the collateral amount to loans provided, the Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The legal validity of the mortgage is ensured by duly registering the mortgage in a timely manner, and significant changes in market conditions are monitored.

In terms of credit risk mitigation, the Bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

- c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Guarantor entity's credit risk value is to be considered in credit risk mitigation process in cases where Bank credit customers obtained guarantee from other entities.

Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk mitigation risk.

3.2.2. Credit risk mitigation techniques – Overview

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which:secured amount	Exposures secured by credit derivatives of which: secured amount
Current Period						
1 Loans	42,068,948	11,678,055	9,128,085	9,543,774	8,044,101	-
2 Debt securities	5,040,024	-	-	-	-	-
3 Total	47,108,972	11,678,055	9,128,085	9,543,774	8,044,101	-
4 Of which defaulted	1,768,141	80,620	65,519	97,864	4,849	-
	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which:secured amount	Exposures secured by credit derivatives of which: secured amount
Prior Period						
1 Loans	38,817,673	15,021,668	11,812,866	2,524,488	1,219,334	-
2 Debt securities	4,423,010	-	-	-	-	-
3 Total	43,240,683	15,021,668	11,812,866	2,524,488	1,219,334	-
4 Of which defaulted	1,616,972	80,831	71,983	73,972	739	-

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.3. Credit risk under standardized approach

3.3.1. Disclosures on banks’ use of credit ratings under the standard approach for credit risk

For portfolios that are risk-weighted under the standardized approach for credit risk, banks must disclose the following information:

- a) Names of the External Credit Assessment Institutions (ECAIs) and Export Credit Agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

The Bank uses Fitch Ratings International Rating Agency’s external ratings.

- b) The risk classes for which each ECAI or ECA is used;

The credit rating of Fitch International Rating is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk concentration is used for receivables with a maturity period of more than three months, and the risk concentration used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

- c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book

A 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and a 50% risk concentration is used for receivables with a maturity period of more than three months. According to the regulation on capital adequacy, corporates where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

- d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply).

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density	
Asset classes		On-balance sheet Amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts density
1	Exposures to central governments or central banks	15,372,386	-	22,027,652	71,816	388,645	2%
2	Exposures to regional governments or local authorities	580,509	9,354	580,388	4,348	293,096	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	4,011,135	1,082,646	3,482,389	970,884	2,055,877	465%
7	Exposures to corporates	24,444,256	18,942,824	22,177,451	10,732,778	31,983,279	97%
8	Retail exposures	27,809,715	12,539,446	22,136,890	2,837,952	18,727,671	75%
9	Exposures secured by residential property	6,943,533	365,715	6,943,534	142,721	2,480,189	35%
10	Exposures secured by commercial real estate	2,121,479	165,675	2,121,480	84,063	1,102,772	50%
11	Past-due loans	703,814	86,955	698,966	29,615	954,664	131%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	1,644,044	7,320,266	1,643,228	2,328	651,377	40%
17	Investments in equities	57,294	-	57,294	-	57,294	100%
18	Total	83,688,165	40,512,881	81,869,272	14,876,505	58,694,864	61%

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (continued)

Prior Period	Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density	
		On-balance sheet Amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts density
1	Exposures to central governments or central banks	15,447,001	-	15,447,001	-	4,919,461	32%
2	Exposures to regional governments or local authorities	419,823	9,450	419,384	4,426	211,910	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	2,773,350	1,209,211	2,437,081	785,781	1,128,274	35%
7	Exposures to corporates	19,917,960	15,869,906	19,171,883	9,205,944	27,673,216	98%
8	Retail exposures	23,256,901	11,270,527	22,783,157	2,656,825	19,075,186	75%
9	Exposures secured by residential property	8,537,608	395,400	8,537,608	155,965	3,042,751	35%
10	Exposures secured by commercial real estate	3,205,726	173,777	3,205,726	95,305	1,650,516	50%
11	Past-due loans	557,494	81,332	556,755	27,319	707,402	121%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	1,540,280	2,515,302	1,540,241	1,638	650,954	42%
17	Investments in equities	41,864	-	41,864	-	41,864	100%
18	Total	75,698,007	31,524,905	74,140,700	12,933,203	59,101,534	68%

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.3. Standardized approach – exposures by asset classes and risk weights

Current Period											Total credit risk exposure amount (after CCF and CRM)	
Asset Classes / Risk Weights		0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weights	
1	Exposures to regional governments or local authorities	21,710,823	-	-	-	-	-	388,645	-	-	-	22,099,468
2	Exposures to regional governments or local authorities	-	-	-	-	583,281	-	1,455	-	-	-	584,736
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	2,339,664	-	1,054,991	-	1,054,956	3,662	-	-	4,453,273
7	Exposures to corporates	-	-	508,160	-	1,040,843	-	31,361,226	-	-	-	32,910,229
8	Retail exposures	-	-	2,344	-	8,849	24,963,489	160	-	-	-	24,974,842
9	Exposures secured by residential property	-	-	-	7,086,255	-	-	-	-	-	-	7,086,255
10	Exposures secured by commercial real estate	-	-	-	-	2,205,543	-	-	-	-	-	2,205,543
11	Past-due loans	-	-	-	-	79,570	-	117,275	531,736	-	-	728,581
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	57,294	-	-	-	57,294
17	Other assets	981,095	-	16,355	-	-	-	648,106	-	-	-	1,645,556
18	Total	22,691,918	-	2,866,523	7,086,255	4,973,077	24,963,489	33,629,117	535,398	-	-	96,745,777

(*) The amount shown on the line of "Exposures secured by commercial real estate" is "Exposures secured by real estate" and other amounts shown on this column represented exposures subject to 50% risk weight.

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X. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.3. Standardized approach – exposures by asset classes and risk weights (continued)

											Total credit risk exposure amount (after CCF and CRM)	
Prior Period	Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weights	
1	Exposures to regional governments or local authorities	6,001,187	-	-	-	9,180,392	-	222,860	-	-	42,562	15,447,001
2	Exposures to regional governments or local authorities	-	-	-	-	423,799	-	11	-	-	-	423,810
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	1,636,043	-	1,573,906	-	10,512	2,401	-	-	3,222,862
7	Exposures to corporates	-	-	321,093	-	895,476	-	27,161,258	-	-	-	28,377,827
8	Retail exposures	-	-	3,440	-	11,637	25,424,905	-	-	-	-	25,439,982
9	Exposures secured by residential property	-	-	-	8,693,573	-	-	-	-	-	-	8,693,573
10	Exposures secured by commercial real estate	-	-	-	-	3,301,031	-	-	-	-	-	3,301,031
11	Past-due loans	-	-	-	-	100,166	-	137,084	346,824	-	-	584,074
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	41,864	-	-	-	41,864
17	Other assets	866,045	-	31,099	-	-	-	644,735	-	-	-	1,541,879
18	Total	6,867,232	-	1,991,675	8,693,573	15,486,407	25,424,905	28,218,324	349,225	-	42,562	87,073,903

(*) The amount shown on the line of "Exposures secured by commercial real estate" is "Exposures secured by real estate" and other amounts shown on this column represented exposures subject to 50% risk weight.

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X. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk

4.1. Qualitative disclosure related to counterparty credit risk

Limit requests of clients demanding derivative transaction are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement and that change according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market fluctuations, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and the Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties in principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

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X. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

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

Current Period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	1,032,519	666,667		1.4	1,681,750	1,007,014
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					5,492	2,746
Total						1,009,760

(*) Effective Expected Positive Exposure

Prior Period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	1,265,100	621,423		1.4	1,867,512	1,058,112
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					1,410,486	1,082
Total						1,059,194

(*) Effective Expected Positive Exposure

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X. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.3. Credit valuation adjustment (CVA) capital charge

Current Period	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,681,750	548,443
Total subject to the CVA capital charge	1,681,750	548,443

Prior Period	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,867,512	874,232
Total subject to the CVA capital charge	1,867,512	874,232

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X. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4. Standardized approach – CCR exposures by regulatory portfolio and risk weights

Current Period Risk Weight/ Regulatory portfolio	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure(*)
Claims from central governments and central banks	-	-	-	-	-	-	17,056	-	-	17,056
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	154,685	-	1,094,748	-	6,892	1,200	-	1,257,525
Corporates	-	-	472	-	5,441	-	391,301	-	-	397,214
Retail portfolios	-	-	-	-	-	15,447	-	-	-	15,447
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	-	-	155,157	-	1,100,189	15,447	415,249	1,200	-	1,687,242

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to CCPs, which are reported in CCR8.

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X. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4. Standardized approach – CCR exposures by regulatory portfolio and risk weights (continued)

Prior Period										Total
Risk Weight/ Regulatory portfolio	0%	10%	20%	35%	50%	75%	100%	150%	Others	credit exposure(*)
Claims from central governments and central banks	1,408,733	-	-	-	-	-	-	-	-	1,408,733
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	208,012	-	1,236,621	-	-	431	-	1,445,064
Corporates	-	-	1,150	-	18,710	-	343,177	-	-	363,037
Retail portfolios	-	-	-	-	-	61,164	-	-	-	61,164
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	1,408,733	-	209,162	-	1,255,331	61,164	343,177	431	-	3,277,998

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to CCPs, which are reported in CCR8.

