Yapı ve Kredi Bankası A.Ş.

Publicly announced unconsolidated financial statements and related disclosures at December 31, 2017 together with independent auditor's report

(Convenience translation of publicly announced unconsolidated financial statements and independent auditor's report originally issued in Turkish, See Note 1. of Section three)

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 Yapı ve Kredi Bankası A.Ş.;

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Yapı ve Kredi 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.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız 0-1460-0224-0500015

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
Impairment of loans and receivables The Bank has total provision for impairment of TL 10.279.224 thousands in respect to loans and receivables of TL 201.906.973 thousands which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2017. Explanations and notes related to provision for impairment of loans and receivables are presented Section Three Part 7, Section Four Part 2, Section Five Part 1.7 and Section Five Part 2.7 in the accompanying unconsolidated financial statements as at 31 December 2017. The reason we focused on this area during our audit is; the size of loans and receivables, the importance of their classification in accordance with the relevant legislation and estimation of impairment provision related to these loan and receivables. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	Within our audit procedures, we assessed and tested the design and operating effectiveness of controls applied by the Bank with respect to classification of loans and receivables and estimation of impairment in line with the framework of the relevant legislation. We have carried credit review on a selected sample of loans and receivables with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation. In addition, we have tested the appropriateness of specific provision calculation made for non-performing loans in line with the relevant legislation. Based on a selected sample we tested whether collaterals subject to specific provision are taken into consideration with market values multiplied with specified valuation ratios and are adequately classified to correct collateral group specified in legislation. For the portfolio of loans subject to the general provision we have examined the appropriateness of the general provision established in line with the related rules and other notifications made by the BRSA. Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
Valuation of Pension Fund Obligations The Bank has booked provision amounting to TL 690.852 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2017. Explanations on Valuation of Pension Obligations are presented in the section five part 2.7 in the accompanying unconsolidated financial statements. Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of pension fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension fund obligations. During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

4. Other Matters

The unconsolidated financial statements of the Bank as at 31 December 2016 were audited by another auditor whose report dated 2 February 2017 expressed an unqualified opinion.

5. 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.

6. 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 scepticism 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 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.

Halûk Yalçın, SMMM

Istanbul, 6 February 2018

YapıKredi

Convenience translation of publicly announced unconsolidated year end financial statements and audit report originally issued in Turkish, See Note I. of Section three

THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDI BANKASI A.Ş. AS OF DECEMBER 31, 2017

Address	:Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telephone number	: 0212 339 70 00
Fax number	: 0212 339 60 00
Web Site	: www.yapikredi.com.tr
E-Mail	: financialreports@yapikredi.com.tr

The unconsolidated financial report for the year end which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- **GENERAL INFORMATION ABOUT THE BANK**
- **UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**
- **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**
- **OTHER EXPLANATIONS**
- **INDEPENDENT AUDITOR'S REPORT**

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, in **thousands of Turkish Lira** (unless otherwise stated), have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently audited and are presented enclosed.

Y. Ali KOÇ **Chairman of the Board of Directors**	**Niccolò UBERTALLI** **Executive Director and Deputy CEO**	**Massimo FRANCESE** **Chief Financial Officer**	**B. Seda İKİZLER** **Financial Reporting and Accounting Executive Vice President**
	Wolfgang SCHILK **Chairman of Audit Committee**	**Adil G. ÖZTOPRAK** **Member of Audit Committee**	

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

Name-Surname / Title	: Aysel Taktak / Regulatory Reporting Manager
Telephone Number	: 0212 339 63 29
Fax Number	: 0212 339 61 05

Section One - General Information

1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:

The Bank's publicly traded shares are traded on the Borsa İstanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2017, 18,20% of the shares of the Bank are publicly traded (December 31, 2016 - 18,20%). The remaining 81,80% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%.

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2017, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
Niccolò UBERTALLI(1)	Executive Director and Deputy CEO
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
A. Ümit TAFTALI	Member
F. Füsun Akkal BOZOK	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Giuseppe SCOGNAMIGLIO	Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

General Manager and Deputy General Manager:

Name	Responsibility
Niccolò UBERTALLI	Executive Director and Deputy CEO

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Feza TAN	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mehmet Gökmen UÇAR	Human Resources and Organization Management
Mehmet Murat ERMERT(2)	Corporate Communication Management
Mert ÖNCÜ	Treasury Management
Mert YAZICIOĞLU(3)	Private Banking and Wealth Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Patrick Josef SCHMITT	Risk Management
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN(3)	Retail Banking Management

(1) H. Faik Açıkalın retired from his position as Director and Chief Executive Officer (CEO) of Yapı ve Kredi Bankası A.Ş., effective from 29 December 2017. With the Board of Directors' decision dated 27 December 2017 it has been resolved that; Gökhan Erün is appointed as the Director and Chief Executive Officer (CEO) of the Bank effective from 15 January 2018 and Niccolo' Ubertalli, Executive Director and Deputy CEO, is commissioned to be the acting CEO till the new CEO starts his duty.

(2) Assistant General Manager Mehmet Murat Ermert who is responsible for Corporate Communication is resigned from his position at the Bank as of 2 January 2018. No appoinment has been made yet.

(3) Zeynep Nazan Somer Özelgin, who served as Assistant General Manager of Retail Banking, resigned as of 1 January, 2018. Serkan Ülgen was appointed as Assistant General Manager in charge of Retail Banking and Mert Yazıcıoğlu, previously Assistant General Manager responsible for Private Banking and Wealth Management, was assigned as Assistant General Manager in charge of Retail Banking Sales as of 1 January 2018.

4. Information on the individual and corporate shareholders having control shares of the Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.555.712.396,07	81,80%	3.555.712.396,07	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Bank's activities and service types:

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2017, the Bank has 865 branches operating in Turkey and 1 branch in overseas (December 31, 2016 - 935 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2017, the Bank has 17.994 employees (December 31, 2016 – 18.366 employees).

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

6. Differences between the Communiqué on Preparation of Consolidated 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:

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:
None.

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

					Current Period (31/12/2017)			Prior Period (31/12/2016)
	Assets	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**Cash and balances with Central Bank**	**1.1**	**7.595.701**	**34.377.878**	**41.973.579**	**9.051.431**	**23.329.135**	**32.380.566**
II.	**Financial assets at fair value through profit or (loss) (net)**	**1.2**	**3.614.240**	**503.958**	**4.118.198**	**2.652.903**	**365.380**	**3.018.283**
2.1	Trading financial assets		3.614.240	503.958	4.118.198	2.652.903	365.380	3.018.283
2.1.1	Government debt securities		26.584	30.396	56.980	18.888	17.825	36.713
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading	1.3	3.587.656	473.562	4.061.218	2.634.015	347.555	2.981.570
2.1.4	Other marketable securities		-	-	-	-	-	-
2.2	Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1	Government debt securities		-	-	-	-	-	-
2.2.2	Share certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	**Banks**	**1.4**	**14.175**	**2.706.452**	**2.720.627**	**33.331**	**1.415.361**	**1.448.692**
IV.	**Money markets**		**4.097**	**812.790**	**816.887**	**-**	**-**	**-**
4.1	Interbank money market placements		-	812.790	812.790	-	-	-
4.2	Receivables from IMKB		4.097	-	4.097	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	**Financial assets available-for-sale (net)**	**1.5,6**	**21.209.329**	**3.098.331**	**24.307.660**	**15.170.100**	**3.110.106**	**18.280.206**
5.1	Share certificates		7.613	96.465	104.078	6.330	62.288	68.618
5.2	Government debt securities		20.856.199	1.533.774	22.389.973	14.431.742	1.602.330	16.034.072
5.3	Other marketable securities		345.517	1.468.092	1.813.609	732.028	1.445.488	2.177.516
VI.	**Loans and receivables**	**1.7**	**125.727.188**	**69.233.255**	**194.960.443**	**106.608.228**	**66.015.989**	**172.624.217**
6.1	Loans and receivables		123.649.321	69.233.255	192.882.576	104.490.268	66.015.989	170.506.257
6.1.1	Loans to bank's risk group		1.696.947	838.771	2.535.718	1.608.906	811.272	2.420.178
6.1.2	Government debt securities		-	-	-	-	-	-
6.1.3	Other		121.952.374	68.394.484	190.346.858	102.881.362	65.204.717	168.086.079
6.2	Loans under follow-up		9.024.397	-	9.024.397	8.706.143	-	8.706.143
6.3	Specific provisions (-)		(6.946.530)	-	(6.946.530)	(6.588.183)	-	(6.588.183)
VII.	**Factoring receivables**		-	-	-	-	-	-
VIII.	**Held-to-maturity investments (net)**	**1.8**	**6.741.179**	**6.289.732**	**13.030.911**	**4.804.968**	**5.859.583**	**10.664.551**
8.1	Government debt securities		6.741.179	6.289.732	13.030.911	4.804.968	5.859.583	10.664.551
8.2	Other marketable securities		-	-	-	-	-	-
IX.	**Investments in associates (net)**	**1.9**	**4.503**	**529.384**	**533.887**	**4.503**	**437.143**	**441.646**
9.1	Consolidated based on equity method		-	-	-	-	-	-
9.2	Unconsolidated		4.503	529.384	533.887	4.503	437.143	441.646
9.2.1	Investments in financial associates		-	529.384	529.384	-	437.143	437.143
9.2.2	Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X.	**Subsidiaries (net)**	**1.10**	**2.768.324**	**2.039.040**	**4.807.364**	**2.476.582**	**1.756.442**	**4.233.024**
10.1	Unconsolidated financial subsidiaries		2.761.024	2.039.040	4.800.064	2.469.282	1.756.442	4.225.724
10.2	Unconsolidated non-financial subsidiaries		7.300	-	7.300	7.300	-	7.300
XI.	**Joint ventures (net)**	**1.11**	**18.386**	**-**	**18.386**	**18.114**	**-**	**18.114**
11.1	Accounted based on equity method		-	-	-	-	-	-
11.2	Unconsolidated		18.386	-	18.386	18.114	-	18.114
11.2.1	Financial joint ventures		18.386	-	18.386	18.114	-	18.114
11.2.2	Non-financial joint ventures		-	-	-	-	-	-
XII.	**Lease receivables**	**1.12**	**-**	**-**	**-**	**-**	**-**	**-**
12.1	Financial lease receivables		-	-	-	-	-	-
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	**Derivative financial assets held for hedging**	**1.13**	**1.520.914**	**167.481**	**1.688.395**	**1.055.832**	**113.104**	**1.168.936**
13.1	Fair value hedge		-	-	-	205.519	-	205.519
13.2	Cash flow hedge		1.520.914	167.481	1.688.395	850.313	113.104	963.417
13.3	Foreign net investment hedge		-	-	-	-	-	-
XIV.	**Property and equipment (net)**	**1.14**	**2.572.976**	**-**	**2.572.976**	**2.653.825**	**-**	**2.653.825**
XV.	**Intangible assets (net)**	**1.15**	**1.626.850**	**-**	**1.626.850**	**1.523.961**	**-**	**1.523.961**
15.1	Goodwill		979.493	-	979.493	979.493	-	979.493
15.2	Other		647.357	-	647.357	544.468	-	544.468
XVI.	**Investment property (net)**	**1.16**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**Tax asset**		**-**	**-**	**-**	**97.812**	**-**	**97.812**
17.1	Current tax asset		-	-	-	97.812	-	97.812
17.2	Deferred tax asset	1.17	-	-	-	-	-	-
XVIII.	**Assets held for resale and related to discontinued operations (net)**	**1.18**	**202.019**	**-**	**202.019**	**159.974**	**-**	**159.974**
18.1	Held for sale purposes		202.019	-	202.019	159.974	-	159.974
18.2	Related to discontinued operations		-	-	-	-	-	-
XIX.	**Other assets**	**1.19**	**1.612.786**	**2.819.352**	**4.432.138**	**1.486.403**	**2.619.328**	**4.105.731**
	Total assets		**175.232.667**	**122.577.653**	**297.810.320**	**147.797.967**	**105.021.571**	**252.819.538**

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

1. Balance sheet (Statement of Financial Position)

			Current Period (31/12/2017)			Prior Period (31/12/2016)		
	Liabilities	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**Deposits**	**2.1**	**75.934.109**	**93.413.108**	**169.347.217**	**84.648.505**	**69.626.351**	**154.274.856**
1.1	Deposits of the Bank's risk group		7.537.617	18.563.761	26.101.378	8.221.813	14.113.290	22.335.103
1.2	Other		68.396.492	74.849.347	143.245.839	76.426.692	55.513.061	131.939.753
II.	**Derivative financial liabilities held for trading**	**2.2**	**3.555.662**	**282.242**	**3.837.904**	**2.162.389**	**363.137**	**2.525.526**
III.	**Funds borrowed**	**2.3**	**516.285**	**38.613.774**	**39.130.059**	**543.244**	**27.451.618**	**27.994.862**
IV.	**Money markets**		**12.588.880**	**211.271**	**12.800.151**	**4.294.113**	**1.563.675**	**5.857.788**
4.1	Funds from interbank money market		3.703.931	-	3.703.931	-	-	-
4.2	Funds from IMKB		81.644	-	81.644	-	-	-
4.3	Funds provided under repurchase agreements		8.803.305	211.271	9.014.576	4.294.113	1.563.675	5.857.788
V.	**Marketable securities issued (net)**	**2.3**	**2.290.593**	**10.202.249**	**12.492.842**	**1.719.641**	**7.525.077**	**9.244.718**
5.1	Bills		1.212.509	107.682	1.320.191	1.399.791	86.665	1.486.456
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		1.078.084	10.094.567	11.172.651	319.850	7.438.412	7.758.262
VI.	**Funds**		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**Miscellaneous payables**		**10.217.001**	**1.937.311**	**12.154.312**	**8.878.296**	**1.758.713**	**10.637.009**
VIII.	**Other liabilities**	**2.4**	**1.347.239**	**433.396**	**1.780.635**	**1.575.848**	**314.654**	**1.890.502**
IX.	**Factoring payables**		-	-	-	-	-	-
X.	**Lease payables (net)**	**2.5**	**-**	**131**	**131**	**-**	**1.112**	**1.112**
10.1	Financial lease payables		-	139	139	-	1.130	1.130
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred lease expenses (-)		-	(8)	(8)	-	(18)	(18)
XI.	**Derivative financial liabilities held for hedging**	**2.6**	**300.046**	**12.380**	**312.426**	**66.263**	**22.525**	**88.788**
11.1	Fair value hedge		204.859	-	204.859	49.949	-	49.949
11.2	Cash flow hedge		95.187	12.380	107.567	16.314	22.525	38.839
11.3	Foreign net investment hedge		-	-	-	-	-	-
XII.	**Provisions**	**2.7**	**3.994.595**	**1.322.110**	**5.316.705**	**3.252.175**	**1.311.400**	**4.563.575**
12.1	General loan loss provision		2.102.563	1.230.131	3.332.694	1.833.501	1.208.819	3.042.320
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee rights		564.141	-	564.141	287.881	-	287.881
12.4	Insurance technical provisions (net)		-	-	-	-	-	-
12.5	Other provisions		1.327.891	91.979	1.419.870	1.130.793	102.581	1.233.374
XIII.	**Tax liability**	**2.8**	**821.207**	**-**	**821.207**	**554.362**	**-**	**554.362**
13.1	Current tax liability		613.308	-	613.308	296.752	-	296.752
13.2	Deferred tax liability		207.899	-	207.899	257.610	-	257.610
XIV.	**Liabilities for property and equipment held for sale and related to discontinued operations (net)**	**2.9**	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Related to discontinued operations		-	-	-	-	-	-
XV.	**Subordinated loans**	**2.10**	**-**	**9.718.804**	**9.718.804**	**-**	**9.067.893**	**9.067.893**
XVI.	**Shareholders' equity**	**2.11**	**28.196.661**	**1.901.266**	**30.097.927**	**24.705.325**	**1.413.222**	**26.118.547**
16.1	Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2	Capital reserves		3.689.913	1.901.266	5.591.179	3.666.340	1.413.222	5.079.562
16.2.1	Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities valuation differences		409.245	1.740.760	2.150.005	394.466	1.315.943	1.710.409
16.2.4	Property and equipment revaluation differences		1.360.019	-	1.360.019	1.449.056	-	1.449.056
16.2.5	Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6	Revaluation differences of investment property		-	-	-	-	-	-
16.2.7	Bonus shares from investments in associates, subsidiaries and joint ventures		16.271	-	16.271	15.165	-	15.165
16.2.8	Hedging funds (effective portion)		214.719	160.506	375.225	66.059	97.279	163.338
16.2.9	Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		1.145.778	-	1.145.778	1.197.713	-	1.197.713
16.3	Profit reserves		16.545.616	-	16.545.616	13.759.139	-	13.759.139
16.3.1	Legal reserves		869.410	-	869.410	844.539	-	844.539
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		15.675.023	-	15.675.023	12.913.149	-	12.913.149
16.3.4	Other profit reserves		1.183	-	1.183	1.451	-	1.451
16.4	Income or (loss)		3.614.081	-	3.614.081	2.932.795	-	2.932.795
16.4.1	Prior years' income or (loss)		-	-	-	-	-	-
16.4.2	Current year income or (loss)		3.614.081	-	3.614.081	2.932.795	-	2.932.795
	Total liabilities		**139.762.278**	**158.048.042**	**297.810.320**	**132.400.161**	**120.419.377**	**252.819.538**

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

2. Off-balance sheet commitments

					Current Period (31/12/2017)			Prior Period (31/12/2016)
		Note (Section Five)	TP	FC	Total	TP	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**293.686.722**	**385.229.009**	**678.915.731**	**158.620.046**	**239.642.521**	**398.262.567**
I.	**Guarantees and warranties**	**3.1.2,3**	**26.495.214**	**51.671.080**	**78.166.294**	**21.614.582**	**46.253.958**	**67.868.540**
1.1	Letters of guarantee		26.441.208	33.757.070	60.198.278	21.568.691	31.069.592	52.638.283
1.1.1	Guarantees subject to state tender law		791.090	1.168.552	1.959.642	471.441	930.593	1.402.034
1.1.2	Guarantees given for foreign trade operations		3.381.312	32.588.518	35.969.830	2.597.219	30.138.999	32.736.218
1.1.3	Other letters of guarantee		22.268.806	-	22.268.806	18.500.031	-	18.500.031
1.2	Bank acceptances		-	212.685	212.685	-	195.766	195.766
1.2.1	Import letter of acceptance		-	212.685	212.685	-	195.766	195.766
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		20.000	10.924.238	10.944.238	11.407	8.749.767	8.761.174
1.3.1	Documentary letters of credit		20.000	10.924.238	10.944.238	11.407	8.749.767	8.761.174
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		34.006	2.421.805	2.455.811	34.484	1.960.487	1.994.971
1.9	Other warranties		-	4.355.282	4.355.282	-	4.278.346	4.278.346
II.	**Commitments**	**3.1.1**	**93.480.873**	**92.316.175**	**185.797.048**	**53.181.915**	**25.549.089**	**78.731.004**
2.1	Irrevocable commitments		92.020.358	42.021.703	134.042.061	52.743.486	13.663.919	66.407.405
2.1.1	Asset purchase and sale commitments		36.662.381	40.236.824	76.899.205	3.706.202	12.562.607	16.268.809
2.1.2	Deposit purchase and sales commitments		29.564	762.402	791.966	27.500	6.581	34.081
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		9.349.555	775.480	10.125.035	8.008.276	869.605	8.877.881
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheques		6.844.741	-	6.844.741	6.686.199	-	6.686.199
2.1.8	Tax and fund liabilities from export commitments		7.297	-	7.297	6.014	-	6.014
2.1.9	Commitments for credit card limits		33.700.364	-	33.700.364	29.878.711	-	29.878.711
2.1.10	Commitments for credit cards and banking services promotions		18.322	-	18.322	18.409	-	18.409
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		5.408.134	246.997	5.655.131	4.412.175	225.126	4.637.301
2.2	Revocable commitments		1.460.515	50.294.472	51.754.987	438.429	11.885.170	12.323.599
2.2.1	Revocable loan granting commitments		1.460.515	50.294.472	51.754.987	438.429	11.885.170	12.323.599
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**Derivative financial instruments**		**173.710.635**	**241.241.754**	**414.952.389**	**83.823.549**	**167.839.474**	**251.663.023**
3.1	Derivative financial instruments for hedging purposes		42.759.791	30.433.834	73.193.625	29.149.741	22.976.994	52.126.735
3.1.1	Transactions for fair value hedge		270.141	2.336.735	2.606.876	422.791	1.689.923	2.112.714
3.1.2	Transactions for cash flow hedge		42.489.650	28.097.099	70.586.749	28.726.950	21.287.071	50.014.021
3.1.3	Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2	Trading transactions		130.950.844	210.807.920	341.758.764	54.673.808	144.862.480	199.536.288
3.2.1	Forward foreign currency buy/sell transactions		11.063.125	14.589.393	25.652.518	5.836.870	9.168.354	15.005.224
3.2.1.1	Forward foreign currency transactions-buy		4.066.561	8.704.699	12.771.260	2.022.577	5.425.889	7.448.466
3.2.1.2	Forward foreign currency transactions-sell		6.996.564	5.884.694	12.881.258	3.814.293	3.742.465	7.556.758
3.2.2	Swap transactions related to foreign currency and interest rates		104.077.472	164.682.628	268.760.100	37.500.424	109.501.198	147.001.622
3.2.2.1	Foreign currency swap-buy		19.511.430	87.065.133	106.576.563	12.124.291	37.791.925	49.916.216
3.2.2.2	Foreign currency swap-sell		79.436.042	28.617.705	108.053.747	20.836.133	28.669.215	49.505.348
3.2.2.3	Interest rate swap-buy		2.565.000	24.499.895	27.064.895	2.270.000	21.520.029	23.790.029
3.2.2.4	Interest rate swap-sell		2.565.000	24.499.895	27.064.895	2.270.000	21.520.029	23.790.029
3.2.3	Foreign currency, interest rate and securities options		9.678.309	16.400.673	26.078.982	6.062.482	13.199.550	19.262.032
3.2.3.1	Foreign currency options-buy		3.910.315	7.906.039	11.816.354	2.134.509	6.547.706	8.682.215
3.2.3.2	Foreign currency options-sell		5.467.994	6.672.990	12.140.984	3.427.973	5.479.950	8.907.923
3.2.3.3	Interest rate options-buy		-	1.058.039	1.058.039	250.000	585.947	835.947
3.2.3.4	Interest rate options-sell		300.000	763.605	1.063.605	250.000	585.947	835.947
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell		-	-	-	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		6.131.938	15.135.226	21.267.164	5.274.032	12.993.378	18.267.410
B.	**Custody and pledges received (IV+V+VI)**		**640.568.079**	**283.266.808**	**923.834.887**	**510.532.152**	**259.877.200**	**770.409.352**
IV.	**Items held in custody**		**355.509.137**	**191.474.709**	**546.983.846**	**265.934.364**	**181.694.033**	**447.628.397**
4.1	Customer fund and portfolio balances		-	-	-	-	-	-
4.2	Investment securities held in custody		333.343.112	190.867.166	524.210.278	245.510.328	180.952.854	426.463.182
4.3	Checks received for collection		17.328.672	87.339	17.416.011	15.835.668	118.906	15.954.574
4.4	Commercial notes received for collection		4.779.209	460.360	5.239.569	4.543.821	574.974	5.118.795
4.5	Other assets received for collection		-	47.846	47.846	-	40.085	40.085
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	11.998	70.142	44.547	7.214	51.761
4.8	Custodians		-	-	-	-	-	-
V.	**Pledges received**		**271.152.739**	**90.899.235**	**362.051.974**	**240.607.924**	**77.358.701**	**317.966.625**
5.1	Marketable securities		193.385	418	193.803	179.680	390	180.070
5.2	Guarantee notes		930.316	266.781	1.197.097	1.000.765	267.379	1.268.144
5.3	Commodity		23.010	-	23.010	25.813	-	25.813
5.4	Warrants		-	-	-	-	-	-
5.5	Properties		119.604.456	70.551.995	190.156.451	104.128.522	67.046.308	171.174.830
5.6	Other pledged items		150.401.572	20.073.243	170.474.815	135.273.144	10.038.359	145.311.503
5.7	Pledged items-depository		-	6.798	6.798	-	6.265	6.265
VI.	**Accepted independent guarantees and warranties**		**13.906.203**	**892.864**	**14.799.067**	**3.989.864**	**824.466**	**4.814.330**
	Total off-balance sheet commitments (A+B)		**934.254.801**	**668.495.817**	**1.602.750.618**	**669.152.198**	**499.519.721**	**1.168.671.919**

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

3. Income statement

	Income and expense items	Note (Section Five)	Current Period (01/01/2017-31/12/2017)	Prior Period (01/01/2016-31/12/2016)
I.	**Interest income**	**4.1**	**21.384.918**	**17.845.482**
1.1	Interest on loans	4.1.1	17.527.173	15.276.920
1.2	Interest received from reserve deposits		233.964	118.629
1.3	Interest received from banks	4.1.2	188.276	48.725
1.4	Interest received from money market transactions		23.344	21.535
1.5	Interest received from marketable securities portfolio	4.1.3	3.411.063	2.377.445
1.5.1	Trading financial assets		3.405	5.302
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		2.438.979	1.664.548
1.5.4	Held to maturity investments		968.679	707.595
1.6	Financial lease income		-	-
1.7	Other interest income		1.098	2.228
II.	**Interest expense**	**4.2**	**(12.173.817)**	**(10.210.836)**
2.1	Interest on deposits	4.2.4	(9.626.984)	(7.905.466)
2.2	Interest on funds borrowed	4.2.1	(1.321.006)	(998.811)
2.3	Interest expense on money market transactions		(447.530)	(692.397)
2.4	Interest on securities issued	4.2.3	(723.477)	(603.276)
2.5	Other interest expenses		(54.820)	(10.886)
III.	**Net interest income (I + II)**		**9.211.101**	**7.634.646**
IV.	**Net fees and commissions income**		**3.136.135**	**2.825.515**
4.1	Fees and commissions received		4.062.916	3.590.255
4.1.1	Non-cash loans		554.898	469.598
4.1.2	Other	4.5	3.508.018	3.120.657
4.2	Fees and commissions paid		(926.781)	(764.740)
4.2.1	Non-cash loans		(280)	(127)
4.2.2	Other		(926.501)	(764.613)
V.	**Dividend income**	**4.3**	**2.273**	**80**
VI.	**Trading gain/(loss) (net)**	**4.4**	**(812.513)**	**76.258**
6.1	Trading gains/(losses) on securities		53.274	40.488
6.2	Derivative financial transactions gains/(losses)	4.5	(1.291.308)	(9.172)
6.3	Foreign exchange gains/(losses)		425.521	44.942
VII.	**Other operating income**	**4.6**	**1.135.753**	**551.799**
VIII.	**Total operating income (III+IV+V+VI+VII)**		**12.672.749**	**11.088.298**
IX.	**Provision for impairment of loans and other receivables (-)**	**4.7**	**(3.253.793)**	**(2.843.576)**
X.	**Other operating expenses (-)**	**4.8**	**(5.520.360)**	**(5.076.509)**
XI.	**Net operating income/(loss) (VIII-IX-X)**		**3.898.596**	**3.168.213**
XII.	**Excess amount recorded as income after merger**		**-**	**-**
XIII.	**Income/(loss) from investments accounted based on equity method**		**574.818**	**476.472**
XIV.	**Income/(loss) on net monetary position**		**-**	**-**
XV.	**Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)**	**4.9**	**4.473.414**	**3.644.685**
XVI.	**Tax provision for continuing operations (±)**	**4.10**	**(859.333)**	**(711.890)**
16.1	Current tax provision		(1.010.325)	(540.460)
16.2	Deferred tax provision		150.992	(171.430)
XVII.	**Net profit/loss from continuing operations (XV±XVI)**		**3.614.081**	**2.932.795**
XVIII.	**Income from discontinued operations**		**-**	**-**
18.1	Income from non-current assets held for resale		-	-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3	Other income from discontinued operations		-	-
XIX.	**Expenses from discontinued operations (-)**		**-**	**-**
19.1	Expenses for non-current assets held for resale		-	-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	**Profit /losses before taxes from discontinued operations (XVIII-XIX)**	**4.9**	**-**	**-**
XXI.	**Tax provision for discontinued operations (±)**	**4.10**	**-**	**-**
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	**Net profit/loss from discontinued operations (XX±XXI)**		**-**	**-**
XXIII.	**Net profit/loss (XVII+XXII)**	**4.11**	**3.614.081**	**2.932.795**
	Earnings/(loss) per share (full TL)		0,0083	0,0067

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

4. Statement of income and expense items accounted under shareholders' equity

	Income and expense items accounted under shareholders' equity	Current Period (31/12/2017)	Prior Period (31/12/2016)
I.	**Transfers to marketable securities valuation differences from financial assets available for sale**	**72.856**	**(248.090)**
II.	**Property and equipment revaluation differences**	**(1.372)**	**-**
III.	**Intangible assets revaluation differences**	**-**	**-**
IV.	**Currency translation differences for foreign currency transactions**	**3.453**	**44.230**
V.	**Profit /loss on cash flow hedges (effective part of the fair value changes)**	**590.799**	**147.084**
VI.	**Profit/loss on foreign net investment hedges (effective part of the fair value changes)**	**(321.859)**	**(201.497)**
VII.	**Effects of changes in accounting policy and adjustment of errors**	**-**	**-**
VIII.	**Other income and expense items accounted under shareholders' equity according to TAS**	**122.703**	**332.260**
IX.	**Deferred tax on valuation differences**	**(101.281)**	**27.754**
X.	**Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)**	**365.299**	**101.741**
XI.	**Current year profit/loss**	**3.614.081**	**2.932.795**
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	40.402	235.260
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	272.787	(44.407)
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	3.300.892	2.741.942
XII.	**Total income/loss accounted for the period (X+XI)**	**3.979.380**	**3.034.536**

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

5. Statement of changes in shareholders' equity

	Prior Period December 31, 2016	Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income /(loss)	Marketable securities Value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
I.	**Period opening balance**		**4.347.051**	**-**	**543.881**	**-**	**751.512**	**-**	**11.148.251**	**1.194.298**	**1.860.545**	**-**	**1.560.959**	**1.449.056**	**15.107**	**213.351**	**-**	**23.084.011**
II.	**Changes in accounting policies according to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New balance (I+II)**		**4.347.051**	**-**	**543.881**	**-**	**751.512**	**-**	**11.148.251**	**1.194.298**	**1.860.545**	**-**	**1.560.959**	**1.449.056**	**15.107**	**213.351**	**-**	**23.084.011**
	Changes in the period																	
IV.	**Increase/decrease due to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**(221.858)**	-	-	-	-	**(221.858)**
VI.	**Hedging transactions (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**(43.531)**	-	**(43.531)**
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	117.667	-	117.667
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(161.198)	-	(161.198)
VII.	**Property and equipment revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		-	-	-	-	-	-	-	-	-	-	-	-	**58**	-	-	**58**
X.	**Foreign exchange differences**		-	-	-	-	-	-	-	-	-	-	**41.867**	-	-	**(6.482)**	-	**35.385**
XI.	**Changes due to the disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Changes due to the reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Effect of the changes in equity of investment in associates**		-	-	-	-	-	-	-	-	-	-	**329.441**	-	-	-	-	**329.441**
XIV.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Paid in-capital inflation adjustment difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	**Other**		-	-	-	-	-	-	-	**2.246**	-	-	-	-	-	-	-	**2.246**
XIX.	**Current year income or loss**		-	-	-	-	-	-	-	-	**2.932.795**	-	-	-	-	-	-	**2.932.795**
XX.	**Profit distribution**		-	-	-	-	**93.027**	-	**1.764.898**	**2.620**	**(1.860.545)**	-	-	-	-	-	-	-
20.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	93.027	-	1.764.898	2.620	(1.860.545)	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (III++IV+V +……+IXX+XX)		**4.347.051**	**-**	**543.881**	**-**	**844.539**	**-**	**12.913.149**	**1.199.164**	**2.932.795**	**-**	**1.710.409**	**1.449.056**	**15.165**	**163.338**	**-**	**26.118.547**

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

5. Statement of changes in shareholders' equity

	Current Period December 31, 2017	Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
I.	**Prior period end balance**		**4.347.051**	**-**	**543.881**	**-**	**844.539**	**-**	**12.913.149**	**1.199.164**	**2.932.795**	**-**	**1.710.409**	**1.449.056**	**15.165**	**163.338**	**-**	**26.118.547**
	Changes in the period																	
II.	**Increase/decrease due to the merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**67.980**	-	-	-	-	**67.980**
IV.	**Hedging transactions (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**205.690**	-	**205.690**
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	451.344	-	451.344
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(245.654)	-	(245.654)
V.	**Property and equipment revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	**(89.037)**	-	-	-	**(89.037)**
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		-	-	-	-	-	-	-	-	-	-	-	-	**1.106**	-	-	**1.106**
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	-	-	-	**(3.504)**	-	-	**6.197**	-	**2.693**
IX.	**Changes due to the disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes due to the reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of the changes in equity of investment in associates**		-	-	-	-	-	-	-	-	-	-	**375.120**	-	-	-	-	**375.120**
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Paid in-capital inflation adjustment difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	**(198.253)**	-	-	-	-	-	-	-	**(198.253)**
XVII.	**Current year income or loss**		-	-	-	-	-	-	-	-	**3.614.081**	-	-	-	-	-	-	**3.614.081**
XVIII.	**Profit distribution**		-	-	-	-	**24.871**	-	**2.761.874**	**146.050**	**(2.932.795)**	-	-	-	-	-	-	-
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+…+XVI+XVII+XVIII)		**4.347.051**	**-**	**543.881**	**-**	**869.410**	**-**	**15.675.023**	**1.146.961**	**3.614.081**	**-**	**2.150.005**	**1.360.019**	**16.271**	**375.225**	**-**	**30.097.927**

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

6. Statement of cash flows

		Notes (Section Five)	Current Period (31/12/2017)	Prior Period (31/12/2016)
A.	**Cash flows from banking operations**			
1.1	Operating profit before changes in operating assets and liabilities		4.166.200	2.746.948
1.1.1	Interest received		19.153.891	16.378.595
1.1.2	Interest paid		(11.967.138)	(9.927.456)
1.1.3	Dividend received		116.939	98.440
1.1.4	Fees and commissions received		4.062.916	3.590.255
1.1.5	Other income		(733.014)	(484.239)
1.1.6	Collections from previously written-off loans and other receivables		1.383.315	1.046.425
1.1.7	Payments to personnel and service suppliers		(4.601.194)	(4.299.229)
1.1.8	Taxes paid		(957.750)	(922.274)
1.1.9	Other	**6.3**	(2.291.765)	(2.733.569)
1.2	Changes in operating assets and liabilities		5.603.444	1.659.157
1.2.1	Net (increase)/decrease in trading securities		(19.973)	29.110
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in banks		(4.012.923)	440.423
1.2.4	Net (increase)/decrease in loans		(25.135.737)	(25.992.118)
1.2.5	Net (increase)/decrease in other assets		(104.306)	(1.345.131)
1.2.6	Net increase /(decrease) in bank deposits		1.234.126	2.835.348
1.2.7	Net increase /(decrease) in other deposits		13.858.215	24.279.605
1.2.8	Net increase /(decrease) in funds borrowed		18.234.646	(1.853.624)
1.2.9	Net increase /(decrease) in payables		-	-
1.2.10	Net increase /(decrease) in other liabilities	**6.3**	1.549.396	3.265.544
I.	**Net cash flows from banking operations**		**9.769.644**	**4.406.105**
B.	**Cash flows from investing activities**			
II.	**Net cash flows from investing activities**		**(6.237.314)**	**794.847**
2.1	Cash paid for acquisition of investments in associates, subsidiaries and joint ventures		-	-
2.2	Cash obtained from disposal of investments in associates, subsidiaries and joint ventures		215.307	-
2.3	Purchases of property and equipment		(395.404)	(374.498)
2.4	Disposals of property and equipment		64.903	94.448
2.5	Purchase of investments available-for-sale		(14.259.733)	(15.178.470)
2.6	Sale of investments available-for-sale		9.902.172	17.583.000
2.7	Purchase of investment securities		(2.796.166)	(1.329.699)
2.8	Sale of investment securities		1.031.607	66
2.9	Other		-	-
C.	**Cash flows from financing activities**			
III.	**Net cash flows from financing activities**		**2.888.345**	**(552.683)**
3.1	Cash obtained from funds borrowed and securities issued		18.454.927	8.178.136
3.2	Cash used for repayment of funds borrowed and securities issued		(15.565.602)	(8.728.897)
3.3	Issued capital instruments		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		(980)	(1.922)
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**	**6.3**	**1.211.207**	**989.614**
V.	**Net increase in cash and cash equivalents (I+II+III+IV)**		**7.631.882**	**5.637.883**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**13.957.819**	**8.319.936**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**21.589.701**	**13.957.819**

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

7. Profit Distribution(1)

		Current Period (31/12/2017)	Prior Period (31/12/2016)
I.	**Distribution of current year income**		
1.1	Current year income	4.473.414	3.644.685
1.2	Taxes and duties payable (-)	(859.333)	(711.890)
1.2.1	Corporate tax (income tax)	(1.010.325)	(540.460)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	150.992	(171.430)
A.	**Net income for the year (1.1-1.2)**	**3.614.081**	**2.932.795**
1.3	Prior year losses (-)	-	-
1.4	First legal reserves (-)	-	24.871
1.5	Other statutory reserves (-)	-	-
B.	**Net income available for distribution [(a-(1.3+1.4+1.5)]**	**3.614.081**	**2.907.924**
1.6	First dividend to shareholders (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of preferred shares	-	-
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 privileged shares	-	-
1.9.3	To owners of preferred shares	-	-
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	-	2.761.874
1.13	Other reserves	-	-
1.14	Special funds	-	146.050
II.	**Distribution of reserves**	-	-
2.1	Appropriated 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 privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
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	0,0083	0,0067
3.2	To owners of ordinary shares (%)	-	-
3.3	To owners of privileged shares	-	-
3.4	To owners of privileged shares (%)	-	-
		-	
IV.	**Dividend per share**		-
4.1	To owners of ordinary shares	-	-
4.2	To owners of ordinary shares (%)	-	-
4.3	To owners of privileged shares	-	-
4.4	To owners of privileged shares (%)	-	-

(1) Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2017 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table. Relevant amount also includes the amount of TL 127.833, which is calculated in accordance with Article 5/1-e of the Corporate Tax Law No. 5520 as 75% of the sales income over immovable real estate (have been set as 50% for real estate properties as of December 5, 2017) and the sales income over a subsidiary and will not be distributed and kept under a special fund.

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets available for sale, investments in associates and subsidiaries measured at fair value, trading derivative financial liabilities, hedging derivative financial assets/liabilities and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS.

TFRS 9 "Financial Instruments" standard, issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. The new requirements become effective as of 1 January 2018.

TFRS 9 standard sets out the new principles for the classification and measurement of financial instruments, for impairment for credit risk on financial assets and for general hedge accounting. Based on the analyses made to date, the Bank is considering maintaining all the requirements of TAS 39 for hedge accounting.

TFRS 9 will require financial assets to be classified on the basis of two criteria; classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest (SPPI)".

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

Loan loss provisioning model, based on related regulation of BRSA, explained in accounting policies will be replaced by expected credit loss (ECL) model under TFRS 9. The ECL estimates are required to be unbiased, probability-weighted, and should include supportable information about past events, current conditions, and forecasts of future economic conditions. The ECL should reflect multiple macroeconomic scenarios and include the time value of money. The ECL model applies to all on-balance financial assets accounted for at amortized cost and FVOCI such as loans and debt securities, as well as off-balance items such as certain loan commitments, financial guarantees, and undrawn revolving credit facilities.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

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 this category. 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 ECL are recognized and interest revenue is calculated on the net carrying amount.

The Bank will recognize an adjustment to opening equity balance for the new requirements as of January 1, 2018 without making any adjustments to the comparative periods. In addition, in accordance with TFRS 9, the Bank will calculate deferred tax asset related to Stage 1 and Stage 2 credit losses, and the calculated impact will be recognized under shareholder's equity with initial application.