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X. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.5. Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Current Period						
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	17,328	-	-	-	-
Domestic sovereign debt	-	108	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	17,436	-	-	-	-

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Prior Period						
Cash – domestic currency	-	3,569	-	-	-	-
Cash – other currencies	-	11,381	-	-	-	-
Domestic sovereign debt	-	4,061	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	19,011	-	-	-	-

4.6. Credit derivatives exposures

	Current Period		Prior Period	
	Protection bought	Protection sold	Protection bought	Protection sold
Nominal				
Single-name credit default swaps	132,367	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	132,367	-	-	-
Fair Values				
Positive fair value (asset)	463	-	-	-
Negative fair value (liability)	-	-	-	-

4.7. Exposures to central counterparties

None.

5. Securitization Disclosures

Since the Bank does not hold securitization position, the notes to be presented according to the “Communiqué on Disclosures about Risk Management to be announced to Public by Banks” have not been presented.

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X. Explanations Related to Risk Management (continued)

6. Market Risk Disclosures

The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Section 5 – Counterparty credit risk.

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. The notes to be presented on annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of market risk by the Bank.

6.1. Qualitative disclosure requirements related to market risk

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Bank’s assets, liabilities and off balance sheet items values. The Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

Economic value of the Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank’s value’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; motive behind which is to see the effects of prior events on current position.

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XI. Explanations Related to Risk Management (continued)

6. Market Risk Disclosures (continued)

6.1. Qualitative disclosure requirements related to market risk (continued)

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors.

6.2. Standardized Approach

Current Period		Risk Weighted Amounts
Outright products		
1	Interest rate risk (general and specific)	536,263
2	Equity risk (general and specific)	-
3	Foreign exchange risk	126,487
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	15,163
7	Scenario approach	-
8	Securitization	-
9	Total	677,913

Prior Period		Risk Weighted Amounts
Outright products		
1	Interest rate risk (general and specific)	262,613
2	Equity risk (general and specific)	-
3	Foreign exchange risk	39,225
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	15,738
7	Scenario approach	-
8	Securitization	-
9	Total	317,576

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X. Explanations Related to Risk Management (continued)

6. Explanations Related to Operational Risk

- a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.
- b) In case of Basic Indicator Approach the following:

	31.12.2014	31.12.2015	31.12.2016	Total/Number of positive gross income years	Beta (%)	Total
Gross Income	3,157,045	3,595,664	4,103,251	3,618,653	15	542,798
Operational Risk Capital Requirement (Total*12.5)						6,784,975

	31.12.2013	31.12.2014	31.12.2015	Total/Number of positive gross income years	Beta (%)	Total
Gross Income	2,700,938	3,157,045	3,595,664	3,151,216	15	472,682
Operational Risk Capital Requirement (Total*12.5)						5,908,529

- c) The Bank does not use the standard method.
- d) The Bank does not use any alternative approach in standard method
- e) The Group does not use Advanced Measurement Approach.

8. Explanations Related to Remuneration Policy in Banks

TEB pays net salaries on the last working day of each month, after the required legal deductions are made. In addition to receiving a monthly salary, all TEB employees are assessed based on meeting their qualitative and quantitative targets, and the Bank may pay performance-based success and sales premiums or annual performance bonuses to reward employees' collective and individual success.

An annual performance bonus is determined based on the Bank's profitability, the results of Bank activities, and the realization of targets in line with market practices (local and/or professional). A performance bonus is only paid when the target realized in a particular year is at least 80%. Employees included in the success and sales premium scheme are paid success and sales premiums based to the targets realized during the year.

The remuneration policy of the Bank was prepared in line with the BRSA's Communiqué on Corporate Management of Banks and Guidance on Good Remuneration Practices in Banks, and within the scope of the principle of proportionality, the content, structure, and strategies of the Bank's activities, long-term targets, the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to the risk management.

The remuneration policy supports the Bank in managing risks in line with the principles and parameters determined and approved by the Board of Directors. The remuneration policy aims to attract and retain expert employees who will contribute to the Bank reaching its strategic targets in both business line and support functions.

SECOM (Selection and Compensation Committee) is responsible, on behalf of the Board of Directors, for ensuring that the remuneration policy is prepared in line with local and BNP Paribas regulations. SECOM manages the principles of the remuneration policy, taking opinions from the human resources, financial affairs, risk, compliance, and internal control groups. The remuneration policy is reviewed and approved by SECOM and submitted to the Board of Directors. The remuneration policy is reviewed annually.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	376,414	543,135	352,567	461,736
Balances with the Central Bank of Turkey	1,053,062	8,925,260	1,606,233	9,164,037
Other	-	77,901	-	82,841
Total	1,429,476	9,546,296	1,958,800	9,708,614

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1,042,047	-	1,597,683	-
Unrestricted Time Deposit	-	1,384,996	-	1,335,857
Restricted Time Deposit	11,015	7,540,264	8,550	7,828,180
Total	1,053,062	8,925,260	1,606,233	9,164,037

Foreign currency unrestricted deposit amounting to TL1,384,996 (31 December 2016: TL1,335,857), foreign currency restricted deposit amounting to TL7,540,264 (31 December 2016: TL7,828,180), unrestricted deposit balance amounting to TL1,042,047 (31 December 2016: TL1,597,683) and restricted deposit amounting to TL11,015 (31 December 2016: TL8,550) comprises of reserve deposits. As of 31 December 2017, the Turkish lira required reserve ratios are determined to be within the range of 4%-10.50% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2016: 4%-10.50%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 4%-24% (31 December 2016: 4.50%-24.50%).

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

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2016: None).

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

Net book value of unrestricted financial assets at fair value through profit and loss is TL460,960 (31 December 2016: TL203,194).

3. Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	194,605	31,793	185,015	33,484
Swap Transactions	628,312	34,839	580,406	110,296
Futures Transactions	-	33	-	-
Options	45,430	9,769	80,871	79,708
Other	-	463	-	-
Total	868,347	76,897	846,292	223,488

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

4. Information on banks:

a) Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	561,238	491,816	110,207	193,124
Foreign Banks	108,050	1,352,233	83,674	1,181,673
Foreign Head Offices and Branches	-	-	-	-
Total	669,288	1,844,049	193,881	1,374,797

b) Information on Foreign Banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	952,584	767,059	-	-
USA and Canada	25,001	267,961	-	-
OECD Countries(*)	181,220	58,521	-	-
Off-Shore Banking Regions	284,954	158,188	-	-
Other	16,524	13,618	-	-
Total	1,460,283	1,265,347	-	-

(*) EU countries, OECD countries except USA and Canada

5. Information on financial assets available for sale:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury Bill and Similar				
Investment Securities	1,459,329	-	130,140	-
Other	-	-	-	-
Total	1,459,329	-	130,140	-

a.2) Financial assets available for sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	109,188	-	1,456,769	-
Treasury Bills	-	-	-	-
Other Government Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed				
Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	109,188	-	1,456,769	-

Net book value of unrestricted financial assets available for sale is TL3,126,947 (31 December 2016: TL2,516,457).

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

5. Information on financial assets available for sale:

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,638,170	4,061,502
Quoted on a Stock Exchange	4,638,170	4,061,502
Not Quoted	-	-
Equity Securities	57,294	41,864
Quoted on a Stock Exchange	-	-
Not Quoted	57,294	41,864
Impairment Provision (-)	-	-
Total	4,695,464	4,103,366

All unquoted available for sale equities are recorded at fair value except for the Bank's investment of TL5,214 is recorded at cost since its fair value cannot be reliably estimated (31 December 2016: TL11,856).

6. Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	100,051	301,623	-	188,104
Corporate Shareholders	100,051	301,623	-	188,104
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	101,302	-	94,263	-
Total	201,353	301,623	94,263	188,104

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables (Total)	Loans and Other Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Other Receivables with Revised Contract Terms	
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
Non-Specialized Loans	59,730,997	761,251	-	2,855,966	1,033,292	-
Working Capital Loans	-	-	-	-	-	-
Export Loans	5,557,553	53,584	-	62,924	8,578	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	976,520	-	-	1,900	-	-
Consumer Loans	12,902,402	75,295	-	647,234	39,459	-
Credit Cards	3,303,619	56,073	-	151,632	19,025	-
Other	36,990,903	576,299	-	1,992,276	966,230	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	59,730,997	761,251	-	2,855,966	1,033,292	-

(*) The total principle amount of the loans under close monitoring in accordance with the requirements of the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves".

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

6. Information on loans: (continued)

- b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:
(continued)

Number of Extensions	Performing Loans and Other Receivables (*)	Loans and Other Receivables Under Follow-up (*)
1 or 2 Times	729,149	1,016,852
3,4 or 5 Times	23,102	15,575
Over 5 Times	9,000	865
Total	761,251	1,033,292

Extension Periods	Performing Loans and Other Receivables (*)	Loans and Other Receivables Under Follow-up (*)
0-6 Months	634,784	911,565
6-12 Months	43,229	11,530
1-2 Years	47,443	47,861
2-5 Years	31,197	50,631
5 Years and Over	4,598	11,705
Total	761,251	1,033,292

- (*) Amounts indicated in tables above was calculated based on criteria stated in "Specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Loans under Follow-up and Other Receivables" published on the Official Gazette no. 26333 dated 1 November 2006 5th paragraph of the provisional Article 4a.