Processes related to the impact of the standard is in conclusion phase, and no material changes to shareholder's equity is expected considering all effects.

Other TAS / TFRS amendments, that were issued but not yet effective as of the date of finalization of the financial statements, will not have a significant effect on the Parent Bank's accounting policies, financial position and performance.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, 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.

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. The Bank is also sustaining a lengthened liability structure by using long-term foreign and local currency borrowings from domestic and international investors and financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is followed within the determined levels by the Board of Directors, by considering the limits specified by the Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans. Since the foreign currency investments and subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the date when the fair values are remeasured and are accounted under shareholders equity. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to TL non-performing loans accounts.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with financial liabilities in foreign currency and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Hedging funds" in equity.

Bank, upon initial recognition, classifies its financial liabilities as fair value of financial liabilities value through profit / loss in order to eliminate the recognition inconsistency.

3. Explanations on investments in associates, subsidiaries and joint ventures:

Associates, subsidiaries and joint ventures are being carried at equity method in unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "marketable securities valuation differences" under the equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "marketable securities valuation differences" under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of "TAS – 27 Turkish Accounting Standards for Individual Financial Statements" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.

4. Explanations on forward and option contracts and derivative instruments:

The Bank's derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "TAS – 39 Financial Instruments: Recognition and Measurement " and are therefore treated as "financial instruments at fair value through profit or loss".

"Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TAS – 39 Financial Instruments: Recognition and Measurement" in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2017, the Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) and total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TAS – 39 Financial Instruments: Recognition and Measurement" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily by the valuation model of the Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Bank's internal modelling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank’s over-the-counter derivative exposures to take into account the counterparty’s risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank’s over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Accounting Standards, “TAS – 39 Financial Instruments: Recognition and Measurement”, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically. The Bank ceases accruing interest income on non-performing loans and any interest income accruals from such receivables are reversed and no income is accounted until collection is made according to the related regulation.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

7. Explanations on financial assets:

The Bank classifies and accounts its financial assets as “fair value through profit or loss”, “available-for-sale”, “loans and receivables” or “held-to-maturity”. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

7.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as “Financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of this section.

7.2. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at "Amortized cost" using the "Effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with "TAS – 39 Financial Instruments: Recognition and Measurement", sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

7.3. Loans and receivables:

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

7.4. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under UCA.

8. Explanations on impairment of financial assets:

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note 7. of this section.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repos") are classified as "at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds provided under repurchase agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the " TFRS – 5 Non-current Assets Held for Sale and Discontinued Operations" , a tangible asset (or a group of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

A discontinued operation is a part of the Bank's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

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

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group’s share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset’s fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with “TFRS – 3 Business Combinations”, was recorded in the unconsolidated financial statements of the Bank.

In line with “TFRS – 3 Business Combinations”, the goodwill is not subject to amortization but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with “TAS – 36 Impairment on Assets”. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. 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.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the “TAS – 36 Impairment of Assets”. The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit from the asset. The rates used are presented below:

Other intangible assets	20%

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with “TAS – 16 Property, Plant and Equipment”. Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with “TAS – 16 Property, Plant and Equipment”.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The rates used are stated below:

Buildings	2-4%
Movables, movables acquired under financial leasing	20%

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS – 36 Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Bank performs financial and operational leasing in the capacity of the lessee.

14.1 Financial lease

The Bank includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognized. The liabilities arising from financial leasing contracts are accounted under "Financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables. The Bank does not perform financial leasing operations as "Lessor".

14.2. Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

15. Explanations on provisions, contingent liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with "TAS – 37 Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the "Matching principle". A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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 be realized.

Contingent assets are disclosed 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 of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "TAS – 19 Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS – 19 Employee Rights" standard.

16.2. Pension rights

The Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years.

According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds 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 and numbered 29335.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS – 19 Employee Rights", the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The Corporate Tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. This tax rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.

"In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years' in the provisional tax declaration.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.
Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

17.2. Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “TAS – 12 Income Taxes” and in accordance with BRSA’s explanations and circulars and the tax legislation, the Bank calculates deferred tax on deductible temporary differences except for general loan loss provisions, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilized.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing (previously included as “Disguised profit” in the Corporate Tax Law No.5422). “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

“Arm’s length principle”, which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” including costs of transactions using the “effective interest method”.

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

Also, the Bank obtains funds by issuing bonds and bills.

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

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

No dividend payments were announced after the balance sheet date.

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "Off-balance sheet commitments".

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 1.183 (December 31, 2016 - TL 1.451).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	Current Period	**Prior Period**
Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders	3.614.081	2.932.795
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	**0,0083**	**0,0067**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2017 (2016 - None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS – 24 Related Parties". The transactions with related parties are disclosed in detail in Note 7 of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined inline with "TFRS – 8 Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

26. Explanations on other matters:

None.

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

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity". The capital adequacy ratio of the Bank is 14,49% (December 31, 2016 – 14,21%).

1.1. Information on equity:

	Current Period	Amounts subject to treatment before 1/1/2014[(1)]	Prior Period	Amounts subject to treatment before 1/1/2014[(1)]
COMMON EQUITY TIER 1 CAPITAL				
Paid-up Capital	4.347.051		4.347.051	
Share issue premiums	543.881		543.881	
Retained earnings	16.545.616		13.759.139	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	6.054.914		5.185.457	
Profit	3.614.081		2.932.795	
Net profit of the period	3.614.081		2.932.795	
Profit of the previous years	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	16.271		15.165	
Common Equity Tier 1 capital before regulatory adjustments	**31.121.814**		**26.783.488**	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	90.195		18.141	
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	1.023.887		664.940	
Improvement costs for operating leasing	91.369		109.050	
Goodwill (net of related tax liability)	783.594	979.493	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	489.500	611.874	306.021	510.035
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	836.691		379.150	
Shortfall of provisions to expected losses	-		-	
Securitisation gain on sale	-		-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Investments in own shares	-		-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-		-	
Mortgage servicing rights (amount above 10% threshold)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-		-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	547.770		455.257	
The amount above threshold for mortgage servicing rights	-		-	
The amount above threshold for deferred tax assets arising from temporary differences	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		-	
Total regulatory adjustments to Common equity Tier 1	**3.863.006**		**2.520.255**	
Common Equity Tier 1 capital (CET1)	**27.258.808**		**24.263.233**	

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

ADDITIONAL TIER 1 CAPITAL	Current Period	Amounts subject to treatment before 1/1/2014(1)	Prior Period	Amounts subject to treatment before 1/1/2014(1)
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-		-	
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-		-	
Additional Tier 1 capital before regulatory adjustments	**-**		**-**	
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-		-	
Reciprocal cross-holdings in Additional Tier 1 instruments	-		-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		-	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Regulatory Adjustments which will be deducted from Tier 1 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 Banks' Own Funds (-)	318.273	-	595.811	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
Total regulatory adjustments to Additional Tier 1 capital	**-**		**-**	
Total Additional Tier 1 capital	**-**		**-**	
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**26.940.535**		**23.667.422**	
TIER 2 CAPITAL				
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5.865.305		5.472.356	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	711.040		1.066.560	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.893.299		2.689.286	
Tier 2 capital before regulatory adjustments	**9.469.644**		**9.228.202**	
Tier 2 capital: regulatory adjustments				
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-		-	
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	72.789		109.452	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-		-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-		-	
National specific regulatory adjustments which shall be determined by the BRSA	-		-	
Total regulatory adjustments to Tier 2 capital	**72.789**		**109.452**	
Total Tier 2 capital	**9.396.855**		**9.118.750**	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**36.198.441**		**32.567.023**	
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)				
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	3.750		13.431	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(2)	-		11.868	
National specific regulatory adjustments which shall be determined by the BRSA	135.199		193.850	
Regulatory Adjustments which will be deducted from Total Capital during the transition period				
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

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

OWN FUNDS	**Current Period**	**Prior Period**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	36.198.441	32.567.023
Total Risk Weighted Assets	249.893.152	229.213.155
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,91	10,59
Tier 1 Capital Adequacy Ratio (%)	10,78	10,33
Capital Adequacy Ratio (%)	14,49	14,21
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	1,261	0,633
a) Capital conservation buffer requirement (%)	1,250	0,625
b) Bank's specific countercyclical buffer requirement (%)	0,011	0,008
c) Systemically important Bank buffer (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	4,908	4,588
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	1.693.432	1.126.265
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	3.332.694	3.042.320
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.893.299	2.689.286
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	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.
(2) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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

1.2. Details on Subordinated Liabilities:

	1	2	3	4
Issuer	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law
Regulatory treatment				
Transitional Basel III rules	No	No	Yes	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone –Consolidated	Stand-alone –Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.207	1.773	711	1.886
Par value of instrument	2.207	1.773	3.772	1.886
Accounting classification	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years + 1 day
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	6,55%	5,5%	8,63% (5 Year MidSwap+740 basis points, 8,5% coupon)
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
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)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	-

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

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

1.4 Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

Private sector receivables :

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	196.250.522	-	196.250.522
Malta	629.438	-	629.438
Italy	486.627	-	486.627
Russia	301.135	-	301.135
Azerbaijan	288.846		288.846
Marshall ıslands	286.091	-	286.091
Swıtzerland	277.296	-	277.296
Netherland	266.754	-	266.754
England	220.344	-	220.344
France	183.542	-	183.542
Germany	177.270	-	177.270
Kazakhstan	115.715		115.715
Other	581.987	-	581.987
Total	**200.065.567**	-	**200.065.567**

2. Explanations on credit risk

2.1. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers' financial status, and credit type.While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office.

Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

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

Different rating systems are used for Small and Medium Sized Entities (SME), Corporate and Commercial customers during the underwriting process of the Bank. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of Corporate, Commercial and SME customers. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate and Commercial customers of the Parent Bank is as follows:

	Current Period	Prior Period
Above average (1-4)	46,5%	45,2%
Average (5+ -6)	46,9%	44,3%
Below average (7+ -9)	6,6%	10,6%

The Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside specific and general provisions with respect to “value adjustments” procedures in accordance with the Provisioning Regulation.

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, are disclosed below for the relevant period:

Risk Classifications:	Current Period risk amount (1)	Average risk amount
Conditional and unconditional receivables from central governments or central banks	82.474.544	65.195.567
Conditional and unconditional receivables from regional or local governments	184	184
Conditional and unconditional receivables from administrative units and non-commercial enterprises	217.385	208.794
Conditional and unconditional receivables from multilateral development banks	6.066	9.370
Conditional and unconditional receivables from banks and brokerage houses	20.279.749	17.431.936
Conditional and unconditional receivables from corporates	137.661.409	128.545.979
Conditional and unconditional retail receivables	81.908.197	79.583.040
Conditional and unconditional receivables secured by mortgages	26.643.951	21.222.066
Past due receivables	2.156.784	1.994.867
Receivables defined as high risk category by the Regulator	190.330	189.277
Investment in equities	94.843	62.538
Other receivables	4.915.945	4.701.055
Conditional and unconditional receivables from central governments or central banks	7.970.354	8.111.867
Total	**364.519.741**	**327.256.540**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.2 The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

2.3 In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4 Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

2.5 At the risk of credit;

- The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 27% and 35% (31.12.2016- 27% and 35%).
- The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 62% (31.12.2016- 47% and 59%).
- The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 34% and 42% of total cash loans and non-cash loans (31.12.2016- 33% and 42%).

2.6 The Bank provided a general loan loss provision amounting to TL 3.332.694 (December 31, 2016 - TL 3.042.320).

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

2.7 Risk profile according to the geographical concentration:

	Risk Classifications [1)(2)]													
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
Current Period														
Domestic	82.474.544	184	217.385	-	6.657.642	132.747.258	81.893.315	26.639.303	2.120.135	190.328	94.843	9.365	7.970.354	341.014.656
EU countries	-	-	-	1.785	11.151.664	1.699.844	6.002	2.291	7	2	-	-	-	12.861.595
OECD countries [(3)]	-	-	-	-	168.087	691.967	921	1.536	-	-	-	-	-	862.511
Off-shore banking regions	-	-	-	-	743.304	65.279	3.690	-	8.399	-	-	-	-	820.672
USA, Canada	-	-	-	4.281	1.386.754	1.430.735	932	353	-	-	-	94.713	-	2.917.768
Other countries	-	-	-	-	172.298	1.026.326	3.337	468	28.243	-	-	-	-	1.230.672
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	4.811.867	-	4.811.867
Undistributed Assets / Liabilities [(4)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**82.474.544**	**184**	**217.385**	**6.066**	**20.279.749**	**137.661.409**	**81.908.197**	**26.643.951**	**2.156.784**	**190.330**	**94.843**	**4.915.945**	**7.970.354**	**364.519.741**

	Risk Classifications[(1)(2)]													
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
Prior Period														
Domestic	61.657.035	167	532.833	-	5.733.165	116.998.941	76.105.849	15.397.160	2.019.664	206.855	-	7.770	9.174.068	287.833.507
EU countries	-	-	-	8.438	9.558.979	1.318.076	8.511	642	3.976	2	-	-	-	10.898.624
OECD countries [(3)]	-	-	-	-	228.710	651.368	1.572	100	-	-	-	-	-	881.750
Off-shore banking regions	-	-	-	-	1.073.277	142.838	5.280	-	8.399	-	-	-	-	1.229.794
USA, Canada	-	-	-	6.918	867.735	1.124.708	1.749	138	-	-	-	60.849	-	2.062.097
Other countries	-	-	-	-	227.201	724.171	2.775	625	20.643	1	-	-	-	975.416
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	4.237.527	455.257	4.692.784
Undistributed Assets / Liabilities [(4)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**61.657.035**	**167**	**532.833**	**15.356**	**17.689.067**	**120.960.102**	**76.125.736**	**15.398.665**	**2.052.682**	**206.858**	**-**	**4.306.146**	**9.629.325**	**308.573.972**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Exposures in the form of collective investment undertaking
12-Investment in equities
13-Other receivables

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

2.8 Risk profile according to sectors and counterparties:

	Risk classifications (1)(2)															
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**TL**	**FC**	**Total**
Agricultural	**-**	**-**	**35.077**	**-**	**-**	**4.500.201**	**3.176.432**	**748.411**	**169.775**	**6.792**	**-**	**-**	**-**	**5.457.179**	**3.179.509**	**8.636.688**
Farming and raising livestock	-	-	34.661	-	-	3.481.728	2.204.919	542.870	130.355	4.326	-	-	-	3.844.515	2.554.344	6.398.859
Forestry	-	-	416	-	-	812.137	946.836	199.083	35.469	2.309	-	-	-	1.542.214	454.036	1.996.250
Fishing	-	-	-	-	-	206.336	24.677	6.458	3.951	157	-	-	-	70.450	171.129	241.579
Manufacturing	**-**	**20**	**59.107**	**-**	**-**	**75.125.122**	**16.803.253**	**5.927.237**	**839.929**	**53.113**	**-**	**3.597**	**-**	**42.879.562**	**55.931.816**	**98.811.378**
Mining	-	-	49	-	-	2.089.433	426.290	199.666	247.442	1.365	-	-	-	1.429.829	1.534.416	2.964.245
Production	-	-	4.924	-	-	42.126.753	16.044.440	5.425.375	556.492	49.014	-	3.597	-	36.083.263	28.127.332	64.210.595
Electric, gas and water	-	20	54.134	-	-	30.908.936	332.523	302.196	35.995	2.734	-	-	-	5.366.470	26.270.068	31.636.538
Construction	**-**	**2**	**83**	**-**	**-**	**21.461.040**	**7.082.209**	**5.964.886**	**260.733**	**50.701**	**-**	**-**	**-**	**15.990.275**	**18.829.379**	**34.819.654**
Services	**82.474.544**	**106**	**119.231**	**6.066**	**19.893.554**	**35.815.793**	**9.524.226**	**6.387.587**	**453.864**	**30.201**	**94.843**	**4.910.597**	**5.253.045**	**82.918.844**	**82.044.813**	**164.963.347**
Wholesale and retail trade	-	1	452	-	-	5.801.989	4.407.683	1.067.887	188.245	14.960	-	-	-	8.776.942	2.704.275	11.481.217
Hotel, food and beverage services	-	-	18.970	-	-	5.226.236	1.163.877	2.016.486	95.227	3.353	-	-	-	2.393.491	6.130.658	8.524.149
Transportation and telecommunication	-	-	13	-	-	7.010.513	1.836.285	448.283	84.981	5.799	-	5.000	-	3.397.356	5.993.518	9.390.874
Financial institutions	82.474.544	-	226	6.066	19.893.554	4.635.801	192.043	1.869.290	24.798	285	-	4.109.107	5.217.561	57.085.347	61.432.771	118.518.118
Real estate and renting services	-	-	-	-	-	389.005	36.449	4.280	1.147	42	-	-	-	282.648	148.275	430.923
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	2.735	-	-	156.245	130.064	39.222	3.266	346	-	-	-	294.664	37.214	331.878
Health and social services	-	105	96.835	-	-	12.596.004	1.757.825	942.139	56.200	5.416	-	796.490	35.484	10.688.396	5.598.102	16.286.498
Other	**-**	**56**	**3.887**	**-**	**386.195**	**759.253**	**45.322.077**	**7.615.830**	**432.483**	**49.523**	**98.843**	**1.751**	**2.717.309**	**56.775.560**	**512.804**	**57.383.207**
Total	**82.474.544**	**184**	**217.385**	**6.066**	**20.279.749**	**137.661.409**	**81.908.197**	**26.643.951**	**2.156.784**	**190.330**	**98.843**	**4.915.945**	**7.970.354**	**204.021.420**	**160.498.321**	**364.519.741**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Exposures in the form of collective investment undertaking
12-Investment in equities
13-Other receivables

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

2.9 Risk profile according to remaining maturities:

Risk classifications[1]	1 month	1-3 month	3-6 month	6-12 month	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	29.655.522	720.285	103.905	1.606.520	50.386.823	82.473.055
Conditional and unconditional receivables from regional or local governments	-	184	-	-	-	184
Conditional and unconditional receivables from administrative units and non-commercial enterprises	56.942	13.485	48.106	27.823	70.898	217.254
Conditional and unconditional receivables from multilateral development banks	-	1.364	3.275	1.359	68	6.066
Conditional and unconditional receivables from banks and brokerage houses	2.512.929	2.786.222	1.196.354	1.185.358	10.186.262	17.867.125
Conditional and unconditional receivables from corporates	13.642.092	9.842.300	11.602.458	18.301.969	84.211.187	137.600.006
Conditional and unconditional retail receivables	24.586.058	9.340.837	3.951.776	6.641.958	35.167.890	79.688.519
Conditional and unconditional receivables secured by mortgages	588.677	521.882	1.160.048	1.636.540	22.636.403	26.543.550
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	22.336	83.664	1.942	8.158	74.230	190.330
Exposures in the form of collective investment undertaking	-	94.843	-	-	-	94.843
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	**71.064.556**	**23.405.066**	**18.067.864**	**29.409.685**	**202.733.761**	**344.680.932**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10 Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

	Risk Weights	0%	20%	35%	50%	75%	100%	150%	Total	Deductions from the shareholders' equity
1	Total exposure before credit risk mitigation	75.039.562	9.998.743	10.748.134	27.084.895	81.908.196	158.639.915	1.100.296	364.519.741	2.532.439
2	Total exposure after credit risk mitigation	78.616.163	7.375.216	10.748.134	27.264.427	75.317.857	151.692.852	855.061	351.869.710	2.532.439

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

2.11. Information according to sectors and counterparties :

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; “Specific Provision” is set aside in the accompanying financial statements as of 31 December 2017.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; “General Provision” is set aside in the accompanying financial statements as of 31 December 2017.