- c) Loans and other receivables according to their maturity structure:

	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short Term Loans and Other Receivables	23,837,114	296,051	700,579	206,980
Non-specialized Loans	23,837,114	296,051	700,579	206,980
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium-Long Term Loans and Other Receivables	35,893,883	465,200	2,155,387	826,312
Non- specialized Loans	35,893,883	465,200	2,155,387	826,312
Speialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	59,730,997	761,251	2,855,966	1,033,292

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

6. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	261,181	12,789,825	13,051,006
Housing Loans	1,748	7,716,058	7,717,806
Vehicle Loans	6,577	452,642	459,219
General Purpose Loans	252,856	4,621,125	4,873,981
Other	-	-	-
Consumer Loans –Indexed to FC	-	10,321	10,321
Housing Loans	-	10,172	10,172
Vehicle Loans	-	-	-
General Purpose Loans	-	149	149
Other	-	-	-
Consumer Loans-FC (**)	55	36,398	36,453
Housing Loans	-	7,454	7,454
Vehicle Loans	-	8,039	8,039
General Purpose Loans	55	20,905	20,960
Other	-	-	-
Individual Credit Cards-TL	2,203,323	-	2,203,323
With Installments	790,380	-	790,380
Without Installments	1,412,943	-	1,412,943
Individual Credit Cards-FC	8,635	-	8,635
With Installments	-	-	-
Without Installments	8,635	-	8,635
Personnel Loans-TL	6,586	61,341	67,927
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6,586	61,341	67,927
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	27,949	-	27,949
With Installments	10,118	-	10,118
Without Installments	17,831	-	17,831
Personnel Credit Cards-FC	208	-	208
With Installments	-	-	-
Without Installments	208	-	208
Overdraft Accounts-TL(Real Persons) (*)	380,585	-	380,585
Overdraft Accounts-FC(Real Persons)	3,344	-	3,344
Total	2,891,866	12,897,885	15,789,751

(*) Overdraft Accounts include personnel loans amounting to TL5,218.

(**) Loans granted via branches abroad.

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

6. Information on loans: (continued)

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment – TL	650,471	13,570,795	14,221,266
Business Loans	2,997	323,359	326,356
Vehicle Loans	25,434	758,020	783,454
General Purpose Loans	622,040	12,489,416	13,111,456
Other	-	-	-
Commercial loans with installment - Indexed to FC	16,092	710,279	726,371
Business Loans	-	19,697	19,697
Vehicle Loans	2,015	189,745	191,760
General Purpose Loans	14,077	500,837	514,914
Other	-	-	-
Commercial loans with installment – FC	112	-	112
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	112	-	112
Other	-	-	-
Corporate Credit Cards-TL	1,212,899	-	1,212,899
With Installments	380,553	-	380,553
Without Installments	832,346	-	832,346
Corporate Credit Cards-FC	2,237	-	2,237
With Installments	-	-	-
Without Installments	2,237	-	2,237
Overdraft Accounts-TL(Legal Entities)	1,147,148	-	1,147,148
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	3,028,959	14,281,074	17,310,033

f) Allocation of loans by customers:

	Current Period	Prior Period
Public sector	957,153	723,206
Private sector	61,629,810	55,083,129
Total	62,586,963	55,806,335

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	61,768,545	55,196,515
Foreign Loans	818,418	609,820
Total	62,586,963	55,806,335

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	132,994	79,163
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	132,994	79,163

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	17,524	23,334
Loans and Receivables with Doubtful Collectability	67,574	88,266
Uncollectible Loans and Receivables	1,157,713	1,102,681
Total	1,242,811	1,214,281

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6. Information on loans: (continued)

j) Information on loans under follow-up (Net):

j.1) Information on loans and other receivables included in loans under follow-up which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	Receivables with	Receivables with	Uncollectible
	Limited	Doubtful	Loans and
	Collectability	Collectability	Receivables
Current Period			
(Gross Amounts before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	14,741	10,373	9,944
Prior Period			
(Gross amounts before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	15,885	11,760	11,074

j.2) The movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	Receivables	Receivables with	Uncollectible
	with Limited	Doubtful	Loans and
	Collectability	Collectability	Receivables
Prior period end balance	148,916	202,694	1,420,165
Additions (+)	1,328,208	7,072	80,938
Transfers from other Categories of Loans under Follow-up (+)	-	1,161,933	1,049,291
Transfers to other Categories of Loans under Follow-up (-) (**)	1,173,679	1,050,481	-
Collections (-)	187,167	156,397	327,223
Write-Offs (-)(*)	3	-	557,642
Corporate and Commercial Loans	-	-	353,681
Retail Loans	-	-	111,250
Credit Cards	3	-	92,711
Other	-	-	-
Current period end balance	116,275	164,821	1,665,529
Specific Provision (-)	17,524	67,574	1,157,713
Net Balances on Balance Sheet	98,751	97,247	507,816

(*) TL556,552 of the Bank's non-performing loan portfolio for which TL555,756 of provision held were sold for TL32,791 in 2017. After completing all necessary procedures, sales fees has been collected and the related non-performing loans excluded from the records.

Explanations on sales of non-performing loan portfolio in 2017:

Date	Sold to	Non-performing	Provision	Proceed
		Loan Amount		
28.03.2017	Hayat Varlık Yönetim A.Ş.	102,752	102,550	6,000
21.06.2017	Hayat Varlık Yönetim A.Ş.	82,788	82,634	6,166
26.09.2017	Hayat Varlık Yönetim A.Ş.	112,892	112,888	7,625
26.12.2017	Efes Varlık Yönetim A.Ş.	258,120	257,684	13,000
Current Period Total		556,552	555,756	32,791

(**) In compliance with the related communique, retail loans amounting to TL12,936 are classified from loans under follow-up to performing loans.

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

6. Information on loans: (continued)

j) Information on loans under follow-up (Net): (continued)

j.3) Information on foreign currency loans under follow-up and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
31 December 2017			
Period End Balance	1,036	843	258,691
Specific Provision (-)	52	158	216,481
Net Balance	984	685	42,210
31 December 2016			
Prior Period End Balance	1,341	605	230,033
Specific Provision (-)	134	89	206,400
Net Balance	1,207	516	23,633

The foreign currency loans in the table above are stated in TL in the financial statements of the Bank.

j.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	116,275	164,821	1,665,529
Specific Provision (-)	17,524	67,574	1,157,713
Loans to Real Persons and Legal Entities (Net)	98,751	97,247	507,816
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	148,916	202,694	1,420,165
Specific Provision (-)	23,334	88,266	1,102,681
Loans to Real Persons and Legal Entities (Net)	125,582	114,428	317,484
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

6. Information on loans: (continued)

k) Main principles of liquidating loans under follow-up and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated 1 November 2006 with the amendments No.29918 and dated 14 December 2016; loans and other receivables for which the collection is believed to be impossible are classified as loans under follow-up by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable loans under follow-up can be written off with the decision of the Board of Directors.

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Total
Neither past due nor impaired	43,524,976	12,902,402	3,303,619	59,730,997
Past due but not impaired	2,057,100	647,234	151,632	2,855,966
Individually impaired	843,304	979,935	123,386	1,946,625
Total	46,425,380	14,529,571	3,578,637	64,533,588
Specific Provision (-)	632,158	527,953	82,700	1,242,811
Total	632,158	527,953	82,700	1,242,811
Net credit balance on balance sheet	45,793,222	14,001,618	3,495,937	63,290,777

Prior Period	Commercial	Consumer	Credit Cards	Total
Neither past due nor impaired	37,040,279	12,811,765	2,857,776	52,709,820
Past due but not impaired	2,249,790	675,083	171,642	3,096,515
Individually impaired	639,285	971,008	161,482	1,771,775
Total	39,929,354	14,457,856	3,190,900	57,578,110
Specific Provision (-)	488,206	619,163	106,912	1,214,281
Total	488,206	619,163	106,912	1,214,281
Net credit balance on balance sheet	39,441,148	13,838,693	3,083,988	56,363,829

Based on classification, movement of allowance for loan losses and other receivables is presented as follows;

	Commercial	Consumer	Credit Cards	Total
1 January 2017	488,206	619,163	106,912	1,214,281
Change for the period	671,828	87,081	87,584	846,493
Recoveries	(156,705)	(73,885)	(31,617)	(262,207)
Amounts written-off (*)	(371,171)	(104,406)	(80,179)	(555,756)
31 December 2017 Balance	632,158	527,953	82,700	1,242,811

	Commercial	Consumer	Credit Cards	Total
1 January 2016	276,594	458,264	94,489	829,347
Change for the period	615,693	353,787	137,711	1,107,191
Recoveries	(104,194)	(73,805)	(29,848)	(207,847)
Amounts written-off (**)	(299,887)	(119,083)	(95,440)	(514,410)
31 December 2016 Balance	488,206	619,163	106,912	1,214,281

(*) TL556,552 of the Bank's non-performing loan portfolio for which TL555,756 of provision held were sold for TL32,791 in 2017. After completing all necessary procedures, sales fees has been collected and the related non-performing loans excluded from the records.

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

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

Explanations on sales of non-performing loan portfolio in 2017:

Date	Sold to	Non-Performing Loan Amount	Provision	Proceed
28.03.2017	Hayat Varlık Yönetim A.Ş.	102,752	102,550	6,000
21.06.2017	Hayat Varlık Yönetim A.Ş.	82,788	82,634	6,166
26.09.2017	Hayat Varlık Yönetim A.Ş.	112,892	112,888	7,625
26.12.2017	Efes Varlık Yönetim A.Ş.	258,120	257,684	13,000
Current Period Total		556,552	555,756	32,791

(**) TL518,248 of the Bank's non-performing loan portfolio for which TL514,410 of provision held were sold for TL47,749 in 2016. After completing all necessary procedures, sales fees has been collected and the related non-performing loans excluded from the records.