Sectors / Counterparties	**Loans**			
	Impaired Loans	**Past due**	**General Provisions**	**Specific Provisions**
Agricultural	**555.611**	**221.871**	**4.297**	**344.831**
Farming and raising livestock	518.844	210.144	4.078	320.720
Forestry	24.157	7.515	140	15.599
Fishing	12.610	4.212	79	8.512
Manufacturing	**2.245.588**	**1.577.931**	**30.924**	**1.414.519**
Mining	329.395	150.549	2.629	178.670
Production	1.751.451	1.344.742	26.721	1.090.169
Electric, gas and water	164.742	82.640	1.574	145.680
Construction	**1.237.356**	**705.595**	**10.673**	**717.995**
Services	**1.541.755**	**928.261**	**17.242**	**922.772**
Wholesale and retail trade	1.095.799	558.154	10.829	641.312
Hotel, food and beverage services	115.986	153.803	3.005	43.391
Transportation and telecommunication	139.519	126.116	1.805	100.251
Financial institutions	93.074	13.507	234	71.764
Real estate and renting services	17.772	10.333	198	14.696
Self-employment services	-	-	-	-
Agricultural	17.740	11.648	216	9.632
Farming and raising livestock	61.865	54.700	955	41.726
Other	**4.388.116**	**2.414.665**	**170.231**	**3.685.556**
Total	**9.968.426**	**5.848.323**	**233.367**	**7.085.673**

2.12 Information about value adjustments and changes in the loan impairment:

The Bank provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Bank provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

		Opening balance	**Provision amounts set aside during the period**	**Reversal of provisions**	**Other adjustments(1)**	**Close out balance**
1	Specific provisions	6.588.183	2.670.105	(684.752)	(1.627.006)	6.946.530
2	General provisions	3.042.320	290.374	-	-	3.332.694

(1) The figure represents write-off’s and also includes NPL sales amounts.

3. Explanations on Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be announced to public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, have not been presented.

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk Management Approach of The Bank

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of Bank's credit allocation activities, is updated annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of all lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Credit Risk Control and Operational Risk Management" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis. Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management , budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Analytical Modelling and Macroeconomic Research Department under the supervision of Chief Economist.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level..

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

For the mitigation of risks, Operational risk management carries out the activities of restructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period.The policy is regularly updated and approved by the Board of Directors.

3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		**Minimum Capital Requirements**
		Current Period	**Prior Period**	**Current Period**
1	Credit risk (excluding counterparty credit risk) (CCR)	223.580.717	211.778.102	17.886.457
2	Of which standardised approach (SA)	223.580.717	211.778.102	17.886.457
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	7.836.138	3.364.835	626.891
5	Of which standardised approach for counterparty credit risk (SA-CCR)	7.836.138	3.364.835	626.891
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	47.101	-	3.768
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
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	1.835.098	960.279	146.808
17	Of which standardised approach (SA)	1.835.098	960.279	146.808
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	16.594.098	13.109.939	1.327.528
20	Of which Basic Indicator Approach	16.594.098	13.109.939	1.327.528
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	**249.893.152**	**229.213.155**	**19.991.452**

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

3.2. Linkages between financial statements and risk amounts

3.2.1 Differences and matching between asset and liabilities’ carrying values in financial statements and risk amounts in capital adequacy calculation

		Carrying values of items in accordance with TAS				
Current Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to credit risk**	**Subject to market risk**	**Subject to credit risk**
Assets						
Cash and balances with the Central Bank	41.973.579	41.973.579	-	-	-	-
Trading Financial Assets	4.118.198	-	4.061.218	-	2.459.067	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	2.720.627	2.720.627	-	-	-	-
Money Market Placements	816.887	816.887	-	-	-	-
Financial Assets Available-for-Sale (net)	24.307.660	24.243.749	6.937.612	-	58.062	162.984
Loans and Receivables	194.960.443	194.821.494	-	-	-	138.949
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	13.030.911	13.030.911	2.249.012	-	-	-
Investment in Associates (net)	533.887	4.503	-	-	-	529.384
Investment in Subsidiaries (net)	4.807.364	4.807.364	-	-	-	-
Investment in Joint ventures (net)	18.386	-	-	-	-	18.386
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	1.688.395	-	1.688.395	-	-	-
Property And Equipment (Net)	2.572.976	2.481.607	-	-	-	91.369
Intangible Assets (Net)	1.626.850	35.483	-	-	-	1.591.367
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	202.019	202.019	-	-	-	-
Other Assets	4.432.138	4.432.138	-	-	-	-
Total Assets	**297.810.320**	**289.570.361**	**14.936.237**	**-**	**2.517.129**	**2.532.439**
Liabilities						
Deposits	169.347.217	-	-	-	-	169.347.217
Derivative Financial Liabilities Held for Trading	3.837.904	-	3.837.904	-	2.183.403	-
Funds Borrowed	39.130.059	-	-	-	-	39.130.059
Money Markets	12.800.151	-	9.014.576	-	-	3.785.575
Marketable Securities Issued	12.492.842	-	-	-	-	12.492.842
Funds	-	-	-	-	-	-
Miscellaneous Payables	12.154.312	-	-	-	-	12.154.312
Other Liabilities	1.780.635	-	-	-	-	1.780.635
Factoring Payables	-	-	-	-	-	-
Lease Payables	131	-	-	-	-	131
Derivative Financial Liabilities Held For Hedging	312.426	-	312.426	-	-	-
Provisions	5.316.705	-	-	-	-	5.316.705
Tax Liability	821.207	-	-	-	-	821.207
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	9.718.804	-	-	-	-	9.718.804
Shareholder’s Equity	30.097.927	-	-	-	-	30.097.927
Total Liabilities	**297.810.320**	**-**	**13.164.906**	**-**	**2.183.403**	**284.645.414**

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

Prior Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS				
		Subject to credit risk	Subject to counterparty credit risk	Subject to credit risk	Subject to market risk	Subject to credit risk
Assets						
Cash and balances with the Central Bank	32.380.566	32.380.566	-	-	-	-
Trading Financial Assets	3.018.283	-	2.981.570	-	2.041.983	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	1.448.692	1.448.692	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	18.280.206	18.128.456	3.651.723	-	42.298	109.452
Loans and Receivables	172.624.217	172.416.936	-	-	-	207.281
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	10.664.551	10.664.551	2.471.316	-	-	-
Investment in Associates (net)	441.646	4.503	-	-	-	437.143
Investment in Subsidiaries (net)	4.233.024	4.233.024	-	-	-	-
Investment in Joint ventures (net)	18.114	-	-	-	-	18.114
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	1.168.936	-	1.168.936	-	-	-
Property And Equipment (Net)	2.653.825	2.544.775	-	-	-	109.050
Intangible Assets (Net)	1.523.961	34.433	-	-	-	1.489.528
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	97.812	97.812	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	159.974	148.106	-	-	-	11.868
Other Assets	4.105.731	4.105.731	-	-	-	-
Total Assets	**252.819.538**	**246.207.585**	**10.273.545**	**-**	**2.084.281**	**2.382.436**
Liabilities						
Deposits	154.274.856	-	-	-	-	154.274.856
Derivative Financial Liabilities Held for Trading	2.525.526	-	2.525.526	-	1.989.436	-
Funds Borrowed	27.994.862	-	-	-	-	27.994.862
Money Markets	5.857.788	-	5.857.788	-	-	-
Marketable Securities Issued	9.244.718	-	-	-	-	9.244.718
Funds	-	-	-	-	-	-
Miscellaneous Payables	10.637.009	-	-	-	-	10.637.009
Other Liabilities	1.890.502	-	-	-	-	1.890.502
Factoring Payables	-	-	-	-	-	-
Lease Payables	1.112	-	-	-	-	1.112
Derivative Financial Liabilities Held For Hedging	88.788	-	88.788	-	-	-
Provisions	4.563.575	-	-	-	-	4.563.575
Tax Liability	554.362	-	-	-	-	554.362
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	9.067.893	-	-	-	-	9.067.893
Shareholder's Equity	26.118.547	-	-	-	-	26.118.547
Total Liabilities	**252.819.538**	**-**	**8.472.102**	**-**	**1.989.436**	**244.347.436**

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

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

	Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	307.023.727	289.570.361	-	14.936.237	2.517.129
2	Liabilities carrying value amount under regulatory scope of consolidation	10.981.503	-	-	13.164.906	(2.183.403)
3	**Total net amount under regulatory scope of consolidation**	**318.005.230**	**289.570.361**	**-**	**28.101.143**	**333.726**
4	Off-Balance Sheet Amounts	186.924.993	54.872.474	-	-	-
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 Resulted from the BRSA's Applications		-	-	-	1.501.372
9	Differences due to risk reduction		(1.659.645)	-	(19.014.623)	-
	Risk Amounts		**342.783.190**	**-**	**9.086.520**	**1.835.098**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	258.565.411	246.207.585	-	10.273.545	2.084.281
2	Liabilities carrying value amount under regulatory scope of consolidation	6.482.666	-	-	8.472.102	(1.989.436)
3	**Total net amount under regulatory scope of consolidation**	**265.048.077**	**246.207.585**	**-**	**18.745.647**	**94.845**
4	Off-Balance Sheet Amounts	130.181.718	47.065.736	-	-	-
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 Resulted from the BRSA's Applications		-	-	-	865.434
9	Differences due to risk reduction		(858.684)	-	(12.211.286)	-
	Risk Amounts		**292.414.637**	**-**	**6.534.361**	**960.279**

3.2.3 Explanations of differences between accounting and regulatory exposure amounts

There is no difference between amounts reported in the financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of legal consolidation.

Bank's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on Credit Risk

3.3.1 General information on credit risk

3.3.1.1 General qualitative information on credit risk

Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for SME, Corporate and Commercial customers during the underwriting process of the Bank. A separate rating model is used for the customers which operate in construction industry.

The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook and aligned with the UniCredit Group rules to the maximum possible extent.

Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks.During the review of credit policies, economic conjuncture, the bank’s capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies,key messages are provided based on principles of prudence,continuity about the customer's credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 4 sub units.

Commercial Credit Risk Management is responsible for monitoring the design, development and implementation of probability of default (PD), exposure at default (EAD), loss given default (LGD) models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and providing the design, development and implementation of all models to be developed under the scope of standards that have been specified for corporate customer segments.

Retail Credit Risk Management is responsible for the development of the models and strategies that ensures efficient management of the credits for Banks growth targets and implementation of such strategies and models in rating and decision support systems.

Risk Validation Department, performs the risk validation taking into consideration the statistical tests, Bank’s internal procedures and competition analyses in the market. Validation processes consist of 3 main steps; data validation, model validation, strategy and process validation.

Basel II Program Management and Credit Risk Control Unit Section is responsible for active participation to the model development process and providing opinion as the last authority monitoring the performance of the rating systems and preparation of regular analysis based on the results, maintenance of proper running of the rating systems, leadership of the activities performed to close the gaps, information to BRSA and related parties in the Bank about the changes on the rating systems, maintenance of the implementation of the models in the Bank’s processes in line with BRSA requirements, management of the IRB transition period and submission of necessary documents and monitoring the related projects.

Risk Reporting Control and Operational Risk Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics.The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals .The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

The unit is also responsible for definition of the Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification, reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

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

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

3.3.1.2 Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	9.024.397	192.882.576	10.061.411	191.845.562
2	Debt Securities	-	37.291.473	-	37.291.473
3	Off-balance sheet exposures	944.029	211.264.326	356.956	211.851.399
	Total	**9.968.426**	**441.438.375**	**10.418.367**	**440.988.434**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	8.706.143	170.506.257	9.429.844	169.782.556
2	Debt Securities	-	28.912.852	-	28.912.852
3	Off-balance sheet exposures	875.166	133.400.779	351.176	133.924.769
	Total	**9.581.309**	**332.819.888**	**9.781.020**	**332.620.177**

3.3.1.3 Changes in stock of defaulted loans and debt securities

		Current Period	**Prior Period**
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**9.581.309**	**6.729.217**
2	Loans and debt securities that have defaulted since the last reporting period	3.397.438	3.898.547
3	Returned to non-defaulted status	70.342	70.073
4	Amounts written off	1.627.006	30
5	Other changes	(1.312.973)	(976.352)
	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	**9.968.426**	**9.581.309**

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

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Loans and receivables are identified as "non-performing loans" and classified under default accounts. Specific provisions are calculated for these loans by coverage ratios which aside by policy after collateral deduction. There is no difference between "impaired loans" and "loans subject to provisioning" in the Bank. All loans with 90 days overdue are subject to specific provisioning.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

3.3.1.4.1 Exposures provisioned against by major regions(1)

	Current Period	Prior Period
Domestic	262.967.131	231.572.560
USA,Canada	2.847.633	2.106.698
European Union (EU) Countries	3.866.748	3.835.388
OECD Countries	1.488.369	1.388.092
Off-Shore Banking Regions	250	2.330
Other Countries	1.956.606	1.587.689
Total	**273.126.737**	**240.492.757**

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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

3.3.1.4.2 Exposures provisioned against by major sectors [1]

	Current Period	Prior Period
Agricultural	**2.884.090**	**2.804.189**
Farming and raising livestock	2.392.245	2.454.923
Forestry	237.300	221.146
Fishing	254.545	128.120
Manufacturing	**106.389.902**	**93.484.708**
Mining and Quarrying	3.133.081	2.486.524
Production	71.696.725	62.072.071
Electricity, Gas, Water	31.560.096	28.926.113
Construction	**38.670.067**	**34.411.523**
Services	**57.341.717**	**48.176.743**
Wholesale and retail trade	17.688.834	14.527.267
Hotel, food and beverage services	8.046.555	7.654.878
Transportation and telecommunication	8.971.155	8.793.827
Financial institutions	10.345.836	8.042.272
Real estate and leasing services	4.371.881	1.901.985
Self-employment services	-	-
Education services	312.631	279.790
Health and social services	7.604.825	6.976.724
Other	**67.840.961**	**61.615.594**
Total	**273.126.737**	**240.492.757**

(1) Breakdown of cash loans, non-cash loans and non-performing loans by sectors.

3.3.1.4.3 Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note VII of Section 4.

3.3.1.4.4 Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note II of Section 4.

3.3.1.4.5 Exposures provisioned against by major regions :

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 8.913.820 (December,31 2016- 8.630.634) has been set aside for the risk at an amount of TL 6.872.595. (December,31 2016- TL 6.545.731)

3.3.1.4.6 Aging analysis for overdue receivables [1]

	Current Period	Prior Period
31-60 days	1.378.085	1.657.208
61-90 days	4.074.968	4.227.097
Total	**5.453.053**	**5.884.305**

(1) Overdue receivables represent overdue of cash loans.
.

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

3.3.1.4.7 Breakdown of restructured receivables based on whether or not provisions are allocated:

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables,specific provision is allocated for the loans restructured from non-performing loans.

	Current Period	Prior Period
Loans restructured from Standard Loans and Other Receivables	3.489.981	3.318.056
Loans restructured from Loans and other receivables under close monitoring	2.158.715	2.355.527
Loans restructured from Loans under legal follow-up	217.040	391.266
Total	**5.865.736**	**6.064.849**

3.3.2 Credit risk mitigation

3.3.2.1 Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty,the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements , the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintainence of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

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

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

3.3.2.2 Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	144.989.898	46.855.664	33.295.272	8.776.206	8.042.630	-	-
Debt securities	37.291.473	-	-	-	-	-	-
Total	**182.281.371**	**46.855.664**	**33.295.272**	**8.776.206**	**8.042.630**	**-**	**-**
Of which defaulted	1.251.992	825.875	269.259	68.444	50.471	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	142.354.683	27.427.873	17.403.119	3.056.693	1.877.921	-	-
Debt securities	28.912.852	-	-	-	-	-	-
Total	**171.267.535**	**27.427.873**	**17.403.119**	**3.056.693**	**1.877.921**	**-**	**-**
Of which defaulted	1.495.778	622.182	91.397	855	288	-	-

3.3.3 Credit risk under standardised approach

3.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

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

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Remaining maturity of claims under 3 months	Remaining maturity of claims over 3 months	
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

3.3.3.2 Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	75.711.643	755.191	85.135.961	769.675	10.126.958	11,79%
2	Exposures to regional governments or local authorities	-	920	-	184	37	20,11%
3	Exposures to public sector entities	172.631	101.193	171.388	43.281	83.189	38,75%
4	Exposures to multilateral development banks	-	10.544	-	6.066	-	-
5	Exposures to institutions	8.084.255	4.214.359	8.280.682	2.013.082	4.863.644	47,25%
6	Exposures to corporates	95.538.027	127.224.744	90.672.679	38.520.750	127.881.393	98,98%
7	Retail exposures	69.404.596	51.977.882	63.042.738	12.266.707	56.482.083	75,00%
8	Exposures secured by residential property	10.609.461	291.189	10.609.461	138.631	3.761.832	35,00%
9	Exposures secured by commercial real estate	14.990.741	1.304.289	14.990.741	849.540	7.920.140	50,00%
10	Past-due loans	2.027.848	521.817	1.975.940	128.215	2.136.525	101,54%
11	Higher-risk categories by the Agency Board	50.017	522.865	49.984	136.343	277.368	148,86%
12	Exposures in the form of collective investment undertaking	94.843	-	94.843	-	47.101	49,66%
13	Investments in equities	4.915.945	-	4.915.945	-	4.915.945	100,00%
14	Other receivables	7.970.354	-	7.970.354	-	5.131.603	64,38%
	Total	**289.570.361**	**186.924.993**	**287.910.716**	**54.872.474**	**223.627.818**	**65,24%**

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

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	57.910.970	1.209.711	59.616.684	179.162	15.558.631	26,02%
2	Exposures to regional governments or local authorities	-	835	-	167	84	50,30%
3	Exposures to public sector entities	12	843	12	169	37	20,40%
4	Exposures to multilateral development banks	6.956	9.699	6.956	8.399	-	-
5	Exposures to institutions	9.167.236	4.732.298	9.331.575	2.399.715	5.878.024	50,11%
6	Exposures to corporates	85.512.056	76.314.185	82.892.059	32.631.086	115.523.146	100,00%
7	Retail exposures	64.941.592	46.293.829	64.834.492	11.060.630	56.921.341	75,00%
8	Exposures secured by residential property	7.006.484	394.981	7.006.484	193.567	2.520.018	35,00%
9	Exposures secured by commercial real estate	7.743.934	719.839	7.743.934	454.681	4.099.307	50,00%
10	Past-due loans	2.052.681	-	2.051.044	-	2.035.955	99,26%
11	Higher-risk categories by the Agency Board	65.299	505.498	65.296	138.160	232.557	114,30%
12	Exposures in the form of collective investment undertaking	-	-	-	-	-	-
13	Investments in equities	4.306.146	-	4.306.146	-	4.306.146	100,00%
14	Other receivables	7.494.219	-	7.494.219	-	4.702.856	62,75%
	Total	**246.207.585**	**130.181.718**	**245.348.901**	**47.065.736**	**211.778.102**	**72,42%**

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

3.3.3.3 Standardised approach – exposures by asset classes and risk weights

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	75.778.678	-	-	-	-	-	10.126.958	-	-	-	-	85.905.636
2	Exposures to regional governments or local authorities	-	-	184	-	-	-	-	-	-	-	-	184
3	Exposures to public sector entities	-	-	164.350	-	-	-	50.319	-	-	-	-	214.669
4	Exposures to multilateral development banks	6.066	-	-	-	-	-	-	-	-	-	-	6.066
5	Exposures to institutions	-	-	4.380.406	-	3.851.589	-	2.061.769	-	-	-	-	10.293.764
6	Exposures to corporates	-	-	686.431	-	1.525.779	-	126.981.219	-	-	-	-	129.193.429
7	Retail exposures	-	-	-	-	-	75.309.445	-	-	-	-	-	75.309.445
8	Exposures secured by residential property	-	-	-	10.748.092	-	-	-	-	-	-	-	10.748.092
9	Exposures secured by commercial real estate	-	-	-	-	15.840.281	-	-	-	-	-	-	15.840.281
10	Past-due loans	-	-	-	-	607.123	-	825.172	671.860	-	-	-	2.104.155
11	Higher-risk categories by the Agency Board	-	-	-	-	1.122	-	2.003	183.202	-	-	-	186.327
12	Investments made in collective investment companies	6.966	-	18.661	-	51.695	-	17.521	-	-	-	-	94.843
13	Investments in equities	-	-	-	-	-	-	4.915.945	-	-	-	-	4.915.945
14	Other receivables	2.694.663	-	180.105	-	-	-	5.095.586	-	-	-	-	7.970.354
	Total	**78.486.373**	**-**	**5.430.137**	**10.748.092**	**21.877.589**	**75.309.445**	**150.076.492**	**855.062**	**-**	**-**	**-**	**342.783.190**