Explanations on sales of non-performing loan portfolio in 2016:

Date	Sold to	Non-Performing Loan Amount	Provision	Proceed
29.06.2016	Güven Varlık Yönetim A.Ş.	198,653	198,126	20,499
31.10.2016	Destek Varlık Yönetim A.Ş.	212,589	211,806	23,000
28.12.2016	Efes Varlık Yönetim A.Ş.	107,006	104,478	4,250
Prior Period Total		518,248	514,410	47,749

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2017 is TL806,842 (31 December 2016: TL569,340).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

	Current Period	Prior Period
Mortgage	622,898	428,577
Vehicle	111,528	112,400
Cash	136	495
Other (*)	72,280	27,868
Total	806,842	569,340

(*) Includes guarantees from Treasury and Credit Guarantee Fund amounting to TL61,361.

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined not to be impaired at 31 December 2017 is TL2,227,231 (31 December 2016: TL2,172,320).

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

	Current Period	Prior Period
Mortgage	2,057,968	1,954,862
Vehicle	122,538	165,517
Cash	29,096	21,347
Other	17,629	30,594
Total	2,227,231	2,172,320

As of 31 December 2017 and 31 December 2016, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2017	Commercial	Consumer	Total
Residential, commercial or industrial property	86,229	4,421	90,650
Other	27	-	27
Total	86,256	4,421	90,677
31 December 2016	Commercial	Consumer	Total
Residential, commercial or industrial property	86,446	4,769	91,215
Other	39	-	39
Total	86,485	4,769	91,254

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

7. Information on held-to-maturity investments:

- a) a.1) Information on financial assets subject to repurchase agreements and those given as collateral/blocked:
None (31 December 2016: None).

- a.2) Information on held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bond, Treasury bill and similar securities	329,307	-	198,285	-
Other	-	-	-	-
Total	329,307	-	198,285	-

Unrestricted financial assets held-to maturity amounting to TL72,547 (31 December 2016: TL163,223).

- a.3) Information on held to maturity debt securities:

	Current Period	Prior Period
Government bonds	401,854	361,508
Treasury bills	-	-
Other public sector debt securities	-	-
Total	401,854	361,508

- a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt securities	401,854	361,508
Quoted on a stock exchange	401,854	361,508
Unquoted	-	-
Impairment provision (-)	-	-
Total	401,854	361,508

- b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning balance	361,508	339,417
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	40,346	22,091
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing Balance	401,854	361,508

(*) Accruals are included in purchases during the year.

8. Information on associates (Net):

- a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2016: None).
- a.2) Information on the unconsolidated associates: None (31 December 2016: None).
- a.3) Explanations of consolidated associates: None (31 December 2016: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2016: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2016: None).

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

9. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

Subsidiaries do not use internal capital adequacy assessment approach.

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	30,000	28,794	6,860
Reserves	27,222	42,748	6,208
Net income for the period and prior period income	27,582	29,856	5,650
Income/ Loss recognized under equity in accordance with TAS	-	-	(173)
Leasehold Improvements on Operational Leases (-)	468	80	-
Goodwill and intangible asset and the related deferred tax liability (-)	1,784	1,109	569
Total Common Equity Tier 1 Capital	82,552	100,209	17,976
General Provision	2,062	-	-
Total Equity	84,614	100,209	17,976

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirement: None (31 December 2016: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2016: None).
- d) Information on the consolidated subsidiaries:
- d.1) Information on the consolidated subsidiaries:

	Address (City/ Country)	The Bank’s share percentage- If different voting percentage (%)	Other shareholders’ share percentage (%)
1	TEB Faktoring A.Ş.	İstanbul/Turkey	100.00
2	TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62
3	TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	25.60

Information on the consolidated subsidiaries with the order as presented in the table above:

	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
1	2,032,906	84,804	2,648	131,544	-	16,544	11,507	-
2	255,739	101,398	3,049	27,815	-	19,669	10,212	-
3	22,567	18,545	777	2,157	156	3,631	2,631	-

(*) These figures are shown per BRSA financial statements as of 31 December 2016.

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

9. Information on subsidiaries (Net): (continued)

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	115,986	115,986
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales(*)	-	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	115,986	115,986
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies/TEB Faktoring A.Ş.	43,417	43,416
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries/TEB Yatırım Men. Değ. A.Ş.	70,511	70,512
TEB Portföy Yönetimi A.Ş.	2,058	2,058
Total	115,986	115,986

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2016: None).

10. Explanations on entities under common control (joint ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	24,955	37,623	6,067	125,677	(114,307)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated the Bank's financial statements:

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2016: None).

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

12. Information on derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	4,454	-	-	-
Cash Flow Hedge	81,486	1,335	195,320	-
Foreign Net Investment Hedge	-	-	-	-
Total	85,940	1,335	195,320	-

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 31 December 2017, total valuation difference in the related fair value hedge accounting balance is TL99.

According to cash flow hedges terminated by the Bank, accumulated valuation differences amounted TL18 (31 December 2016: negatively TL1,063) is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

13. Information on tangible assets:

	31 December 2016	Additions	Disposals	Other	31 December 2017
Cost:					
Land and buildings	105,132	-	-	-	105,132
Leased tangible assets	34,458	-	(10,374)	(24,084)	-
Other	695,016	114,861	(110,023)	24,084	723,938
Total Cost	834,606	114,861	(120,397)	-	829,070
	31 December 2016	Period Charge	Disposals	Other	31 December 2017
Accumulated Depreciation:					
Land and buildings	43,821	2,888	-	-	46,709
Leased tangible assets	34,450	1	(10,374)	(24,077)	-
Other	514,298	81,741	(109,377)	24,077	510,739
Total Accumulated Depreciation	592,569	84,630	(119,751)	-	557,448
Net Book Value	242,037				271,622

a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

14. Information on intangible assets:

	31 December 2016	Additions	Disposals	Other	31 December 2017
Cost:					
Other intangible assets	239,176	63,519	-	-	302,695
Total Cost	239,176	63,519	-	-	302,695
	31 December 2016	Period Charge	Disposals	Other	31 December 2017
Accumulated Depreciation:					
Other intangible assets	157,588	46,461	-	-	204,049
Total Accumulated Depreciation	157,588	46,461	-	-	204,049
Net Book Value	81,588				98,646

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

14. Information on intangible assets (continued)

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements.
- i) Information on goodwill:

Following announcement of the BRSA approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

- j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

	Current Period	Prior Period
Beginning Balance	421,124	421,124
Foreign Exchange differences	-	-
Acquired	-	-
Ending balance	421,124	421,124

- 15. Information on investment properties:** None (31 December 2016: None)

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

16. Explanations on deferred tax assets :

- a) As of 31 December 2017, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL69,095 (31 December 2016: TL42,562). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax:

	Current Period	Prior Period
At January 1	42,562	79,784
Deferred Tax Benefit / (Charge)	64,565	(63,403)
Deferred Tax Accounted for Under Equity	(38,032)	26,181
Deferred Tax Asset	69,095	42,562

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

	Current Period	Prior Period
Beginning of Period Cost	93,224	74,768
Beginning of Period Accumulated Depreciation (-)	1,970	2,894
Net Book Value	91,254	71,874
Opening Balance	91,254	71,874
Acquired	92,643	85,942
Disposed(-)	90,366	64,639
Impairment (-)	2,854	110
Depreciation Value (-)	-	1,813
Period End Cost	90,677	93,224
Period End Accumulated Depreciation (-)	-	1,970
Closing Net Book Value	90,677	91,254

18. Information on other asset

Other Assets item of the balance sheet amounting to TL1,319,742 (31 December 2016: TL1,142,430) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

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II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	1,579,123	-	3,775,899	12,996,864	646,500	49,920	29,352	-	19,077,658
Foreign Currency Deposits	4,298,539	-	4,003,364	12,945,150	168,275	84,585	41,763	-	21,541,676
Residents in Turkey	3,876,678	-	3,818,280	12,246,138	151,534	58,737	38,835	-	20,190,202
Residents Abroad	421,861	-	185,084	699,012	16,741	25,848	2,928	-	1,351,474
Public Sector Deposits	112,270	-	3,924	128,946	1,242	49	-	-	246,431
Commercial Deposits	3,162,029	-	1,579,379	5,086,824	507,806	240,276	22,194	-	10,598,508
Other Institutions Deposits	93,802	-	44,572	471,719	1,107,120	1,312,767	110,594	-	3,140,574
Precious Metals Deposits	238,094	-	27,741	317,908	40,024	68,732	-	-	692,499
Bank Deposits	20,549	-	258,821	-	-	-	-	-	279,370
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	21	-	-	-	-	-	-	-	21
Foreign Banks	20,528	-	258,821	-	-	-	-	-	279,349
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	9,504,406	-	9,693,700	31,947,411	2,470,967	1,756,329	203,903	-	55,576,716

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	1,390,344	-	4,133,777	10,625,756	424,145	23,622	22,007	-	16,619,651
Foreign Currency Deposits	3,045,273	-	3,757,484	12,958,068	143,483	89,102	53,008	-	20,046,418
Residents in Turkey	2,821,928	-	3,079,794	12,472,737	132,939	63,668	51,021	-	18,622,087
Residents Abroad	223,345	-	677,690	485,331	10,544	25,434	1,987	-	1,424,331
Public Sector Deposits	118,002	-	1,299	66,522	1,649	67	-	-	187,539
Commercial Deposits	2,767,044	-	1,520,221	4,366,100	153,511	47,684	119	-	8,854,679
Other Institutions Deposits	75,601	-	38,135	1,426,282	797,032	1,023,490	85	-	3,360,625
Precious Metals Deposits	227,625	-	29,771	196,623	17,768	110,974	-	-	582,761
Bank Deposits	4,710	-	176,275	-	-	-	-	-	180,985
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4	-	-	-	-	-	-	-	4
Foreign Banks	4,706	-	176,275	-	-	-	-	-	180,981
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	7,628,599	-	9,656,962	29,639,351	1,537,588	1,294,939	75,219	-	49,832,658

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

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*)		Exceeding the limit of Insurance(*)	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	9,035,849	8,539,755	9,611,048	7,813,976
Foreign Currency Saving Deposits	2,346,653	1,778,326	8,271,415	9,064,676
Other Deposits in the Form of Saving Deposits	166,787	127,293	492,284	432,321
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	11,549,289	10,445,374	18,374,747	17,310,973

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

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

b) Information on saving deposits under the guarantee of saving deposit insurance: (continued)

b.1) Saving deposits exceeding the limit of insurance: (continued)

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

	Current Period	Prior Period
Foreign Branches’ Deposits and Other Accounts	481,344	355,546
Deposits of Controlling Shareholders and Their Close Families	1,824,044	1,725,471
Deposits of Chairman and Members of the Board of Directors and Their Close Families	43,508	36,908
Deposits Obtained Through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 2004.	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	-	-

2. Information on derivative financial liabilities:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	126,546	8,454	72,915	49,697
Swap Transactions	693,606	63,911	635,490	39,885
Futures Transactions	-	96	-	-
Options	54,655	10,017	79,405	65,200
Other	-	792	-	-
Total	874,807	83,270	787,810	154,782

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	176,925	506,810	148,425	223,203
From Foreign Banks, Institutions and Funds	-	12,083,277	-	12,467,428
Total	176,925	12,590,087	148,425	12,690,631

As of 31 December 2017, the Bank has borrowings from its related parties amounting to TL5,074,868 (31 December 2016: TL6,733,737).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	176,925	8,755,730	148,425	9,412,527
Medium and long-term	-	3,834,357	-	3,278,104
Total	176,925	12,590,087	148,425	12,690,631

c) Additional explanation related to the concentrations of the Bank’s major liabilities:

The Bank diversifies its funding sources with customer deposits, borrowing from abroad, securities issued and money market borrowings. Deposits are the most significant funding source of the Bank and do not present any risk concentration with its stable structure spread over a wide range. Funds borrowed consist mainly of funds provided by various foreign financial institutions with different characteristics and maturity-interest structure. There is no risk concentration in the fund resources of the Bank.

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

3. Information on funds borrowed and debt securities issued: (continued)

d) Information on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1,289,688	-	739,302	-
Treasury Bills	-	-	-	-
Total	1,289,688	-	739,302	-

4. Funds provided through repurchase transactions:

Information on funds provided through repurchase transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	105,206	-	1,457,750	-
Financial Institutions and Organizations	105,206	-	1,457,750	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
Foreign Transactions	-	-	-	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
Total	105,206	-	1,457,750	-

5. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total

Other external funding payables amounting to TL599,037 (31 December 2016: TL846,800) do not exceed 10% of the total balance sheet.

6. Explanations on financial lease obligations (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Law.

- b) The explanation on modifications in agreements and new obligations resulting from such modifications: None

- c) Explanation on financial lease payables: None (31 December 2016: None).

- d) Explanations regarding operational leases:

For the period ended 31 December 2017, operational lease expenses amounting to TL218,418 (31 December 2016: TL213,128) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

- e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

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

7. Negative differences table of derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	9,517	-	-	-
Cash Flow Hedge	433,500	314	284,492	-
Foreign Net Investment Hedge	-	-	-	-
Total	443,017	314	284,492	-

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 31 December 2017, total valuation difference in the related fair value hedge accounting balance is TL99.

According to cash flow hedges by the Bank, as of 31 December 2017 accumulated valuation differences amounted TL18 (31 December 2016: negatively TL1,063) is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

8. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	471,369	571,617
Additional Provision for Loans and Receivables with Extended Maturities	20,152	17,116
Provisions for Second Group Loans and Receivables	66,355	77,241
Additional Provision for Loans and Receivables with Extended Maturities	18,414	20,354
Provisions for Non-Cash Loans	30,767	28,099
Other	7,848	6,936
Total	576,339	683,893

b) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: The provision on the foreign currency indexed loans amounting to TL6,239 (31 December 2016: TL745) is offset from the loans on the balance sheet.

c) The specific provisions provided for unindemnified non-cash loans amount to TL48,741 (31 December 2016: TL48,515).

d) Liabilities on unused vacation, bonus and employee termination benefits:

As of 31 December 2017, TL13,333 (31 December 2016: TL15,373) unused vacation provision, TL118,236 (31 December 2016: TL123,536) employee termination benefit provision, TL123,071 (31 December 2016: TL106,396) bonus provision are presented under “Reserve for Employee Benefit” in financial statements.

i) Termination Benefits:

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually.

	31 December 2017	31 December 2016
Discount Rate (%)	11.80	10.00
Expected Inflation Rate (%)	5.00	5.00
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

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

Explanations and Disclosures Related to the Liabilities (continued)

8. Information on provisions: (continued)

i) Termination Benefits: (continued)

Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	123,536	97,727
Service cost	14,134	11,769
Interest cost	12,077	9,915
Settlement cost	6,083	5,803
Actuarial loss	(22,336)	11,498
Benefits paid	(15,258)	(13,176)
Total	118,236	123,536

(ii) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XVI “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on TAS 19 principles. The Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2017 and 31 December 2016. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Based on the determined assumptions;

Transferrable Retirement and Health Liabilities:	31 December 2017	31 December 2016
Net Present Value of Transferrable Retirement Liabilities	(1,543,240)	(1,255,328)
Net Present Value of Transferrable Retirement and Health Contributions	539,015	524,026
General Administration Expenses	(15,432)	(12,553)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,019,657)	(743,855)
Fair Value of Plan Assets (2)	1,918,007	1,707,479
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	898,350	963,624
Non-Transferable Benefits (4)	(208,881)	(257,435)
Asset Surplus over Total Benefits ((3)-(4))	689,469	706,189

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

8. Information on provisions: (continued)

(ii) Retirement Benefits: (continued)

Distribution of fair value of total assets of the Retirement Fund as of 31 December 2017 and 31 December 2016 is presented below:

	31 December 2017	31 December 2016
Bank placements	1,775,504	1,608,655
Tangible assets	99,036	85,453
Other	43,467	13,371
Total	1,918,007	1,707,479

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on TAS 19 are as follows:

	31 December 2017	31 December 2016
Discount Rate	11.80%	10.15%
Expected Inflation Rate	5.00%	5.00%

As of 31 December 2017, medical inflation is expected more than 20% (31 December 2016: 20%). General wage increases and Social Security Institution (the “SSI”) increase of ceiling rate is expected in parallel to inflation rate. In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2016: CSO 2001) Female/Male mortality table is use.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2016: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provision for Legal Cases	56,674	52,687
Provision for Unindemnified Non-Cash Loans	48,741	48,515
Provision for Promotions of Credit Cards and Banking Services	12,265	11,508
Other (*)	67,114	91,299
Total	184,794	204,009

(*) As a result of the audit performed by Ministry of Customs and Trade in accordance with Consumer Protection Law - No: 6502, an administrative fine amounting to TL38,465 is notified to the Bank. The administrative fine amounting to TL28,849, for which a provision had been provided for in 2016, has been paid in advance on 19 January 2017, by taking advantage of 25% discount in accordance with article 17/6 of the law on Misdemeanors no. 5326 reserving legal objection rights.

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

9. Explanations on taxes payable:

a) Information on tax provision:

As of 31 December 2017, the Bank’s corporate tax provision is TL73,989 (31 December 2016: None)

As of 31 December 2017, the Bank’s total tax and premium liability is TL229,944. (31 December 2016: TL137,780)

b) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	73,989	-
Taxation on Securities	49,230	38,963
Property Tax	2,275	2,304
Banking Insurance Transaction Tax (BITT)	46,035	44,153
Foreign Exchange Transaction Tax	34	34
Value Added Tax Payable	6,356	5,077
Other (*)	18,550	17,762
Total	196,469	108,293

(*) Others include income taxes deducted from wages amounting to TL14,977 (31 December 2016: TL15,026) and stamp taxes payable amounting to TL1,239 (31 December 2016: TL1,337).

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	24,362	12,590
Social Security Premiums-Employer	7,581	14,019
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	584	1,100
Unemployment Insurance-Employer	948	1,778
Other	-	-
Total	33,475	29,487

d) Explanations on deferred tax liabilities, if any: Bank has no deferred tax liabilities as of 31 December 2017 (31 December 2016: None).

10. Information on liabilities regarding assets held for sale and discontinued operations: None
(31 December 2016: None).