Prior Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	28.678.582	-	-	-	31.117.264	-	-	-	-	-	-	59.795.846
2	Exposures to regional governments or local authorities	-	-	-	-	167	-	-	-	-	-	-	167
3	Exposures to public sector entities	-	-	181	-	-	-	-	-	-	-	-	181
4	Exposures to multilateral development banks	15.355	-	-	-	-	-	-	-	-	-	-	15.355
5	Exposures to institutions	-	-	1.518.248	-	9.277.337	-	935.705	-	-	-	-	11.731.290
6	Exposures to corporates	-	-	-	-	-	-	115.523.145	-	-	-	-	115.523.145
7	Retail exposures	-	-	-	-	-	75.895.122	-	-	-	-	-	75.895.122
8	Exposures secured by residential property	-	-	-	7.200.051	-	-	-	-	-	-	-	7.200.051
9	Exposures secured by commercial real estate	-	-	-	-	8.198.615	-	-	-	-	-	-	8.198.615
10	Past-due loans	-	-	-	-	670.664	-	739.895	640.485	-	-	-	2.051.044
11	Higher-risk categories by the Agency Board	-	-	-	-	47.958	-	49.338	106.160	-	-	-	203.456
12	Investments made in collective investment companies	-	-	-	-	-	-	-	-	-	-	-	-
13	Investments in equities	-	-	-	-	-	-	4.306.146	-	-	-	-	4.306.146
14	Other receivables	2.706.402	-	106.201	-	-	-	4.681.616	-	-	-	-	7.494.219
	Total	**31.400.339**	**-**	**1.624.630**	**7.200.051**	**49.312.005**	**75.895.122**	**126.235.845**	**746.645**	**-**	**-**	**-**	**292.414.637**

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

3.4 Explanation on Counterparty credit risk

3.4.1 Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. According to CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2 Assessment of Counterparty Credit Risk according to the models of measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE[(1)]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	4.889.995	2.746.204		1,4	7.622.222	4.090.889
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					1.257.077	510.619
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**4.601.508**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE[(1)]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	3.960.759	2.025.678		1,4	6.143.660	2.997.826
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					390.701	112.613
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
	Total						**3.110.439**

(1) Effective expected positive exposure

3.4.3 Credit valuation adjustment (CVA) capital charge

		Current Period		Prior Period	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3	All portfolios subject to Standardised CVA capital obligation	8.879.299	3.131.015	6.143.660	254.396
	Total amount of CVA capital adequacy	**8.879.299**	**3.131.015**	**6.143.660**	**254.396**

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

3.4.4 Standardised approach – CCR exposures by regulatory portfolio and risk weights

	Current Period **Risk Weights/Risk Classes**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk(1)**
1	Central goverments and central banks receivables	129.784	-	-	-	-	-	15.718	-	-	145.502
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	2	-	-	-	-	-	-	2
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.941.369	-	5.330.958	-	257.770	-	-	7.530.097
6	Corporate receivables	-	-	3.709	-	342	-	1.342.877	-	-	1.346.928
7	Retail receivables	-	-	-	-	-	8.413	-	-	-	8.413
8	Mortgage receivables	-	-	-	42	55.536	-	-	-	-	55.578
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**129.784**	**-**	**1.945.080**	**42**	**5.386.836**	**8.413**	**1.616.365**	**-**	**-**	**9.086.520**

	Prior Period **Risk Weights/Risk Classes**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk(1)**
1	Central goverments and central banks receivables	93.402	-	-	-	-	-	-	-	-	93.402
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	66.057	-	-	-	-	-	-	66.057
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.616.818	-	3.448.921	-	175.960	-	-	5.241.699
6	Corporate receivables	-	-	-	-	-	-	1.111.751	-	-	1.111.751
7	Retail receivables	-	-	-	-	-	21.452	-	-	-	21.452
8	Mortgage receivables	-	-	-	-	-	-	-	-	-	-
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**93.402**	**-**	**1.682.875**	**-**	**3.448.921**	**21.452**	**1.287.711**	**-**	**-**	**6.534.361**

(1) Counterparty credit risk is not included in the table.

3.4.5 Composition of collateral for CCR exposure

		Collaterals for Derivatives Transactions				**Collaterals or Other Transactions**	
	Current Period	**Collaterals Taken**		**Collaterals Given**		**Collaterals Taken**	**Collaterals Given**
		Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash-domestic currency	816	-	-	-	8.789.091	-
2	Cash-foreign currency	4.606	-	-	-	176.479	-
3	Domestic sovereign debts	-	-	-	-	-	9.186.624
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	8.555	-	-	-	-	-
	Total	**13.977**	**-**	**-**	**-**	**8.965.570**	**9.186.624**

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

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Prior Period	**Collaterals Taken**		**Collaterals Given**		**Current Period**	**Collaterals Taken**
		Segregated	**Unsegregated**		**Segregated**	**Unsegregated**	
1	Cash-domestic currency	-	-	-	-	4.275.290	-
2	Cash-foreign currency	-	-	-	-	1.028.667	-
3	Domestic sovereign debts	-	-	-	-	-	5.467.967
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**5.303.957**	**5.467.967**

3.4.6 Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	**Protection Sold**	**Protection Bought**	**Protection Sold**
Nominal				
Single-name credit default swaps	157.000	-	418.192	-
Index credit default swaps	-	-	-	-
Total return swaps	-	4.618.063	-	4.033.003
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**157.000**	**4.618.063**	**418.192**	**4.033.003**
Rediscount Amount	**1.358**	**92.985**	**1.610**	**(97.052)**
Positive Rediscount Amount	1.358	92.985	1.979	-
Negative Rediscount Amount	-	-	(369)	(97.052)

3.4.7 Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	**RWA**	**Exposure at default (post-CRM)**	**RWA**
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**103.615**		**56.141**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)); of which	-	-	-	-
3	(i) OTC Derivatives	207.221	103.615	112.282	56.141
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-		-	
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
	Exposures to non-QCCPs (total)		**-**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on Market Risk

3.6.1 Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank’s risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank’s interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority’s directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

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

3.6.2 Market risk under standardised approach

		Current Period Risk Weighted Asset	Prior Period Risk Weighted Asset
	Outright products		
1	Interest rate risk (general and specific)	1.322.238	823.338
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	289.176	124.488
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	223.684	12.453
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**1.835.098**	**960.279**

3.7 Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2016, 2015 and 2014 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2017, the total amount subject to operational risk is TL 16.594.098 (December 31, 2016 - TL 13.109.939) and the amount of the related capital requirement is TL 1.327.528 (December 31, 2016 - TL 1.048.795).

Current Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for**	**Rate (%)**	**Total**
Gross Income	7.298.425	8.627.222	10.624.908	8.850.185	15,00%	1.327.528
Amount subject to operational risk (Total*12,5)						**16.594.098**

Prior Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for**	**Rate (%)**	**Total**
Gross Income	5.050.255	7.298.425	8.627.222	6.991.967	15,00%	1.048.795
Amount subject to operational risk (Total*12,5)						**13.109.939**

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

3.8 Banking book interest rate risk

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Revaluation Risk: It is caused by the inconsistency in revaluation of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year. In addition, Consumer Price İndex bonds model and early payment model in some consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2017, based on the significant currencies of the Bank.

		Current Period		Prior Period	
Currency	**Applied shock (+/- x basis points)**	**Gains/Losses**	**Gains/SE-Losses/SE**	**Gains/Losses**	**Gains/SE-Losses/SE**
TRY	(+)500 bp	(3.185.735)	(8,80)%	(2.513.657)	(7,72)%
TRY	(-)400 bp	3.039.566	8,40%	2.503.767	7,69%
EUR	(+)200 bp	(38.967)	(0,11)%	(232.786)	(0,71)%
EUR	(-)200 bp	(1.774)	0,00%	232.057	0,71%
USD	(+)200 bp	(14.025)	(0,04)%	(134.829)	(0,41)%
USD	(-)200 bp	177.156	0,49%	286.728	0,88%
Total (For negative shocks)		**3.214.948**	**8,88%**	**3.022.552**	**9,28%**
Total (For positive shocks)		**(3.238.727)**	**(8,95)%**	**(2.881.272)**	**(8,85)%**

4. Explanations on currency risk

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note XIV.

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

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate:	**3,7719**	**4,5155**
First day current bid rate	3,8104	4,5478
Second day current bid rate	3,8197	4,5385
Third day current bid rate	3,8029	4,5116
Fourth day current bid rate	3,8087	4,5205
Fifth day current bid rate	3,8113	4,5171
Arithmetic average of the last 31 days:	**3,8471**	**4,5545**
Balance sheet evaluation rate as of prior period:	**3,5192**	**3,7099**

Information related to financial position of the Bank

Current Period	EUR	USD	OTHER FC(4)	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	10.819.669	18.562.479	4.995.730	34.377.878
Banks	612.625	2.009.458	84.369	2.706.452
Financial assets at fair value through profit or loss	106.505	397.428	25	503.958
Money market placements	812.790	-	-	812.790
Available-for-sale financial assets	712.373	2.385.958	-	3.098.331
Loans (1)	33.871.419	40.222.605	1.035.096	75.129.120
Investments in associates, subsidiaries and joint ventures	1.852.799	186.241	529.384	2.568.424
Held-to-maturity investments	232.544	6.057.188	-	6.289.732
Hedging derivative financial assets	48.477	119.004	-	167.481
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets(2)	1.387.609	878.184	378.917	2.644.710
Total assets	**50.456.810**	**70.818.545**	**7.023.521**	**128.298.876**
Liabilities				
Bank deposits	433.317	4.653.892	74.875	5.162.084
Foreign currency deposits	30.607.343	55.222.515	2.421.166	88.251.024
Funds from money market	211.271	-	-	211.271
Funds borrowed from other financial institutions	16.027.301	22.464.607	121.866	38.613.774
Marketable securities issued	186.303	9.919.276	96.670	10.202.249
Miscellaneous payables	1.666.990	258.422	11.899	1.937.311
Hedging derivative financial liabilities	12.380	-	-	12.380
Other liabilities(3)	239.678	10.282.290	4.584	10.526.552
Total liabilities	**49.384.583**	**102.801.002**	**2.731.060**	**154.916.645**
Net on-balance sheet position	**1.072.227**	**(31.982.457)**	**4.292.461**	**(26.617.769)**
Net off-balance sheet position(5)	**(907.085)**	**32.203.529**	**(3.788.065)**	**27.508.379**
Financial derivative assets	13.052.031	90.234.094	2.852.275	106.138.400
Financial derivative liabilities	13.959.116	58.030.565	6.640.340	78.630.021
Net Position	**165.142**	**221.072**	**504.396**	**890.610**
Non-cash loans	**22.796.277**	**24.961.599**	**3.913.204**	**51.671.080**
Prior Period				
Total assets	40.657.310	63.460.087	6.519.067	110.636.464
Total liabilities	39.718.998	75.362.762	2.715.576	117.797.336
Net on-balance sheet position	**938.312**	**(11.902.675)**	**3.803.491**	**(7.160.872)**
Net off-balance sheet position	**(832.134)**	**12.068.488**	**(3.518.499)**	**7.717.855**
Financial derivative assets	13.395.951	37.803.271	1.745.288	52.944.510
Financial derivative liabilities	14.228.085	25.734.783	5.263.787	45.226.655
Net Position	**106.178**	**165.813**	**284.992**	**556.983**
Non-cash loans	**18.440.614**	**24.361.198**	**3.452.146**	**46.253.958**

(1) Includes FX indexed loans amounting to TL 5.895.865 (December 31, 2016 – TL 5.733.763) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 174.642 (December 31, 2016 - TL 118.870).
(3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.
(4) Other FC column includes also gold balance.
(5) Forward transactions classified as commitments are also included.

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

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

	Current Period	Prior Period
Change in currency exchange rates	**Profit/loss effect (1)**	**Profit/loss effect (1)**
(+) 15%	(78.072)	(55.076)
(-) 15%	78.072	55.076

(1) Excluding tax effect.

5. Explanations on interest rate risk

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Bank utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	24.194.176	-	-	-	-	17.779.403	**41.973.579**
Banks	1.246.963	240.327	-	67.751	-	1.165.586	**2.720.627**
Financial assets at fair value through profit/loss	1.259.401	1.421.297	714.211	456.707	266.582	-	**4.118.198**
Money market placements	816.887	-	-	-	-	-	**816.887**
Available-for-sale financial assets	2.846.067	4.491.442	6.541.944	7.157.347	3.071.939	198.921	**24.307.660**
Loans	33.781.088	28.000.961	63.134.557	57.200.378	10.765.592	2.077.867	**194.960.443**
Held-to-maturity investments	1.162.846	1.485.657	2.266.839	680.911	7.434.658	-	**13.030.911**
Other assets	-	566.572	13.348	974.251	134.224	14.193.620	**15.882.015**
Total assets	**65.307.428**	**36.206.256**	**72.670.899**	**66.537.345**	**21.672.995**	**35.415.397**	**297.810.320**
Liabilities							
Bank deposits	7.202.627	17.816	-	-	-	1.039.061	**8.259.504**
Other deposits	99.729.476	23.678.121	8.193.377	39.357	-	29.447.382	**161.087.713**
Funds from money market	12.758.947	41.204	-	-	-	-	**12.800.151**
Miscellaneous payables	-	-	-	-	-	12.154.312	**12.154.312**
Marketable securities issued	468.002	631.107	2.199.394	7.259.556	1.934.783	-	**12.492.842**
Funds borrowed from other financial institutions	9.366.029	17.934.640	10.316.973	649.814	862.603	-	**39.130.059**
Other liabilities(1)	1.222.366	844.806	976.189	4.694.564	6.131.340	38.016.474	**51.885.739**
Total liabilities	**130.747.447**	**43.147.694**	**21.685.933**	**12.643.291**	**8.928.726**	**80.657.229**	**297.810.320**
Balance sheet long position	**-**	**-**	**50.984.966**	**53.894.054**	**12.744.269**	**-**	**117.623.289**
Balance sheet short position	**(65.440.019)**	**(6.941.438)**	**-**	**-**	**-**	**(45.241.832)**	**(117.623.289)**
Off-balance sheet long position	12.028.098	23.123.155	-	-	-	-	**35.151.253**
Off-balance sheet short position	-	-	(2.415.433)	(27.301.056)	(7.175.587)	-	**(36.892.076)**
Total position	**(53.411.921)**	**16.181.717**	**48.569.533**	**26.592.998**	**5.568.682**	**(45.241.832)**	**(1.740.823)**

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

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	18.675.878	-	-	-	-	13.704.688	32.380.566
Banks	19.714	128.674	25.859	-	-	1.274.445	1.448.692
Financial assets at fair value through profit/loss	1.071.266	812.302	417.210	428.581	288.924	-	3.018.283
Money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2.391.170	4.113.076	5.781.364	3.434.254	2.395.084	165.258	18.280.206
Loans	27.707.389	31.050.486	53.350.202	38.322.482	20.075.698	2.117.960	172.624.217
Held-to-maturity investments	-	868.075	1.408.356	1.029.134	7.358.986	-	10.664.551
Other assets	366.743	900.005	-	-	-	13.136.275	14.403.023
Total assets	**50.232.160**	**37.872.618**	**60.982.991**	**43.214.451**	**30.118.692**	**30.398.626**	**252.819.538**
Liabilities							
Bank deposits	5.919.171	149.871	39.489	-	-	913.799	7.022.330
Other deposits	88.898.651	25.652.977	7.606.486	32.122	-	25.062.290	147.252.526
Funds from money market	4.377.375	170.828	1.309.585	-	-	-	5.857.788
Miscellaneous payables	-	-	-	-	-	10.637.009	10.637.009
Marketable securities issued	444.124	2.996.378	367.845	5.399.026	37.345	-	9.244.718
Funds borrowed from other financial institutions	5.671.496	14.364.610	6.878.955	348.815	730.986	-	27.994.862
Other liabilities(1)	582.033	338.147	585.782	905.012	9.272.345	33.126.986	44.810.305
Total liabilities	**105.892.850**	**43.672.811**	**16.788.142**	**6.684.975**	**10.040.676**	**69.740.084**	**252.819.538**
Balance sheet long position	**-**	**-**	**44.194.849**	**36.529.476**	**20.078.016**	**-**	**100.802.341**
Balance sheet short position	**(55.660.690)**	**(5.800.193)**	**-**	**-**	**-**	**(39.341.458)**	**(100.802.341)**
Off-balance sheet long position	10.007.647	17.277.542	-	-	-	-	27.285.189
Off-balance sheet short position	-	-	(2.369.717)	(16.390.916)	(8.159.895)	-	(26.920.528)
Total position	**(45.653.043)**	**11.477.349**	**41.825.132**	**20.138.560**	**11.918.121**	**(39.341.458)**	**364.661**

(1) Shareholders' equity is presented under "Non interest bearing"

5.2. Average interest rates for monetary financial instruments:

The following average interest rates are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	1,50	-	9,98
Banks	1,49	1,40	-	14,72
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,02
Available-for-sale financial assets	4,04	5,32	-	13,04
Loans	4,40	6,49	4,98	14,13
Held-to-maturity investments	5,20	5,43	-	13,36
Liabilities(1)				
Bank deposits	0,90	1,50	-	13,00
Other deposits	1,62	3,46	1,66	13,42
Funds from money market	-	-	-	12,70
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,02	5,22	-	13,44
Funds borrowed from other financial institutions	1,23	3,07	2,64	8,02

(1) Does not include demand/non-interest transactions.

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

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,31
Banks	0,58	-	-	10,42
Financial assets at fair value through profit/loss	3,06	3,69	-	9,92
Money market placements	-	-	-	-
Available-for-sale financial assets	4,30	5,46	-	9,57
Loans	4,20	5,95	4,97	13,18
Held-to-maturity investments	5,20	5,43	-	9,46
Liabilities(1)				
Bank deposits	0,89	1,56	-	11,12
Other deposits	1,52	2,91	1,41	10,74
Funds from money market	-	1,13	-	7,82
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,74	5,25	0,35	9,06
Funds borrowed from other financial institutions	0,86	2,34	3,16	9,48

(1) Does not include demand/non-interest transactions.

6. Explanation on share certificates position risk from banking book:

None.

7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.
.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 57% of total liabilities of the Bank (31 December 2016 – 61%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LKO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of Cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

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

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

	Unweighted Amounts		**Weighted Amounts**	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			51.481.229	31.329.721
Cash Outflows				
Retail and Small Business Customers Deposits	85.645.904	35.495.655	7.563.443	3.549.530
Stable deposits	20.022.939	708	1.001.147	35
Less stable deposits	65.622.965	35.494.947	6.562.296	3.549.495
Unsecured Funding other than Retail and Small Business Customers Deposits	66.743.363	37.634.514	37.405.369	20.070.624
Operational deposits	-	-	-	-
Non-Operational deposits	53.210.891	33.275.753	26.373.923	15.722.445
Other Unsecured funding	13.532.472	4.358.761	11.031.446	4.348.179
Secured funding			-	-
Other Cash Outflows	9.482.332	19.329.414	9.482.332	19.329.414
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.482.332	19.329.414	9.482.332	19.329.414
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	90.331.141	62.961.908	4.516.557	3.148.095
Other irrevocable or conditionally revocable commitments	67.614.850	12.504.154	4.805.564	749.342
Total Cash Outflows			**63.773.265**	**46.847.005**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.116.243	6.273.377	12.554.174	4.985.480
Other contractual cash inflows	8.420.498	26.546.284	8.420.498	26.546.284
Total Cash Inflows	**28.536.741**	**32.819.661**	**20.974.672**	**31.531.764**
			Capped Amounts	
Total High Quality Liquid Assets			**51.481.229**	**31.329.721**
Total Net Cash Outflows			**42.798.593**	**15.315.241**
Liquidity Coverage Ratio (%)			**120,29**	**204,57**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

Current Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	October 6, 2017	October 13, 2017	November 24, 2017	November 24, 2017
Ratio(%)	132,30	112,17	296,53	133,98

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2016.

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

	Unweighted Amounts		Weighted Amounts	
Prior Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			35.129.581	21.498.931
Cash Outflows				
Retail and Small Business Customers Deposits	68.672.303	25.233.255	5.972.464	2.523.295
Stable deposits	17.895.319	616	894.766	31
Less stable deposits	50.776.984	25.232.639	5.077.698	2.523.264
Unsecured Funding other than Retail and Small Business Customers Deposits	60.213.570	29.033.655	33.439.165	14.736.867
Operational deposits	-	-	-	-
Non-Operational deposits	49.565.700	26.073.260	24.884.593	11.776.472
Other Unsecured funding	10.647.870	2.960.395	8.554.572	2.960.395
Secured funding			-	-
Other Cash Outflows	13.792.956	12.441.581	13.792.956	12.441.581
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	13.792.956	12.441.581	13.792.956	12.441.581
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	57.284.824	36.261.253	2.864.241	1.813.063
Other irrevocable or conditionally revocable commitments	57.738.358	9.613.934	4.148.299	614.209
Total Cash Outflows			**60.217.125**	**32.129.015**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	17.685.500	5.527.070	11.254.271	4.394.788
Other Contractual Cash Inflows	12.706.944	9.919.938	12.706.944	9.919.938
Total Cash Inflows	**30.392.444**	**15.447.008**	**23.961.215**	**14.314.726**
			Capped Amounts	
Total High Quality Liquid Assets			**35.129.581**	**21.498.931**
Total Net Cash Outflows			**36.255.910**	**17.814.289**
Liquidity Coverage Ratio (%)			**96,89**	**120,68**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

Prior Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	November 11, 2016	October 7, 2016	October 28, 2016	November 18,2016
Ratio(%)	96,77	87,98	145,26	107,51

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

Breakdown 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	5 years and over	Unclassified (1),(2)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	13.278.913	28.694.666	-	-	-	-	-	41.973.579
Banks	1.165.586	1.246.963	240.327	-	67.751	-	-	2.720.627
Financial assets at fair value through profit or loss	-	961.555	1.041.877	804.390	855.721	454.655	-	4.118.198
Money market placements	-	816.887	-	-	-	-	-	816.887
Available-for-sale financial assets	94.843	90.982	254.824	1.017.470	15.196.452	7.549.011	104.078	24.307.660
Loans	-	31.357.871	20.626.872	49.967.749	71.900.291	19.029.793	2.077.867	194.960.443
Held-to-maturity investments	-	-	-	705.391	1.858.446	10.467.074	-	13.030.911
Other assets (1)	2.160.449	-	-	13.348	1.540.824	134.224	12.033.170	15.882.015
Total assets	**16.699.791**	**63.168.924**	**22.163.900**	**52.508.348**	**91.419.485**	**37.634.757**	**14.215.115**	**297.810.320**
Liabilities								
Bank deposits	1.039.061	7.202.627	17.816	-	-	-	-	8.259.504
Other deposits	29.447.382	99.729.476	23.678.121	8.193.377	39.357	-	-	161.087.713
Funds borrowed from other financial institutions	-	844.202	3.079.536	20.416.053	9.704.169	5.086.099	-	39.130.059
Funds from money market	-	12.758.947	41.204	-	-	-	-	12.800.151
Marketable securities issued	-	468.002	631.107	2.199.394	7.259.556	1.934.783	-	12.492.842
Miscellaneous payables	971.432	10.893.777	52.744	-	-	-	236.359	12.154.312
Other liabilities (2)	1.780.633	981.731	1.358.559	1.220.918	5.516.892	6.328.646	34.698.360	51.885.739
Total liabilities	**33.238.508**	**132.878.762**	**28.859.087**	**32.029.742**	**22.519.974**	**13.349.528**	**34.934.719**	**297.810.320**
Net liquidity gap	**(16.538.717)**	**(69.709.838)**	**(6.695.187)**	**20.478.606**	**68.899.511**	**24.285.229**	**(20.719.604)**	**-**
Net Off-Balance Sheet Position	**-**	**(91.815)**	**(740.507)**	**(770.340)**	**249.870**	**(388.031)**	**-**	**(1.740.823)**
Derivative Financial Assets	-	53.385.664	39.650.304	38.686.324	52.499.421	22.384.070	-	206.605.783
Derivative Financial Liabilities	-	53.477.479	40.390.811	39.456.664	52.249.552	22.772.100	-	208.346.606
Non-Cash Loans	**-**	**2.594.272**	**8.348.073**	**27.938.436**	**11.349.020**	**4.504.619**	**23.431.874**	**78.166.294**
Prior Period								
Total assets	13.583.997	48.167.457	21.995.528	41.808.354	55.612.356	58.088.502	13.563.344	252.819.538
Total liabilities	28.758.675	110.211.261	30.778.700	25.984.664	11.850.030	14.845.648	30.390.560	252.819.538
Liquidity gap	**(15.174.678)**	**(62.043.804)**	**(8.783.172)**	**15.823.690**	**43.762.326**	**43.242.854**	**(16.827.216)**	**-**
Net Off-Balance Sheet Position	**-**	**(58.407)**	**153.940**	**297.139**	**279.255**	**(307.266)**	**-**	**364.661**
Derivative Financial Assets	-	33.364.178	15.344.691	19.342.430	38.274.123	19.688.420	-	126.013.842
Derivative Financial Liabilities	-	33.422.585	15.190.751	19.045.291	37.994.868	19.995.686	-	125.649.181
Non-Cash Loans	**-**	**2.385.544**	**8.127.694**	**19.427.721**	**11.874.230**	**4.247.343**	**21.806.008**	**67.868.540**

(1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.
(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

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

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period(1)	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	138.153.465	24.051.111	8.470.011	41.818	-	170.716.405
Funds borrowed from other financial institutions	901.936	3.217.213	21.049.191	11.411.810	7.275.764	43.855.914
Funds from money market	12.771.239	41.343	-	-	-	12.812.582
Subordinated loans	-	141.647	446.133	6.090.660	6.524.937	13.203.377
Marketable securities issued (net)	508.334	697.170	2.761.533	8.764.862	2.110.435	14.842.334
Total	**152.334.974**	**28.148.484**	**32.726.868**	**26.309.150**	**15.911.136**	**255.430.612**

Prior Period(1)	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	121.536.245	26.117.757	7.863.579	34.602	-	155.552.183
Funds borrowed from other financial institutions	631.366	1.285.005	16.431.264	6.447.772	7.768.313	32.563.720
Funds from money market	4.385.112	171.503	1.322.744	-	-	5.879.359
Subordinated loans	-	131.831	416.029	2.163.955	10.147.038	12.858.853
Marketable securities issued	480.283	3.058.210	601.550	5.879.283	47.547	10.066.873
Total	**127.033.006**	**30.764.306**	**26.635.166**	**14.525.612**	**17.962.898**	**216.920.988**

(1) Maturities of non-cash loans are described in Note 3(iv) of Section V.

8. Explanations on leverage ratio:

The main reasons for decrease in leverage ratio for the current period are the increase in total risks of on-balance sheet assets and off-balance sheet exposures.

	Current Period(1)	Prior Period(1)
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	281.399.763	239.511.702
(Asset amounts deducted in determining Tier 1 capital)	(3.325.087)	(2.548.041)
Total on-Balance sheet exposures	278.074.676	236.963.661
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	2.371.448	1.142.150
Potential credit risk of derivative financial instruments and credit derivatives	3.972.353	2.600.580
Total derivative financial instruments and credit derivatives exposure	6.343.801	3.742.730
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	211.588	535.578
Agent transaction exposures	-	-
Total securities financing transaction exposures	211.588	535.578
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	241.703.171	148.310.644
(Adjustments for conversion to credit equivalent amounts)	(27.339.751)	(10.254.102)
Total risk of off-balance sheet items	214.363.420	138.056.542
Capital and total exposure		
Tier 1 capital	26.772.740	23.511.821
Total exposures	498.993.485	379.298.511
Leverage ratio		
Leverage ratio (%)	**5,37**	**6,21**

(1) The arithmetic average of the last three months in the related periods.

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

9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying value		Fair value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial assets	**235.836.528**	**203.017.666**	**242.120.085**	**208.624.519**
Due from money market	816.887	-	816.887	-
Banks	2.720.627	1.448.692	2.722.191	1.448.408
Available-for-sale financial assets	24.307.660	18.280.206	24.307.660	18.280.206
Held-to-maturity investments	13.030.911	10.664.551	12.935.909	10.049.769
Loans	194.960.443	172.624.217	201.337.438	178.846.136
Financial liabilities	**242.843.234**	**211.219.338**	**242.706.123**	**210.939.257**
Bank deposits	8.259.504	7.022.330	8.260.432	7.025.488
Other deposits	161.087.713	147.252.526	161.214.326	147.338.175
Funds borrowed from other financial institutions	39.130.059	27.994.862	38.709.160	27.467.314
Subordinated loans	9.718.804	9.067.893	9.821.399	9.170.193
Marketable securities issued	12.492.842	9.244.718	12.546.494	9.301.078
Miscellaneous payables	12.154.312	10.637.009	12.154.312	10.637.009

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or (loss)	**56.980**	**4.061.218**	**-**	**4.118.198**
Government debt securities	56.980	-	-	56.980
Share certificates	-	4.061.218	-	4.061.218
Trading derivative financial assets	**22.484.816**	**1.815.229**	**-**	**24.300.045**
Other marketable securities	22.389.973	-	-	22.389.973
Available-for-sale financial assets	94.843	1.815.229	-	1.910.072
Government debt securities	**-**	**1.688.395**	**-**	**1.688.395**
Total assets	**22.541.796**	**7.564.842**	**-**	**30.106.638**
Trading derivative financial liabilities	-	3.837.904	-	3.837.904
Hedging derivative financial liabilities	-	312.426	-	312.426
Information on borrowings (2)	-	4.929.709		4.929.709
Total liabilities	**-**	**9.080.039**	**-**	**9.080.039**

Prior Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or (loss)	**36.713**	**2.981.570**	**-**	**3.018.283**
Government debt securities	36.713	-	-	36.713
Share certificates	-	2.981.570	-	2.981.570
Trading derivative financial assets	**16.130.712**	**2.141.724**	**-**	**18.272.436**
Other marketable securities	16.034.072	-	-	16.034.072
Available-for-sale financial assets	96.640	2.141.724	-	2.238.364
Government debt securities	**-**	**1.168.936**	**-**	**1.168.936**
Total assets	**16.167.425**	**6.292.230**	**-**	**22.459.655**
Trading derivative financial liabilities	-	2.525.526	-	2.525.526
Hedging derivative financial liabilities	-	88.788	-	88.788
Information on borrowings (2)	-	4.111.709	-	4.111.709
Total liabilities	**-**	**6.726.023**	**-**	**6.726.023**

(1) Non-listed share certificates amounting of TL 7.615 are accounted in accordance with TAS 39, at acquisition costs, are not included. (December 31, 2016 – TL 7.770)
(2) Includes some financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TAS 39 paragraph 9.

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of December 31, 2017: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2017 of these hedging instruments are presented in the table below:

		Current Period				**Prior Period**
	Notional(1)	**Asset**	**Liability**	**Notional(1)**	**Asset**	**Liability**
Hedging instrument						
Interest rate swap/ Cross currency interest rate swap (CFH)	35.070.052	1.688.395	107.567	24.782.222	963.417	38.839
Cross currency interest rate swap	1.393.760	-	204.859	962.773	205.519	49.949
Total	**36.463.812**	**1.688.395**	**312.426**	**25.744.995**	**1.168.936**	**88.788**

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 36.729.813 (December 31, 2016 – TL 26.381.740) the total notional of derivative financial assets amounting to TL 73.193.625 (December 31, 2016 – TL 52.126.735) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS – 39 Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	23.425	-	204.859	19.091

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	4.334	205.519	49.949	14.710

(1) The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
(3) The ineffective portion of the mentioned hedging transaction is TL 1.439 loss (December 31, 2016- TL 2.528 income).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

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

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[(1)]**	**Net gain/(loss) reclassified to equity[(2)(3)]**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	1.688.395	107.567	836.691	457.541

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds[(1)]**	**Net gain/(loss) reclassified to equity[(2)(3)]**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	963.417	38.839	379.150	111.185

(1) Includes deferred tax impact.
(2) Includes tax and foreign exchange differences.
(3) The ineffective portion of the mentioned hedging transaction is TL 6.987 income (December 31, 2016 – TL 5.290 income).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS – 39 Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS – 39 Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the effectiveness range 80%-125%) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's EURO denominated borrowing is designated as a hedge of the net investment in the Bank's certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2017 is EUR 410 million (December 31, 2016 - EUR 386 million.)

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

12. Explanations on operating segments:

The Bank carries out its banking operations through three main business units:

- Retail Banking
- Corporate and Commercial Banking
- Private Banking and Wealth Management.

The Bank's Retail Banking activities include card payment systems, SME banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments.

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

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Major balance sheet and income statement items based on operating segments:

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.579.996	3.191.097	283.198	4.616.185	12.670.476
Operating expenses	(4.482.210)	(1.105.333)	(111.165)	(3.075.445)	(8.774.153)
Net operating income / (expense)	**97.786**	**2.085.764**	**172.033**	**1.540.740**	**3.896.323**
Dividend income(1)	-	-	-	2.273	2.273
Income/(loss) from investments accounted based on equity method(1)	-	-	-	574.818	574.818
Profit before tax	**97.786**	**2.085.764**	**172.033**	**2.117.831**	**4.473.414**
Tax provision expense(1)	-	-	-	(859.333)	(859.333)
Net period income	**97.786**	**2.085.764**	**172.033**	**1.258.498**	**3.614.081**
Net profit	**97.786**	**2.085.764**	**172.033**	**1.258.498**	**3.614.081**
Segment asset	79.970.978	102.108.817	205.198	110.165.690	292.450.683
Investments in associates, subsidiaries and joint ventures	-	-	-	5.359.637	5.359.637
Total assets	**79.970.978**	**102.108.817**	**205.198**	**115.525.327**	**297.810.320**
Segment liabilities	74.240.206	61.810.968	30.541.901	101.119.318	267.712.393
Shareholders' equity	-	-	-	30.097.927	30.097.927
Total liabilities	**74.240.206**	**61.810.968**	**30.541.901**	**131.217.245**	**297.810.320**

Prior Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.352.372	2.806.216	236.421	3.693.209	11.088.218
Operating expenses	(4.331.137)	(1.020.631)	(102.516)	(2.465.801)	(7.920.085)
Net operating income / (expense)	**21.235**	**1.785.585**	**133.905**	**1.227.408**	**3.168.133**
Dividend income(1)	-	-	-	80	80
Income/(loss) from investments accounted based on equity method(1)	-	-	-	476.472	476.472
Profit before tax	**21.235**	**1.785.585**	**133.905**	**1.703.960**	**3.644.685**
Tax provision expense(1)	-	-	-	(711.890)	(711.890)
Net period income	**21.235**	**1.785.585**	**133.905**	**992.070**	**2.932.795**
Net profit	**21.235**	**1.785.585**	**133.905**	**992.070**	**2.932.795**
Segment asset	71.341.470	88.591.658	156.652	88.036.974	248.126.754
Investments in associates, subsidiaries and joint ventures	-	-	-	4.692.784	4.692.784
Total assets	**71.341.470**	**88.591.658**	**156.652**	**92.729.758**	**252.819.538**
Segment liabilities	61.218.411	55.827.497	32.536.775	77.118.308	226.700.991
Shareholders' equity	-	-	-	26.118.547	26.118.547
Total liabilities	**61.218.411**	**55.827.497**	**32.536.775**	**103.236.855**	**252.819.538**

(1) Related items have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".

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

Section Five - Explanations and notes related to unconsolidated financial statements

1. Explanations and notes related to assets

1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

1.1.1 Information on cash and the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.563.328	932.541	1.451.282	1.202.894
The CBRT(1)	6.032.373	33.445.287	7.600.149	22.123.910
Other	-	50	-	2.331
Total	**7.595.701**	**34.377.878**	**9.051.431**	**23.329.135**

(1) The balance of gold amounting to TL 4.948.751 is accounted for under the Central Bank foreign currency account (December 31, 2016 -TL 4.784.973).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount (1)	1.914.852	8.868.143	7.600.149	196.747
Time unrestricted amount	4.117.521	-	-	-
Time restricted amount	-	745.058	-	2.107.234
Reserve requirement(2)	-	23.832.086	-	19.819.929
Total	**6.032.373**	**33.445.287**	**7.600.149**	**22.123.910**

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

(2) The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2016 - None).

1.3. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	398.670	-	378.431	-
Swap transactions	3.051.849	415.703	2.167.698	313.748
Futures transactions	-	-	-	-
Options	137.137	57.859	87.886	33.807
Other	-	-	-	-
Total	**3.587.656**	**473.562**	**2.634.015**	**347.555**

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

1.4. Information on banks:

1.4.1. Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	658	-	32.531	6.717
Foreign[(1)]	13.517	2.706.452	800	1.408.644
Head quarters and branches abroad	-	-	-	-
Total	**14.175**	**2.706.452**	**33.331**	**1.415.361**

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 25 (December 31, 2016 – TL 14.668).

1.4.2. Exposures provisioned against by major regions[(1)] :

	Unrestricted amount		Restricted amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU countries	1.253.651	769.741	-	-
USA, Canada	1.160.690	461.364	240.327	119.931
OECD countries [(1)]	32.051	26.240	-	-
Off-shore banking regions	355	305	-	-
Other	32.895	31.863	-	-
Total	**2.479.642**	**1.289.513**	**240.327**	**119.931**

(1) Includes OECD countries except EU countries, USA and Canada.

1.5. Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Available-for-sale financial assets given as collateral/blocked amounts to TL 4.502.947 (December 31, 2016 - TL 1.561.834) and available-for-sale financial assets subject to repo transactions amounts to TL 6.937.612 (December 31, 2016 – TL 3.651.723).

1.6. Information on available-for-sale financial assets:

	Current Period	**Prior Period**
Debt securities	24.341.481	18.313.621
Quoted on stock exchange	23.894.244	17.498.849
Not quoted [(1)]	447.237	814.772
Share certificates	149.396	113.936
Quoted on stock exchange	-	-
Not quoted[(2)]	149.396	113.936
Impairment provision (-)[(3)]	(278.060)	(243.991)
Other [(4)]	94.843	96.640
Total	**24.307.660**	**18.280.206**

(1) Includes credit linked notes amounting to TL 169.255. (December 31, 2016 - TL 475.930)
(2) After the completion of the acquisition of Visa Europe by Visa Inc., 18.871 Series C Visa Inc. preferred shares have been allocated to the Bank.
(3) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.
(4) Other available-for-sale financial assets include mutual funds.

1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**23.229**	**1.358.830**	**105.720**	**1.158.561**
Loans granted to employees	**156.855**	**101**	**148.674**	**103**
Total	**180.084**	**1.358.931**	**254.394**	**1.158.664**

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

1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	Standard loans and other receivables: Loans and other receivables (Total)	Standard: of which, terms & conditions are changed – Payment plan extensions	Standard: of which, terms & conditions are changed – Other	Loans and other receivables under close monitoring: Loans and other receivables (Total)	Close monitoring: of which, terms & conditions are changed – Payment plan extensions	Close monitoring: of which, terms & conditions are changed – Other
Non-specialized loans	**187.429.523**	**3.489.981**	-	**5.453.053**	**2.158.715**	**182.392**
Loans given to enterprises	96.168.477	1.596.811	-	2.025.948	1.006.669	147.153
Export loans	7.709.317	130.555	-	110.976	86.530	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3.321.694	-	-	-	-	-
Consumer loans	33.509.955	858.391	-	951.416	229.542	19.259
Credit cards	23.944.874	635.674	-	354.644	132.009	11.301
Other[1]	22.775.206	268.550	-	2.010.069	703.965	4.679
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**187.429.523**	**3.489.981**	-	**5.453.053**	**2.158.715**	**182.392**

(1) Fair value differences of the hedged item amounting to TL 7.831 are classified in other loans as explained in Note 8, Section 4.