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

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

The Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR75 million as of 4 November 2011 and a bond amounting to EUR100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR100 million is added up with the first issue of EUR75 million and together will be followed as EUR175 million. Since the coupon rate of the issue amounting to EUR100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR100 million issue has been determined as 96.026% (the price determined as the 12 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR852,527.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR96,878,527.78 is transferred to the bank accounts. Debt instruments issued by BNP Paribas have been amended in 2015 to comply with article 8/2 (ğ) which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

The Bank, during its Board of Directors’ meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD65 million on 14 May 2012. The semiannually interest rate of the issuance is determined as USD Libor + 5.75%. The due date of the debt instrument is determined as 14 May 2024 and for the first seven years there is no option to repay before its due date. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA).

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The due date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA. After the approval of the BRSA, debt instruments have complied with article 8/2(ğ) of “Regulation on Equity of Banks” without changing their issue dates.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR125 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 2.1%. There is no option to repay within the first five years. The debt instrument can be amortized on 27 June 2018 with the resolution of the BoD and upon the approval of the BRSA. After the approval of the BRSA, debt instruments have been complied with article 8/2(ğ) of “Regulation on Equity of Banks” without changing their issue dates.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of USD65 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 3.40%. There is no option to repay within the first five years. The debt instrument can be amortized on 28 June 2018 with the resolution of the BoD and upon the approval of the BRSA. Since the product has lost the ability to become a subordinated instrument in line with the regulation issued by the BRSA on 31 March 2016, the bank has become possessed to amortize this instrument before its maturity, but the bank has decided not to use its right as of today.

The above mentioned five subordinated loans are utilized in-line with the “loan capital” definition of BRSA and will positively affect the capital adequacy ratio of the TEB as well as utilizing long term funding.

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

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (continued)

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,819,913	-	1,482,374
From Other Foreign Institutions	-	494,170	-	817,511
Total	-	2,314,083	-	2,299,885

12. Information on Shareholders' Equity:

a) Presentation of Paid-in Capital:

	Current Period	Prior Period
Common Stock	2,204,390	2,204,390
Preferred Stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases, their sources and other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

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

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

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the Bank is followed up and estimated by the Bank's Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None.

h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(41,282)	9,733	(51,156)	(819)
Foreign Exchange Difference	-	-	-	-
Total	(41,282)	9,733	(51,156)	(819)

13. Information on minority shares: None (31 December 2016: None)

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Asset Purchase and Sale Commitments	7,314,209	1,610,400
Commitments for Credit Card Expenditure Limits	5,411,646	4,648,912
Loan Granting Commitments	4,631,069	4,234,093
Payment Commitments for Cheques	2,387,642	2,309,458
Deposit Purchase and Sale Commitments	-	896,710
Tax and Fund Liabilities from Export Commitments	31,047	15,615
Commitments for Promotions Related with Credit Cards and Banking Activities	3,723	3,962
Other Irrevocable Commitments	198,938	332,938
Total	19,978,274	14,052,088

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

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

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

	Current Period	Prior Period
Letters of Credit	2,396,568	1,720,120
Bank Acceptances	42,316	40,100
Other Commitments	3,876,432	3,618,744
Other Contingencies	1,227,786	515,750
Total	7,543,102	5,894,714

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Guarantee Letters	9,092,727	7,651,713
Advance Guarantee Letters	1,224,234	1,101,983
Temporary Guarantee Letters	779,900	1,057,523
Guarantee Letters Given for Customs	478,659	402,896
Other Guarantee Letters	1,463,760	1,411,296
Total	13,039,280	11,625,411

c) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1,482,962	680,742
With Maturity of One Year or Less Than One Year	264,000	137,571
With Maturity of More Than One Year	1,218,962	543,171
Other Non-Cash Loans	19,099,420	16,839,383
Total	20,582,382	17,520,125

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE

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

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

c.2) Information on sectoral risk breakdown of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	40,136	0.46	40,915	0.35	36,787	0.49	62,504	0.62
Farming and raising livestock	37,123	0.42	40,915	0.35	27,651	0.37	62,504	0.62
Forestry, Wood and Paper	-	-	-	-	-	-	-	-
Fishery	3,013	0.04	-	-	9,136	0.12	-	-
Manufacturing	1,881,639	21.40	5,159,239	43.76	1,623,520	21.82	4,330,264	42.96
Mining and Quarry	233,647	2.66	299,601	2.54	216,439	2.91	183,290	1.82
Production	1,467,532	16.68	4,659,371	39.51	1,284,651	17.26	3,996,142	39.64
Electricity, Gas and Water	180,460	2.05	200,267	1.70	122,430	1.65	150,832	1.50
Construction	2,073,224	23.58	1,607,285	13.63	1,828,011	24.57	1,357,438	13.47
Services	4,743,244	53.95	4,936,810	41.87	3,909,244	52.54	4,262,030	42.28
Wholesale and Retail Trade	2,524,939	28.72	3,060,187	25.96	2,260,910	30.39	2,205,466	21.88
Hotel, Tourism, Food and Beverage Services	104,846	1.19	93,963	0.80	98,282	1.32	46,231	0.46
Transportation and Communication	682,040	7.76	598,914	5.08	644,758	8.67	521,400	5.17
Financial Institutions	308,205	3.51	342,281	2.90	433,876	5.83	272,245	2.70
Real Estate and Renting	1,008,056	11.47	723,774	6.14	325,155	4.37	979,870	9.72
Self-employment Services	86,541	0.98	114,774	0.97	83,410	1.12	229,031	2.27
Education Services	3,451	0.04	31	-	3,295	0.04	1,605	0.02
Health and Social Services	25,166	0.28	2,886	0.02	59,558	0.80	6,182	0.06
Other	53,990	0.61	45,900	0.39	43,193	0.58	67,134	0.67
Total	8,792,233	100.00	11,790,149	100.00	7,440,755	100.00	10,079,370	100.00

c.3) Information on Ist and IInd Group non-cash loans:

Non-cash loans	I st Group		II nd Group	
	TL	FC	TL	FC
Letters of guarantee	6,776,434	6,131,547	97,753	33,546
Bank acceptances	34	42,282	-	-
Letters of credit	16,215	2,380,114	-	239
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,901,500	3,202,421	297	-
Total	8,694,183	11,756,364	98,050	33,785

The Bank provided a reserve of TL86,629 (31 December 2016: TL86,870) for non-cash loans not indemnified net amounting to TL48,741 (31 December 2016: TL48,515).

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

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	89,419,346	93,139,508	-	-
Forward transactions	17,347,430	10,860,451	-	-
Swap transactions	56,183,278	61,561,424	-	-
Futures transactions	523,178	-	-	-
Option transactions	15,365,460	20,717,633	-	-
Interest related derivative transactions (II):	3,572,423	3,626,826	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	3,108,138	3,626,826	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	464,285	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	85,042	11,560	-	-
A. Total trading derivative transactions (I+II+III+IV)	93,076,811	96,777,894	-	-
Types of hedging transactions				
Fair value hedges	-	-	214,454	-
Cash flow hedges	-	-	23,124,985	14,413,286
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	23,339,439	14,413,286
Total Derivative Transactions (A+B)	93,076,811	96,777,894	23,339,439	14,413,286

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank's financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i) Derivative instruments for fair value hedging purposes:

In 2017, the Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of December 31, 2017, the nominal value of the derivative instruments for risk management purposes is TL214,454 and the net fair value is minus TL5,063. The fair value gain of the hedged loans was TL99 (31 December 2016: None). The Bank accounts TL58 gain (31 December 2016: None) for derivative instruments used for hedging purposes and TL99 gain (31 December 2016: None) from hedged item loans in the financial statements.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	214,454	4,454	9,517	-	-	-
Interest Rate Swaps	-	-	-	-	-	-
Total	214,454	4,454	9,517	-	-	-

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

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL23,124,985 and 1-90 days of maturity deposit portfolio together with selected borrowing portfolio. Effective portion of TL174,292 (31 December 2016: TL38,136) credit accounted for under equity is presented after deducting its deferred tax effect of TL38,526 (31 December 2016: TL7,627) debit in the financial statements. In 2017, there is no ineffective portion of expense (31 December 2016: TL4,528) is accounted for under income statement.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	1,441,880	77,090	77,219	1,752,615	180,415	53,156
Interest Rate Swaps	21,683,105	5,731	356,595	12,660,671	14,905	231,336
Total	23,124,985	82,821	433,814	14,413,286	195,320	284,492

3. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets:

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.

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

- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2017, there are no contingent assets that need to be explained (31 December 2016: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

Following a resolution in favor of the Bank in 2003 for the case related to deduct accumulated losses from the corporate tax base for 2002 and for subsequent periods in accordance with Corporate Tax Law article 14/7; the Ministry of Finance appealed against the decision, however, the case was again concluded in favor of the Bank by Tax Supreme Court. In this context, the Bank acquired the right to deduct accumulated losses amounting to TL364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Bank between the years 2003 and 2006.

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TL15,510 and levied a fine of TL16,131 to the Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above.

The Tax Office filed an appeal against the ruling; however, the 4th Administration of Council of State resolution no: K:2007/4747 ruled that the defendant's claim on the Management's double loss deduction should be initially reviewed and a new ruling should be made accordingly. Therefore the tax office's resolution is overruled by the Council of State.