Number of modifications made to extend payment plan(1)(2)(3)(4)	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	3.219.395	1.982.219
Extended by 3,4 or 5 times	247.130	155.915
Extended by more than 5 times	23.456	20.581
Total	**3.489.981**	**2.158.715**

Extended period of time(1)(2)(3)(4)(5)(6)	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	425.719	289.935
6 - 12 Months	191.132	89.596
1 - 2 Years	381.484	162.990
2 - 5 Years	1.473.562	1.306.210
5 Years and over	1.018.084	309.984
Total	**3.489.981**	**2.158.715**

(1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 9, 2011.
(2) There are 39 loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 33 of them were restructured once or twice, 4 of them were structured three, four or five times, 2 of them were structured more than five times.
(3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.
(4) There are 523 loans restructured in accordance with temporary article 10 subsection of the amendment of Provisioning Regulation dated August 5, 2016 with maturities until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 461 of them were restructured once or twice, 49 of them were restructured three, four or five times, 13 of them were structured more than five times.
(5) There is no loan which is subject to the temporary article 9 of the amendment of Provisioning Regulation dated on April,7,2016
(6) There is no loan which is subject to the temporary article 12 of the amendment of Provisioning Regulation dated on December 14, 2016.

1.7.3. Loans according to their maturity structure

	Standard loans and other receivables: Loans and other receivables	Standard loans and other receivables: Agreement conditions modified	Loans and other receivables under close monitoring: Loans and other receivables	Loans and other receivables under close monitoring: Agreement conditions modified
Short-term loans and other receivables	**58.232.552**	**731.788**	**724.930**	**237.158**
Non-specialised loans	58.232.552	731.788	724.930	237.158
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	**125.706.990**	**2.758.193**	**2.387.016**	**2.103.949**
Non-specialised loans	125.706.990	2.758.193	2.387.016	2.103.949
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

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

1.7.4. Information on loans by types and specific provisions:

1.7.4.1 Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	129.974.694	33.509.955	23.944.874	187.429.523
Watch list	4.146.993	951.416	354.644	5.453.053
Loans under legal follow-up	5.799.005	1.791.340	1.434.052	9.024.397
Specific provisions (-)	(4.322.326)	(1.433.027)	(1.191.177)	(6.946.530)
Total	**135.598.366**	**34.819.684**	**24.542.393**	**194.960.443**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	113.029.640	29.862.689	21.729.623	164.621.952
Watch list	4.285.273	1.134.330	464.702	5.884.305
Loans under legal follow-up	4.933.782	2.132.778	1.639.583	8.706.143
Specific provisions (-)	(3.424.045)	(1.777.377)	(1.386.761)	(6.588.183)
Total	**118.824.650**	**31.352.420**	**22.447.147**	**172.624.217**

1.7.4.2 Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch list	7.203.790	914.121	-	8.117.911
Loans under legal follow-up(1)	1.447.509	56.524	-	1.504.033
Total	**8.651.299**	**970.645**	**-**	**9.621.944**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch list	8.180.491	959.735	-	9.140.226
Loans under legal follow-up(1)	1.095.951	52.271	-	1.148.222
Total	**9.276.442**	**1.012.006**	**-**	**10.288.448**

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

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

1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and long-term	Total
Consumer loans-TL	**327.327**	**32.553.234**	**32.880.561**
Real estate loans	6.386	13.867.578	13.873.964
Automotive loans	14.510	477.347	491.857
Consumer loans	306.431	18.208.309	18.514.740
Consumer loans-FC indexed	**-**	**22.104**	**22.104**
Real estate loans	-	21.713	21.713
Automotive loans	-	-	-
Consumer loans	-	391	391
Individual credit cards-TL	**16.285.342**	**785.968**	**17.071.310**
With installments	8.569.776	775.135	9.344.911
Without installments	7.715.566	10.833	7.726.399
Individual credit cards-FC	**15.121**	**-**	**15.121**
With installments	-	-	-
Without installments	15.121	-	15.121
Personnel loans-TL	**5.453**	**60.654**	**66.107**
Real estate loans	27	1.879	1.906
Automotive loans	36	252	288
Consumer loans	5.390	58.523	63.913
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	**87.961**	**474**	**88.435**
With installments	41.169	474	41.643
Without installments	46.792	-	46.792
Personnel credit cards-FC	**348**	**-**	**348**
With installments	-	-	-
Without installments	348	-	348
Credit deposit account-TL (real person)(1)	**1.492.599**	**-**	**1.492.599**
Total	**18.214.151**	**33.422.434**	**51.636.585**

(1) TL 1.965 of the credit deposit account belongs to the loans used by personnel.

1.7.6. Information on commercial installment loans and corporate credit cards:

	Current Period		
	Short-term	**Medium and long-term**	**Total**
Commercial installments loans-TL	**1.073.405**	**14.658.688**	**15.732.093**
Business loans	4.591	1.393.724	1.398.315
Automotive loans	69.273	1.198.009	1.267.282
Consumer loans	999.541	12.066.955	13.066.496
Commercial installments loans-FC indexed	**8.601**	**206.010**	**214.611**
Business loans	-	12.934	12.934
Automotive loans	-	55.232	55.232
Consumer loans	8.601	137.844	146.445
Corporate credit cards-TL	**7.120.869**	**2.924**	**7.123.793**
With installment	4.512.502	1.548	4.514.050
Without installment	2.608.367	1.376	2.609.743
Corporate credit cards-FC	**511**	**-**	**511**
With installment	-	-	-
Without installment	511	-	511
Credit deposit account-TL (legal person)	**833.319**	**-**	**833.319**
Total	**9.036.705**	**14.867.622**	**23.904.327**

1.7.7. Loans according to types of borrowers :

	Current Period	Prior Period
Public	1.781.807	1.759.966
Private	191.100.769	168.746.291
Total	**192.882.576**	**170.506.257**

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

1.7.8. Distribution of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	190.963.726	168.909.282
Foreign loans	1.918.850	1.596.975
Total	**192.882.576**	**170.506.257**

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	213.845	35.428
Indirect loans granted to associates and subsidiaries	-	-
Total	**213.845**	**35.428**

1.7.10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectibility	120.681	167.826
Loans and other receivables with doubtful collectibility	559.397	715.400
Uncollectible loans and other receivables	6.266.452	5.704.957
Total	**6.946.530**	**6.588.183**

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**3.424.045**	**1.777.377**	**1.386.761**	**6.588.183**
Allowance for impairment	1.474.924	670.504	507.460	2.652.888
Amount recovered during the period	(302.314)	(241.489)	(123.732)	(667.535)
Loans written off during the period as uncollectible (1)	(274.329)	(773.365)	(579.312)	(1.627.006)
December 31	**4.322.326**	**1.433.027**	**1.191.177**	**6.946.530**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**2.647.676**	**1.161.743**	**817.248**	**4.626.667**
Allowance for impairment	928.110	835.611	704.848	2.468.569
Amount recovered during the period	(151.711)	(219.977)	(135.335)	(507.023)
Loans written off during the period as uncollectible (1)	(30)	-	-	(30)
December 31	**3.424.045**	**1.777.377**	**1.386.761**	**6.588.183**

(1) Also includes the effects of the sales of non-performing loan portfolios.

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

1.7.11. Information on non-performing loans (net):

1.7.11.1. Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	**10.849**	**55.493**	**150.698**
Restructured loans and other receivables	10.849	55.493	150.698
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	**20.912**	**87.059**	**283.295**
Restructured loans and other receivables	20.912	87.059	283.295
Rescheduled loans and other receivables	-	-	-

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Prior Period	**1.009.826**	**1.803.191**	**5.893.126**
Additions (+)	3.115.599	74.993	137.983
Transfers from other categories of non-performing loans (+)	-	2.991.339	3.006.651
Transfer to other categories of non-performing loans (-)	2.991.339	3.006.651	-
Collections (-)	257.868	322.973	802.474
Write-offs(-)	-	-	1.627.006
Corporate and commercial loans	-	-	274.329
Consumer loans	-	-	773.365
Credit cards	-	-	579.312
Other	-	-	-
Current Period	**876.218**	**1.539.899**	**6.608.280**
Specific provision (-)	(120.681)	(559.397)	(6.266.452)
Net balance on balance sheet	**755.537**	**980.502**	**341.828**

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 1.626.322 to a selection of asset management companies for a total amount of TL 89.957.

1.7.11.3. Information on non-performing loans granted as foreign currency loans:

Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to TL non-performing loans accounts.

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

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period (net)	**755.537**	**980.502**	**341.828**
Loans granted to real persons and corporate entities (gross)	876.218	1.539.899	6.495.109
Specific provision amount (-)	(120.681)	(559.397)	(6.153.281)
Loans granted to real persons and corporate entities (net)	755.537	980.502	341.828
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	(29.183)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (net)(1)	-	-	-
Prior Period (net)	**842.000**	**1.087.791**	**188.169**
Loans granted to real persons and corporate entities (gross)	1.009.826	1.803.191	5.784.563
Specific provision amount (-)	(167.826)	(715.400)	(5.596.394)
Loans granted to real persons and corporate entities (net)	842.000	1.087.791	188.169
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (net)(1)	-	-	-

(1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş., in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.13. Explanation on "Write-off" policies:

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

1.8. Information on held-to-maturity investments:

1.8.1. Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

Held-to-maturity investments given as collateral / blocked amounts to TL 7.390.042 (December 31, 2016 - 2.779.442). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.249.012 (December 31, 2016 - TL 2.471.316).

1.8.2. Information on government debt securities held-to-maturity:

	Current Period	Prior Period
Government bond	13.030.911	10.664.551
Treasury bill	-	-
Other debt securities	-	-
Total	**13.030.911**	**10.664.551**

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

1.8.3. Information on investment securities held-to-maturity:

	Current Period	Prior Period
Debt securities	13.408.710	10.963.188
Quoted on stock exchange	13.408.710	10.963.188
Not quoted	-	-
Impairment provision (-)(1)	(377.799)	(298.637)
Total	**13.030.911**	**10.664.551**

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.8.4. Movement of held-to-maturity investments within the period:

	Current Period	Prior Period
Beginning balance	**10.664.551**	**6.389.632**
Foreign currency differences on monetary assets(1)	680.963	1.088.859
Purchases during the year	2.796.166	1.329.699
Transfers(2)	-	1.960.740
Disposals through sales and redemptions	(1.031.607)	(66)
Impairment provision (-)(3)	(79.162)	(104.313)
Period end balance	**13.030.911**	**10.664.551**

(1) Also includes the changes in the interest income accruals.
(2) As of July 18, 2016, the Bank classified some of its government debt securities from available-for-sale to held-to-maturity portfolio with a nominal amount of TL 1.970.607. The fair value of the aforementioned securities on July 18, 2016 is TL 2.008.079 and has 8 year maturity in average.
(3) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage(%)
1.	Banque de Commerce et de Placements S.A. .(1)	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu(1)	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş.(1)	Istanbul/Turkey	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1	17.616.461	1.822.213	12.598	167.239	19.844	122.673	105.577	-
2	259.153	175.797	172.993	4.049	94	36.919	16.643	-
3	80.677	46.880	47.322	1.043	-	6.983	10.403	-

(1) Financial statement information disclosed above shows September 30, 2017 results.

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

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**441.646**	**342.643**
Movements during the period	**92.241**	**99.003**
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	45.295	47.787
Sales	-	-
Revaluation (decrease) / increase[1]	57.558	58.861
Impairment provision[2]	(10.612)	(7.645)
Balance at the end of the period	**533.887**	**441.646**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes the differences in the other comprehensive income related with the equity method accounting.
(2) Includes dividend income received in the current period.

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	529.384	437.143
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	**529.384**	**437.143**

1.9.5. Information on investments in associates quoted on a stock exchange:

None (December 31, 2016 - None).

1.10 Information on shareholders' equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

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

1.10.1. Information on equity of the subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	25.781	-	-	-	(1.341)
Other capital reserves	91.662	(1.103)	(218.830)	-	-
Legal reserves	68.310	8.034	79.305	21.309	-
Extraordinary reserves	194.481	10.458	771.384	-	572.993
Other reserves	-	-	-	-	788.306
Profit/loss	17.488	144.756	944.819	38.076	100.403
Current period net profit	87.434	43.004	244.241	38.076	100.403
Prior period profit	(69.946)	101.752	700.578	-	-
Leasehold improvements (-)	-	-	346	245	253
Intangible assets (-)	26.572	3.520	6.093	406	212
Total core capital	**483.765**	**219.339**	**1.960.167**	**64.441**	**1.572.338**
Supplementary capital	**-**	**10.127**	**51.052**	**-**	**253**
Capital	**483.765**	**229.466**	**2.011.219**	**64.441**	**1.572.591**
Deductions from the capital	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity	**483.765**	**229.466**	**2.011.219**	**64.441**	**1.572.591**

The above information is based on the consolidated financial statements of the Bank as of December 31, 2017.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

1.10.2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding BV.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Nederland	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

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

1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed consolidated financial statements results.

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value
1	229.939	229.676	-	-	-	(967)	77	-	-
2	4.945.396	514.841	47.825	251.278	6.608	87.434	62.420	-	-
3	3.929.414	222.859	4.311	249.290	-	43.004	37.769	-	-
4	11.380.548	1.966.606	7.069	662.850	-	244.241	225.810	-	-
5	78.563	64.296	949	7.044	-	38.076	30.115	-	-
6	8.599.223	1.572.803	1.007	429.764	13.488	100.403	91.180	-	-
7	990.804	186.614	30.681	62.553	3.526	21.011	(6.845)	-	-
8	41.165	28.325	4.891	2.632	-	2.446	1.548	-	-
9	33.799	27.466	1.108	91	-	5.487	3.168	-	-
10	11.207	8.374	695	816	-	2.115	1.550	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**4.225.724**	**3.614.436**
Movements in period	**574.340**	**611.288**
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	529.252	431.423
Sales(1)	(247.343)	-
Transfers	-	-
Liquidation	-	-
Revaluation increase/decrease(2)	396.485	270.579
Impairment provision(3)	(104.054)	(90.714)
Balance at the end of the period	**4.800.064**	**4.225.724**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) The Bank has concluded the sale of 99.84% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.294.811.320,75.
(2) Includes the differences in the other comprehensive income related with the equity method accounting.
(3) Includes dividend income received in the current period.

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial subsidiaries	Current Period	Prior Period
Banks	1.243.843	1.136.275
Insurance companies	-	-
Factoring companies	222.753	214.850
Leasing companies	1.966.487	1.724.028
Finance companies	-	-
Other financial subsidiaries	1.366.981	1.150.571
Total financial subsidiaries	**4.800.064**	**4.225.724**

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2016 - None).

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

1.11. Information on joint ventures (net):

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to "TAS – 27 Individual Financial Statements".

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	89.512	69.561	29.967	59.545	8.646	58.265	(55.985)
Total			**89.512**	**69.561**	**29.967**	**59.545**	**8.646**	**58.265**	**(55.985)**

1.12. Information on lease receivables (net):

None (December 31, 2016 - None).

1.13. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge[1]	-	-	205.519	-
Cash flow hedge[1]	1.520.914	167.481	850.313	113.104
Foreign net investment hedge	-	-	-	-
Total	**1.520.914**	**167.481**	**1.055.832**	**113.104**

(1) Explained in the Note 8 of Section 4.

1.14. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	3.033.665	327.047	2.808	1.132.690	4.496.210
Accumulated depreciation (-)	(912.541)	(318.557)	(2.036)	(609.251)	(1.842.385)
Net book value	**2.121.124**	**8.490**	**772**	**523.439**	**2.653.825**
Current Period					
Net book value at beginning of the period	**2.121.124**	**8.490**	**772**	**523.439**	**2.653.825**
Additions	24.012	172	68	130.014	154.266
Disposals (-), net	(8.042)	(4)	-	(7.246)	(15.292)
Reversal of impairment	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Depreciation (-)	(47.328)	(6.693)	(346)	(165.456)	(219.823)
Net book value at end of the period	**2.089.766**	**1.965**	**494**	**480.751**	**2.572.976**
Cost at the end of the period	3.039.441	280.292	2.678	1.162.010	4.484.421
Accumulated depreciation at the period end (-)	(949.675)	(278.327)	(2.184)	(681.259)	(1.911.445)
Current Period	**2.089.766**	**1.965**	**494**	**480.751**	**2.572.976**

As of December 31, 2017, the Bank had total provision for impairment amounting to TL 224.378 (December 31, 2016 – TL 224.378) for the property and equipment.

1.15. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	**1.523.961**	**1.489.435**
Additions during the period	241.138	163.053
Unused and disposed items (-)	(10.239)	(10.965)
Impairment reversal	-	-
Amortization expenses (-)	(128.010)	(117.562)
Balance at the end of the period	**1.626.850**	**1.523.961**

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

1.16. Information on investment property:

None (December 31, 2016 - None).

1.17. Information on deferred tax asset :

None (December 31, 2016 - None).

1.18. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	**159.974**	**151.010**
Additions	153.076	94.334
Disposals (-), net	(111.416)	(81.148)
Impairment provision reversal	385	1.908
Impairment provision (-)	-	(416)
Depreciation (-)	-	(5.714)
Net book value at the end of the period	**202.019**	**159.974**
Cost at the end of the period	214.507	175.904
Accumulated depreciation at the end of the period (-)	(12.488)	(15.930)
Net book value at the end of the period	**202.019**	**159.974**

As of December 31, 2017, the Bank booked impairment provision on assets held for resale with an amount of TL 5.961 (December 31, 2016 - TL 6.346).

1.19. Information on other assets:

As of December 31, 2017, other assets do not exceed 10% of the total assets.

2. Explanations and notes related to liabilities

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	6.796.500	2.347.210	35.131.569	1.471.949	190.308	150.286	967	46.088.789
Foreign currency deposits	13.995.800	15.535.147	44.416.875	4.827.823	6.332.164	1.883.696	-	86.991.505
Residents in Turkey	13.782.454	15.171.010	43.708.004	4.103.568	3.262.384	921.777	-	80.949.197
Residents abroad	213.346	364.137	708.871	724.255	3.069.780	961.919	-	6.042.308
Public sector deposits	250.278	3	5.876	3	453	10	-	256.623
Commercial deposits	7.543.445	7.865.394	7.823.937	637.070	448.428	301.136	-	24.619.410
Other institutions deposits	116.749	457.166	801.617	495.305	517	513	-	1.871.867
Precious metals vault	744.610	71.033	358.492	27.040	39.115	19.229	-	1.259.519
Bank deposits	1.039.061	5.262.599	1.699.459	231.402	26.983	-	-	8.259.504
The CBRT	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	1.197.005	1.600.797	226.297	26.983	-	-	3.060.274
Foreign banks	561.376	3.713	98.662	5.105	-	-	-	668.856
Participation banks	468.493	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-
Total	**30.486.443**	**31.538.552**	**90.237.825**	**7.690.592**	**7.037.968**	**2.354.870**	**967**	**169.347.217**

Prior Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	6.142.512	1.380.464	31.602.118	1.555.528	209.726	173.928	485	41.064.761
Foreign currency deposits	11.345.286	10.425.602	37.127.707	3.526.707	3.820.829	1.105.632	-	67.351.763
Residents in Turkey	11.249.275	10.419.832	36.842.069	3.501.381	3.795.131	1.073.789	-	66.881.477
Residents abroad	96.011	5.770	285.638	25.326	25.698	31.843	-	470.286
Public sector deposits	230.784	35	3.797	16	180	59	-	234.871
Commercial deposits	6.751.831	5.442.392	17.310.801	2.765.952	1.300.569	333.090	-	33.904.635
Other institutions deposits	103.771	81.880	2.400.983	785.374	423.524	575	-	3.796.107
Precious metals vault	488.106	43.940	309.337	19.931	31.543	7.532	-	900.389
Bank deposits	913.799	5.258.426	522.279	269.059	19.278	39.489	-	7.022.330
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	1.935	5.253.349	392.639	123.494	19.278	4.170	-	5.794.865
Foreign banks	481.728	5.077	129.640	145.565	-	35.319	-	797.329
Participation banks	430.136	-	-	-	-	-	-	430.136
Other	-	-	-	-	-	-	-	-
Total	**25.976.089**	**22.632.739**	**89.277.022**	**8.922.567**	**5.805.649**	**1.660.305**	**485**	**154.274.856**

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

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
Saving deposits	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Saving deposits	23.544.523	21.112.778	22.544.257	19.951.541
Foreign currency saving deposits	6.989.255	5.305.173	25.392.052	19.265.517
Other deposits in the form of saving deposits	492.198	329.328	647.851	480.438
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	6.993	6.581
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	164.155	202.768
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward transactions	147.794	-	196.563	-
Swap transactions	3.263.154	219.065	1.885.972	317.519
Futures transactions	-	-	-	-
Options	144.714	63.177	79.854	45.618
Other	-	-	-	-
Total	**3.555.662**	**282.242**	**2.162.389**	**363.137**

2.3. Information on borrowings:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
The Central Bank of the Republic of Turkey borrowings	-	460.152	-	790.172
From domestic banks and institutions	175.375	207.635	161.477	192.559
From foreign banks, institutions and funds	342.910	37.945.987	381.767	26.468.887
Total	**516.285**	**38.613.774**	**543.244**	**27.451.618**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-term	5.474	7.240.241	33.472	4.006.953
Medium and long-term	510.811	31.373.533	509.772	23.444.665
Total	**516.285**	**38.613.774**	**543.244**	**27.451.618**

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

2.3.3. Information on securitization borrowings:

The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions(1)	-	8.278.912	-	6.564.507
From foreign funds	-	-	-	-
Total	**-**	**8.278.912**	**-**	**6.564.507**

(1) The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TAS 39 paragraph 9. As of December 31 , 2017, the total amount of financial liabilities classified as fair value through profit/loss is TL 4.929.709 (December 31, 2016 –TL 4.111.709) with an accrued interest expense of TL 123.051 (December 31, 2016 - TL 97.254 income) and with a fair value difference of TL 216.465 recognized in the income statement as an expense (December 31, 2016 - TL 19.783 income). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of December 31, 2017 are TL 4.618.063 (December 31, 2016: TL 4.033.003) for buy legs and TL 4.618.063 (December 31, 2016: TL 4.033.003) for sell legs with a fair value differences amounting to TL 92.985 asset (December 31, 2016 –TL 97.052 liability). The mentioned total return swaps have 10 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.212.509	107.682	1.399.791	86.665
Bonds	1.078.084	10.094.567	319.850	7.438.412
Collateralized securities	-	-	*288.650*	-
Total	**2.290.593**	**10.202.249**	**1.719.641**	**7.525.077**

2.4. Information on other liabilities:

As of December 31, 2017, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1 – 4 years	139	131	1.130	1.112
More than 4 years	-	-	-	-
Total	**139**	**131**	**1.130**	**1.112**

2.5.2. Information on operational leasing agreements:

The Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

2.6. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge (1)	204.859	-	49.949	-
Cash flow hedge (1)	95.187	12.380	16.314	22.525
Foreign net investment hedge	-	-	-	-
Total	**300.046**	**12.380**	**66.263**	**22.525**

(1) Explained in Note 8 of Section 4.