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4. Explanations on contingent liabilities and assets: (continued)

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State’s overruling and conducted the litigation in favor of the Bank upon its resolution no: K:2010/2377, TL48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Bank has increased the tax base by TL2,863 in regards to the related lawsuit in accordance with the requirements of the Communiqué No:6111 “Restructuring of Specific Receivables and Social Insurance and General Health Insurance Law and Amendments to Some Other Laws and Requirements”.

In the decision concluded within the scope of file number 2010/9089 of the 4th Chamber of the Council of State that issued Communiqué regarding decree no E.2010/9089, K.2013/5291 on 31 July 2013. According to the decree, “only if the loss before tax would not be transferred more than five years will be deducted from revenue as an expense regarding profit of the company’s determination and therefore no contradiction to law is identified with this aspect according to the Tax Court’s basis of conclusion, the TL48,557,000.00 loss before tax was reached to TL203,049,000,000.00 BRSA adjustments after deduction from TL154,492,000.00 profit before tax and since BRSA adjustments are also considered in the same schedule in total profits and additions, taking into account the loss before tax during the same year within other deductions and exemptions are deemed that does not constitute any duplications.”, appeal to aforementioned reasons has been accepted and it is decided to revoke the İstanbul 1st Tax Court’s judgement number E.2010/661 K.2010/2377 on the behalf of the Bank and deemed that the loss are not subject to any duplication on the exemptions. The defendant authority’s request for a revision of the decision was rejected. Upon the 4th Chamber of the Council of State’s decision rejecting the request for a revision of the decision, the İstanbul 1st Tax Court complied with the Council of State’s decision, with the acception of the case, decreed the cancellation of the tax assessment with the following justification in its 7 March 2016 decision No. 2015/1202 E., 2016/583 K.: since the plaintiff bank bears the above-mentioned losses and there is no legal constraint requiring discounting a part of such losses in the estimated tax return declared in the 2003/IV period, there is no legal grounds for deducting the loss subject to discount from the declaration of the period by stating that no loss exists within the scope of Article 14 of the Corporate Tax Law and the defendant administration has appealed to the Council of State. The 4th Chamber of the Council of State, reviewing the appeal request, decreed the approval of the first instance court’s decision in favor of our Bank in its 3 May 2017 decision No. E.2016/19802, K.2017/4150 by rejecting the appeal request of the defendant administration. As the defendant administration requested the revision of the decision and presented the reply petition for the request, the file is in revision of decision phase.

The investigation conducted by the Turkish Competition Authority to determine whether Article 4 of Law on the Protection of Competition No. 4054 was violated by 12 banks operating in Turkey by agreeing to act together in the fields of deposit, loans, and credit card services was completed on 08 March 2013. As a result of the investigation an administrative fine amounting TL10,669 was imposed on the bank as a result of a majority vote, along with the right to file an annulment action in the Ankara Administrative Court. Three fourths of the administrative fine, TL8,002, was paid on 16 August 2013 as per Article 17 of Misdemeanor Law No. 5326 after the reasoned judgement was announced on 22 July 2013. On 19 September 2013, an annulment action was filed in the Ankara Administrative Court against the Turkish Competition Authority’s ruling imposing an administrative fine on the bank, and the case was dismissed based on file No. 2014/7E of the Ankara 2nd Administrative Court authorized upon the relevant decision. The dismissal decision was appealed in due time, and the Supreme Court approved the decision. An action was filed to revise the decision.

As a result of the audit performed by Ministry of Customs and Trade in accordance with Consumer Protection Law - No: 6502, an administrative fine amounting to TL38,465 is notified to the Bank. The administrative fine amounting to TL28,849, for which a provision had been provided for, has been paid in advance on 19 January 2017 by taking advantage of 25% discount in accordance with article 17/6 of the law on Misdemeanors no. 5326 reserving legal objection rights.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

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

6. The information on the Bank’s rating by the international rating introductions (*):

The results of the ratings performed by Moody’s Investor Services and Fitch Ratings are shown below:

Moody’s Investor Services:

View	Negative
Revised Loan Valuation	ba1
Foreign Currency Deposits	Ba2

Fitch Ratings:

Foreign Currency Commitments	
Long term	BBB-
Short term	F3
View	Stable
Turkish Lira Commitments	
Long term	BBB-
Short term	F3
View	Stable
National	AAA (tur)
View	Stable
Individual Rating	bb+

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

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IV. Explanations and Disclosures Related to the Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income on loans (*)				
Short term loans	2,583,555	172,931	2,917,166	158,457
Medium and long term loans	4,048,006	263,515	3,273,967	240,479
Interest on loans under follow-up	51,119	-	41,019	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	6,682,680	436,446	6,232,152	398,936

(*) Includes fees and commissions obtained from cash loans amounting to TL113,051 (31 December 2016: TL135,997).

c) Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	9,152	-	2,044
Domestic banks	44,831	855	18,243	665
Foreign banks	5,216	5,717	3,643	4,070
Branches and head office abroad	-	-	-	-
Total	50,047	15,724	21,886	6,779

d) Information on interest income on marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	40,445	6,517	45,050	1,262
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	461,191	903	392,443	750
Held-to-Maturity Investments	48,413	-	28,855	-
Total	550,049	7,420	466,348	2,012

e) Interest Income on Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	474	223

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	10,207	4,967	10,158	3,057
Foreign banks	-	302,404	30,098	219,663
Branches and head office abroad	-	-	-	-
Other financial institutions	-	10,292	-	14,781
Total	10,207	317,663	40,256	237,501

(*) Includes fees and commission expenses of cash loans amounting to TL11,885 (31 December 2016: TL10,207).

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

2. Explanations on Interest Expense (continued)

b) Information on interest expense on associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,419	1,560

c) Information on interest expenses on securities issued:

	Current TL	Period FC	Prior Period TL	FC
Interest Expense on securities issued	83,592	-	37,705	54
Total	83,592	-	37,705	54

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

Current Period		Time Deposits						Total
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated Deposits	
TL								
Bank Deposits	-	15,941	-	-	-	-	-	15,941
Saving Deposits	-	355,897	1,442,673	76,828	4,102	2,783	-	1,882,283
Public Sector Deposits	-	1,568	10,611	1,079	5	-	-	13,263
Commercial Deposits	-	155,210	532,928	58,588	23,063	433	-	770,222
Other Deposits	-	3,726	99,577	147,211	120,753	8,832	-	380,099
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	532,342	2,085,789	283,706	147,923	12,048	-	3,061,808
FC								
Foreign Currency Deposits	285	59,180	362,953	5,459	2,103	1,176	-	431,156
Bank Deposits	-	6,160	-	-	-	-	-	6,160
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	1	381	4,921	480	1,539	-	-	7,322
Total	286	65,721	367,874	5,939	3,642	1,176	-	444,638
Grand Total	286	598,063	2,453,663	289,645	151,565	13,224	-	3,506,446

Prior Period		Time Deposits						Total
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated Deposits	
TL								
Bank Deposits	-	13,852	29	-	-	-	-	13,881
Saving Deposits	-	390,747	1,268,051	62,373	2,408	1,753	-	1,725,332
Public Sector Deposits	-	1,320	12,933	38	1,478	-	-	15,769
Commercial Deposits	-	125,777	599,388	64,575	3,511	55	-	793,306
Other Deposits	-	3,249	199,472	107,539	83,759	12	-	394,031
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	534,945	2,079,873	234,525	91,156	1,820	-	2,942,319
FC								
Foreign Currency Deposits	72	47,220	218,900	2,599	2,747	2,191	-	273,729
Bank Deposits	-	16	30	-	-	-	-	46
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	383	3,366	573	2,002	-	-	6,324
Total	72	47,619	222,296	3,172	4,749	2,191	-	280,099
Grand Total	72	582,564	2,302,169	237,697	95,905	4,011	-	3,222,418

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

3. Information on dividend income

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	1,224	798
Other	17,894	19,944
Total	19,118	20,742

4. Information on trading gain / loss:

	Current Period	Prior Period
Gains	22,821,080	15,992,802
Gains on capital market operations	60,447	60,301
Gains on derivative financial instruments (*)	7,431,068	6,155,946
Foreign exchange gains (**)	15,329,565	9,776,555
Losses (-)	23,756,187	16,373,789
Losses on capital market operations	89,683	57,196
Losses on derivative financial instruments (*)	8,126,304	5,747,973
Foreign exchange losses (**)	15,540,200	10,568,620

(*) Foreign exchange net gain on hedging transactions is TL113,807 (31 December 2016: TL174,058).

(**) Foreign exchange net gain on derivative financial transactions are TL50,701 (31 December 2016: TL268,446).

5. Information on other operating income:

Other operating income of the Bank consists of reversals of specific provisions which are booked in earlier periods amount to TL311,926 (31 December 2016: TL208,749) and amount to TL32,534 (31 December 2016: TL47,064) from selling past due receivables portfolio and all the transaction cost collected from the clients and disposal of assets. Additionally, Visa EU has been transferred to VISA Inc. that operates in the same business, the income generated from this transaction consisting of TL61,198 cash consideration, TL20,213 share consideration for 6,790 Series C Visa Inc. preferred shares and TL5,969 deferred cash consideration that will be paid in three years, was recognised under the other operating income in prior period.

6. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	773,390	1,072,530
III. Group Loans and Receivables	156,891	225,574
IV. Group Loans and Receivables	223,289	261,361
V. Group Loans and Receivables	393,210	585,595
General provision expenses	14,948	33,978
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Held to maturity investments	-	-
Other	2,882	338
Total	791,220	1,106,846

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	1,120,339	1,060,973
Reserve for employee termination benefits	17,036	14,311
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	84,630	94,625
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	46,461	41,379
Impairment for investments accounted with equity method	-	-
Impairment expenses of assets to be disposed	2,854	110
Depreciation expenses of assets to be disposed	-	1,813
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	875,273	819,394
Operating lease expenses	218,418	213,128
Maintenance expenses	24,222	20,665
Advertisement expenses	96,672	91,035
Other expenses	535,961	494,566
Loss on sales of assets	3,395	3,828
Other (*)	254,917	302,281
Total	2,404,905	2,338,714

(*) Included in other TL70,013 (31 December 2016: TL64,790) is premiums paid to the Saving Deposit Insurance Fund, TL109,815 (31 December 2016: TL91,729) is other taxes and duties paid.

8. Information of the profit/loss on continued and discontinued operations:

- a) Profit before tax consists of net interest income amounting to TL3,907,817 (31 December 2016: TL3,437,284) and net fee and commission income amounting to TL1,059,666 (31 December 2016: TL977,715) while operational expenses are TL2,404,905 (31 December 2016: TL2,338,714).
- b) Information of the profit/(loss) on discontinued operations:
- None.

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

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

- a) As of 31 December 2017, the current tax charge is TL308,657 (31 December 2016: TL176,761). Deferred tax income is TL64,565 (31 December 2016: TL63,403 deferred tax charge) and there is no current and deferred tax benefit/charge from discontinued operations. (31 December 2016: None)
- b) Deferred tax income on temporary differences resulted from continued operations is TL64,565. (31 December 2016: TL63,403 deferred tax charge).
- c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	1,312,931	1,181,963
Additions	45,867	61,495
Nonallowable expenses	45,867	61,495
Deductions	(138,338)	(41,985)
General loan loss provision	(107,808)	(14,646)
Dividend income	(18,598)	(20,531)
Other	(11,932)	(6,808)
Taxable Profit/ (Loss)	1,220,460	1,201,473
Corporate tax rate	20%	20%
Tax calculated	244,092	240,295
Effect of the correction of prior period's corporate tax	-	(131)
Tax charge	244,092	240,164

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

As of 31 December 2017, the Bank's net profit from continued operations is TL1,068,839 (31 December 2016: TL941,799) As of 31 December 2017, there is no net profit from discontinued operations. (31 December 2016: None).

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

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2016: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2016: None).
- c) Profit/ loss attributable to minority interest: None (31 December 2016: None).

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

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

	Current Period	Prior Period
<u>Other fees and commissions received</u>		
Card Fee and Commissions	676,969	571,229
Insurance Commissions	120,721	117,832
Service Commissions	120,418	103,753
Intelligence Fee and Commissions	60,114	68,422
Settlement Expense Provision, Eft, Swift, Agency Commissions	32,847	29,830
Fund Management Fees	20,779	19,421
Transfer Commissions	14,761	13,778
Commissions and Fees Earned from Correspondent Banks	3,054	2,929
Other	246,450	247,482
Total	1,296,113	1,174,676
<u>Other fees and commissions paid</u>		
Credit Cards Commissions and Fees	290,090	235,912
Settlement Expense Provision, Eft, Swift, Agency Commissions	17,219	15,520
Commissions and Fees Paid to Correspondent Banks	16,681	13,175
Other	77,996	81,439
Total	401,986	346,046

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

- a) Shareholders' equity increased TL21,475 after resulting from revaluation of financial assets available for sale (31 December 2016: TL63,282 decreased) and change effect to deferred tax is TL1,049 (31 December 2016: TL12,742).

Gain or loss arising from measurement of financial assets available for sale included in shareholders' equity in the current period, excluding those related to hedging amounting TL18,859 income (31 December 2016: TL32,143).

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available for sale (excluding the assets related to hedging): TL2,617 loss (31 December 2016: TL95,425 income).

- b) Increase in cash flow risk hedging items:

The Bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in 2017 increased by TL136,983 (31 December 2016: TL63,044 decreased) and the effect of this change to deferred tax is TL30,899 (31 December 2016: TL12,610).

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date:

Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.

- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this:

The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue

- g) Amounts transferred to legal reserves:

Amount transferred to legal reserves is TL47,090 in 2017 (31 December 2016: TL44,123).

- h) Information on shares issued:

The Bank has not recorded any shares issued in “Share Premium” account in the current period.

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VI. Explanations and Disclosures Related to Statement of Cash Flows

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

“Other items” amounting to TL3,822,574 (31 December 2016: TL3,438,729) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net decrease in other liabilities” amounting to TL506,617 (31 December 2016: TL856,818) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net decrease/increase in other assets” with a total amount of TL556,847 (31 December 2016: TL279,009) consists of changes in sundry debtors, blocked reserved deposits and other assets.

“Other items” amounting to TL63,519 (31 December 2016: TL72,685) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL413,878 for the year 2017. (31 December 2016: TL601,388).

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

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

Beginning of the period	Current Period	Prior Period
Cash	3,831,531	2,597,682
Cash in TL/Foreign Currency	814,303	771,522
Central Bank – Unrestricted amount	2,934,387	1,766,219
Other	82,841	59,941
Cash equivalents	3,568,598	1,282,447
Banks	1,568,598	1,282,447
Money market placements	2,000,000	-
Total cash and cash equivalents	7,400,129	3,880,129
End of the period	Current Period	Prior Period
Cash	3,424,493	3,831,531
Cash in TL/Foreign Currency	919,549	814,303
Central Bank – Unrestricted amount	2,427,043	2,934,387
Other	77,901	82,841
Cash equivalents	2,512,627	3,568,598
Banks	2,512,627	1,568,598
Money market placements	-	2,000,000
Total cash and cash equivalents	5,937,120	7,400,129

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VII. Explanations and Disclosures Related to Risk Group of the Bank

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

Balance sheet and income/expense items of previous periods are presented as of 31 December 2017.

a) Current Period:

Related Parties	Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	79,163	942	240,153	188,104	104,280	124,716
Balance at End of Period	132,994	1,089	167,506	301,623	275,065	134,644
Interest and Commission Income	474	69	4,781	63	3,048	453

Direct and indirect shareholders of the Bank balance above includes TL67,455 and other entities included in the risk group balance above includes TL263,586 placement in "Banks".

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common Control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	-	1,113	20,568	300,347	31,734	62,332
Balance at end of Period	79,163	942	240,153	188,104	104,280	124,716
Interest and Commission Income	223	87	2,365	12	1,408	217

Direct and indirect shareholders of the Bank balance above includes TL240,153 and other entities included in the risk group balance above includes TL102,164 placement in "Banks".

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current period	Prior period	Current Period	Prior Period
Deposits						
Balance at Beginning of Period	21,472	18,228	1,355,438	1,274,893	1,095,132	284,029
Balance at End of Period	42,863	21,472	1,524,306	1,355,438	756,839	1,095,132
Interest on Deposits	1,419	1,560	62,614	54,734	62,344	40,609

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of Period	78,862	75,663	25,275,220	10,144,450	247,304	408,011
End of Period	-	78,862	35,229,756	25,275,220	655,880	247,304
Total Profit/loss	10,725	3,116	(263,137)	153,947	3,795	382
Hedging Transactions purposes						
Beginning of Period	-	-	3,032,500	1,022,920	-	-
End of Period	-	-	-	3,032,500	-	-
Total Profit/Loss	-	-	49,591	5,151	-	-

d) As of 31 December 2017, the total amount of remuneration and benefits provided for the senior management of the Bank is TL34,281 (31 December 2016: TL27,929).

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VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches:

	Numbers	Employees			
Domestic branches	500	9,398			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	4	66	Cyprus	894,236	20,000
Off-shore branches	-	-	-	-	-

2. Explanations on Branch and Agency Openings or Closings of the Bank:

In the year 2017, the Bank opened 1 branches, closed 12 branches.

IX. Explanations and Disclosures Related to Subsequent Events

The Bank issued a bond on 5 January 2018, with a nominal value of TL84,281 maturity of 111 days with the ISIN code “TRFTEBK41827”.

The Bank issued a bond on 12 January 2018, with a nominal value of TL208,096 maturity of 104 days with the ISIN code “TRFTEBK41835”.

The Bank issued a bond on 19 January 2018, with a nominal value of TL287,813 maturity of 118 days with the ISIN code “TRFTEBK51826”.

The Bank issued a bond on 19 January 2018, with a nominal value of EUR5,000,000 maturity of 181 days with the ISIN code “XS1755226625”.

The Bank issued a bond on 1 February 2018, with a nominal value of TL377,349 maturity of 119 days with the ISIN code “TRFTEBK51834”.

The bond with a nominal value of TL450,000 with a maturity of 111 days and the ISIN Code of TRFTEBK21811, issued by the Bank via the book building method at the dates of 10-11 October 2017, has been expired as of 1 February 2017 and redeemed.

After Pascal Jean FISCHER, the member of the Board of Directors, has resigned from his duty, François Andre Jesualdo BENAROYA has been assigned as a member of the Board of Directors in accordance with Article 363 of the Turkish Commercial Code as of 17 January 2018, that will be presented to the approval of the first general assembly.

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SECTION SIX

OTHER EXPLANATIONS

I. Explanations on Other Activities of Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The unconsolidated financial statements of the Bank were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 6 February 2018 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.