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

2.7. Information on provisions:

2.7.1. Information on general provisions:

	Current Period	Prior Period
Provisions for first group loans and receivables	2.652.040	2.417.912
Of which, Provision for Loans and Receivables with Extended Maturity	*179.587*	*184.180*
Provisions for second group loans and receivables	230.998	259.609
Of which, Provision for Loans and Receivables with Extended Maturity	*81.325*	*92.159*
Provisions for non cash loans	111.917	107.365
Others	337.739	257.434
Total	**3.332.694**	**3.042.320**

2.7.2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS – 19 Employee Rights" necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	4,95	4,50
Possibility of being eligible for retirement (%)	93,79	93,63

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 5.001,76 effective from January 1, 2018 (January 1, 2017: full TL 4.426,16) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**127.500**	**120.717**
Changes during the period	52.501	49.897
Recognized in equity	253.522	(2.683)
Paid during the period	(41.763)	(40.431)
Balance at the end of the period	**391.760**	**127.500**

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 172.381 as of December 31, 2017 (December 31, 2016 - TL 160.381).

2.7.3. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2017, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 27.135 (December 31, 2016 - TL 708). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.7.4. Other provisions:

2.7.4.1. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	690.852	568.006
Provisions on unindemnified non cash loans	139.143	150.517
Provision on lawsuits	63.729	50.628
Provisions on credit cards and promotion campaigns related to banking services	44.142	43.314
Other	332.004	320.909
Total	**1.269.870**	**1.133.374**

2.7.4.2. General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	150.000	100.000
Total	**150.000**	**100.000**

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

2.7.5. Pension fund provision:

The Bank provided provision amounting to TL 690.852 (December 31, 2016 – TL 568.006) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	(122.846)	6.243

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	2.371.855	1.964.448
- Pension benefits transferable to SSI	2.402.317	1.882.467
- Post employment medical benefits transferable to SSI	(30.462)	81.981
Fair value of plan assets	(1.681.003)	(1.396.442)
Provision for the actuarial deficit of the pension fund	**690.852**	**568.006**

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	**%**	**Amount**	**%**
Bank placements	574.905	34	831.034	60
Government bonds and treasury bills	723.510	43	233.858	17
Premises and equipment	261.258	16	223.150	16
Other	121.330	7	108.400	7
Total	**1.681.003**	**100**	**1.396.442**	**100**

2.8. Information on taxes payable:

2.8.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	235.024	-
Taxation of Marketable Securities	147.382	108.253
Property Tax	3.301	2.840
Banking Insurance Transaction Tax ("BITT")	134.448	107.238
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	10.063	9.788
Other	44.328	34.245
Total	**574.546**	**262.364**

2.8.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	17.263	15.310
Bank pension fund premiums – employer	17.802	15.798
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.232	1.093
Unemployment insurance – employer	2.465	2.187
Other	-	-
Total	**38.762**	**34.388**

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

2.8.3. Information on deferred tax liability:

	Current Period		Prior Period	
	Tax base	**Deferred tax**	**Tax base**	**Deferred tax**
Temporary differences	564.141	124.111	287.881	57.576
Derivative financial liabilities	690.852	151.987	568.006	113.601
Securities portfolio valuation differences	4.185.039	920.708	2.653.207	530.642
Subsidiaries, investment in associates and share certificates	489.263	107.638	567.845	113.569
Other	122.117	26.866	122.117	24.423
Temporary differences	827.320	182.010	607.895	121.580
Total deferred tax asset	**6.878.732**	**1.513.320**	**4.806.951**	**961.391**
Derivative financial assets	(5.770.729)	(1.269.560)	(4.204.942)	(840.988)
Valuation difference of securities portfolio	(965.046)	(212.310)	(1.128.580)	(225.716)
Property, equipment and intangibles, net	(1.762.389)	(209.426)	(1.804.801)	(117.897)
Other	(136.009)	(29.923)	(172.003)	(34.400)
Total deferred tax liability	**(8.634.173)**	**(1.721.219)**	**(7.310.326)**	**(1.219.001)**
Deferred tax asset / (liability), net	**(1.755.441)**	**(207.899)**	**(2.503.375)**	**(257.610)**

Deferred tax income amounting to TL 150.992 (31.12.2016-171.430 loss) was recognized in profit and loss statement, whereas deferred tax expense amounting to TL 101.281 (31.12.2016-27.754 income) was recognized directly in equity accounts for the period ended December 31, 2017.

2.9. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None (December 31, 2016 - None).

2.10. Information on subordinated loans[1]:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	9.718.804	-	9.067.893
From other foreign institutions	-	-	-	-
Total	**-**	**9.718.804**	**-**	**9.067.893**

(1) Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of section four.

2.11. Information on shareholders' equity:

2.11.1. Presentation of paid-in capital:

	Current Period	**Prior Period**
Common stock	4.347.051	4.347.051
Preferred stock	-	-

2.11.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	**Paid-In Capital**	**Registered Share Capital Ceiling**
Registered Capital System	4.347.051	10.000.000

2.11.3. Information on the share capital increases during the period and the sources:

None (December 31, 2016 - None).

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

2.11.4. Information on transfers from capital reserves to capital during the current period:

None (December 31, 2016 - None).

2.11.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None (December 31, 2016 - None).

2.11.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

2.11.7. Privileges on the corporate stock:

None (December 31, 2016 - None).

2.11.8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	**880.331**	**1.651.298**	**785.286**	**1.371.226**
Valuation difference(1)	880.331	1.651.298	785.286	1.371.226
Foreign currency difference	-	-	-	-
Available for sale securities	**(471.086)**	**89.462**	**(390.820)**	**(55.283)**
Valuation differences(2)	(471.086)	89.462	(390.820)	(55.283)
Foreign currency differences	-	-	-	-
Total	**409.245**	**1.740.760**	**394.466**	**1.315.943**

(1) Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.
(2) Includes tax effect related to foreign currency valuation differences in TL column.

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

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	33.700.364	29.878.711
Loan granting commitments	10.125.035	8.877.881
Commitments for cheques	6.844.741	6.686.199
Other irrevocable commitments	83.371.921	20.964.614
Total	**134.042.061**	**66.407.405**

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 111.917 (December 31, 2016 - TL 107.365) and specific provision amounting to TL 944.029 (December 31, 2016 - TL 875.166) for non-cash loans which are not indemnified yet amounting to TL 139.143 (December 31, 2016 – 150.517).

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	212.685	195.766
Letter of credits	10.944.238	8.761.174
Other guarantees and collaterals	6.811.093	6.273.317
Total	**17.968.016**	**15.230.257**

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

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.273.465	3.060.589
Definite letter of guarantees	37.461.264	33.450.239
Advance letter of guarantees	9.606.133	8.265.692
Letter of guarantees given to customs	2.351.305	2.100.488
Other letter of guarantees	8.506.111	5.761.275
Total	**60.198.278**	**52.638.283**

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	8.052.720	5.433.904
With original maturity of 1 year or less than 1 year	1.878.094	812.327
With original maturity of more than 1 year	6.174.626	4.621.577
Other non-cash loans	70.113.574	62.434.636
Total	**78.166.294**	**67.868.540**

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**302.585**	**1,14**	**368.056**	**0,71**	**268.785**	**1,25**	**264.445**	**0,57**
Farming and raising livestock	260.917	0,98	263.931	0,51	226.348	1,05	190.047	0,41
Forestry	37.035	0,14	49.840	0,10	38.494	0,18	47.330	0,10
Fishing	4.633	0,02	54.285	0,10	3.943	0,02	27.068	0,06
Manufacturing	**10.852.136**	**40,96**	**25.292.833**	**48,93**	**8.769.875**	**40,58**	**24.240.184**	**52,41**
Mining	518.035	1,96	738.453	1,42	413.574	1,91	669.589	1,45
Production	6.672.557	25,18	21.358.268	41,33	5.953.750	27,55	19.107.577	41,31
Electric, gas and water	3.661.544	13,82	3.196.112	6,18	2.402.551	11,12	4.463.018	9,65
Construction	**7.027.361**	**26,52**	**10.281.769**	**19,90**	**6.569.893**	**30,40**	**9.996.845**	**21,61**
Services	**7.772.719**	**29,34**	**15.549.232**	**30,11**	**5.704.088**	**26,37**	**11.728.309**	**25,36**
Wholesale and retail trade	2.652.661	10,01	3.779.884	7,32	2.231.326	10,30	2.939.313	6,35
Hotel, food and beverage services	194.117	0,73	999.922	1,94	176.337	0,82	707.443	1,53
Transportation and telecommunication	632.515	2,39	3.774.910	7,31	551.457	2,55	3.475.197	7,51
Financial institutions	3.183.656	12,02	2.344.665	4,54	1.964.705	9,09	2.472.615	5,35
Real estate and leasing services	297.176	1,12	1.165.131	2,25	270.474	1,25	271.591	0,59
Self-employment services	-	-	-	-	-	-	-	-
Education services	55.950	0,21	40.215	0,08	40.232	0,19	21.676	0,05
Health and social services	756.644	2,86	3.444.505	6,67	469.557	2,17	1.840.474	3,98
Other	**540.413**	**2,04**	**179.190**	**0,35**	**301.941**	**1,40**	**24.175**	**0,05**
Total	**26.495.214**	**100,00**	**51.671.080**	**100,00**	**21.614.582**	**100,00**	**46.253.958**	**100,00**

3.1.3.3. Information on non-cash loans classified in Group I. and Group II:

	Group I		Group II	
Current Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	26.216.356	33.591.996	224.852	165.074
Bank acceptances	-	209.151	-	3.534
Letters of credit	20.000	10.922.822	-	1.416
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.006	6.776.693	-	394
Total	**26.270.362**	**51.500.662**	**224.852**	**170.418**

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

	Group I		Group II	
Prior Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	20.992.683	30.788.738	576.008	280.854
Bank acceptances	-	195.766	-	-
Letters of credit	11.407	8.742.541	-	7.226
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.484	6.235.795	-	3.038
Total	**21.038.574**	**45.962.840**	**576.008**	**291.118**

3.1.3.4. Maturity distribution of non cash loans:

Current Period (1)	**Indefinite**	**Up to 1 year**	**1-5 years**	**Above 5 years**	**Total**
Letter of credit	-	7.489.348	3.452.609	2.281	10.944.238
Letter of guarantee	22.818.375	11.375.136	20.925.256	5.079.511	60.198.278
Bank acceptances	-	187.776	22.021	2.888	212.685
Other	613.499	1.103.309	1.127.480	3.966.805	6.811.093
Total	**23.431.874**	**20.155.569**	**25.527.366**	**9.051.485**	**78.166.294**

Prior Period (1)	**Indefinite**	**Up to 1 year**	**1-5 years**	**Above 5 years**	**Total**
Letter of credit	-	6.225.950	2.529.003	6.221	8.761.174
Letter of guarantee	21.464.214	9.319.266	18.152.038	3.702.765	52.638.283
Bank acceptances	-	168.491	24.902	2.373	195.766
Other	341.794	551.945	2.178.223	3.201.355	6.273.317
Total	**21.806.008**	**16.265.652**	**22.884.166**	**6.912.714**	**67.868.540**

(1) The distribution is based on the original maturities.

3.2 Information on derivative financial instruments:

	Current Period	**Prior Period**
Types of trading transactions		
Foreign currency related derivative transactions (I)	264.240.166	132.016.926
FC trading forward transactions	25.652.518	15.005.224
Trading swap transactions	214.630.310	99.421.564
Futures transactions	-	-
Trading option transactions	23.957.338	17.590.138
Interest related derivative transactions (II)	56.251.434	49.251.952
Forward interest rate agreements	-	-
Interest rate swaps	54.129.790	47.580.058
Interest rate options	2.121.644	1.671.894
Interest rate futures	-	-
Other trading derivative transactions (III)	21.267.164	18.267.410
A. Total trading derivative transactions (I+II+III)	**341.758.764**	**199.536.288**
Types of hedging derivative transactions		
Transactions for fair value hedge	2.606.876	2.112.714
Cash flow hedges	70.586.749	50.014.021
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**73.193.625**	**52.126.735**
Total derivative transactions (A+B)	**414.952.389**	**251.663.023**

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

3.3 Information on credit derivatives and risk exposures:

Derivative portfolio includes credit default swaps for TL 157.000 (31 December 2016 – TL 453.384) for the period ended 31 December 2017. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure.

Derivative portfolio includes total return swaps for TL 9.236.126 (31 December 2016 – TL 8.066.006) for the period ended 31 December 2017.

3.4 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 63.729 (December 31, 2016 - TL 50.628) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

3.5 Information on services in the name and account of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-term loans (1)	5.202.351	167.825	5.191.009	170.134
Medium/long-term loans (1)	8.468.756	3.588.928	6.988.968	2.841.969
Interest on loans under follow-up	99.313	-	84.704	136
Premiums received from resource utilization support fund	-	-	-	-
Total	**13.770.420**	**3.756.753**	**12.264.681**	**3.012.239**

(1) Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From the CBRT	110.329	16	-	138
From domestic banks	46.902	755	29.876	350
From foreign banks	2.478	27.796	1.942	16.419
Headquarters and branches abroad	-	-	-	-
Total	**159.709**	**28.567**	**31.818**	**16.907**

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From trading financial assets	2.013	1.392	4.162	1.140
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	2.285.948	153.031	1.486.587	177.961
From held-to-maturity investments	580.870	387.809	394.611	312.984
Total	**2.868.831**	**542.232**	**1.885.360**	**492.085**

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	58.148	50.321

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

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	44.691	1.066.885	51.712	788.404
The CBRT	-	5.010	-	59
Domestic banks	10.600	3.421	11.699	4.117
Foreign banks	34.091	1.058.454	40.013	784.228
Headquarters and branches abroad	-	-	-	-
Other institutions	-	209.430	-	158.695
Total (1)	**44.691**	**1.276.315**	**51.712**	**947.099**

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	**Prior Period**
Interest paid to associates and subsidiaries	176.824	204.721

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest expense to marketable securities issued	233.658	489.819	228.023	375.253
Total	**233.658**	**489.819**	**228.023**	**375.253**

4.2.4. Maturity structure of the interest expense on deposits:

		Time deposit							
Account name	**Demand deposit**	**Up to 1 month**	**Up to 3 months**	**Up to 6 months**	**Up to 1 year**	**More than 1 year**	**Accumulating deposit**	**Total**	**Prior Period**
TL									
Bank deposits	236	115.451	8.185	96	-	269	68	124.305	131.221
Saving deposits	-	143.217	3.991.751	180.550	18.721	15.598	-	4.349.837	3.516.330
Public sector deposits	-	95	1.880	71	38	2	-	2.086	6.311
Commercial deposits	31	628.631	1.750.179	160.826	119.179	44.224	-	2.703.070	2.653.112
Other deposits	-	20.793	571.261	95.272	25.852	39	-	713.217	563.409
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**267**	**908.187**	**6.323.256**	**436.815**	**163.790**	**60.132**	**68**	**7.892.515**	**6.870.383**
FC									
Foreign currency deposits	57	298.251	1.191.039	96.023	91.565	23.689	-	1.700.624	1.024.064
Bank deposits	811	21.344	6.640	212	449	1.161	-	30.617	8.740
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	765	1.930	149	296	88	-	3.228	2.279
Total	**868**	**320.360**	**1.199.609**	**96.384**	**92.310**	**24.938**	**-**	**1.734.469**	**1.035.083**
Grand total	**1.135**	**1.228.547**	**7.522.865**	**533.199**	**256.100**	**85.070**	**68**	**9.626.984**	**7.905.466**

4.3. Information on dividend income:

	Current Period	**Prior Period**
Available-for-sale financial assets	620	80
Other	1.653	-
Total	**2.273**	**80**

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

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	**42.864.974**	**28.960.897**
Gain from capital market transactions	91.511	145.664
Derivative financial transaction gains	15.939.233	10.221.730
Foreign exchange gains	26.834.230	18.593.503
Loss (-)	**(43.677.487)**	**(28.884.639)**
Loss from capital market transactions	(38.237)	(105.176)
Derivative financial transaction losses	(17.230.541)	(10.230.902)
Foreign exchange loss	(26.408.709)	(18.548.561)
Net gain/loss	**(812.513)**	**76.258**

4.5. Information on derivatives financial transaction gain/loss:

The net loss resulting from the foreign exchange differences related to derivative financial transactions is TL 303.713 loss (December 31, 2016 – TL 28.014 gain).

4.6. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

4.7. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	2.752.892	2.093.568
III. Group loans and receivables	117.086	72.261
IV. Group loans and receivables	59.822	244.218
V. Group loans and receivables	2.575.984	1.777.089
General provision expenses	290.374	483.531
Provision expense for possible risks	50.000	100.000
Marketable securities impairment expenses(1)	58.407	49.402
Financial assets at fair value through profit or loss	378	898
Available-for-sale financial assets	58.029	48.504
Impairment of investments in associates, subsidiaries and held-to-maturity securities	73.149	70.098
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments(1)	73.149	70.098
Other	28.971	46.977
Total	**3.253.793**	**2.843.576**

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

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

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	2.428.344	2.184.654
Reserve for employee termination benefits	10.738	9.467
Provision expense for pension fund	122.846	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	219.823	223.041
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	128.010	117.562
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	416
Depreciation expenses of assets held for resale	-	5.714
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.876.043	1.773.508
Operational lease expenses	309.268	297.387
Repair and maintenance expenses	106.502	95.533
Advertising expenses	139.509	111.898
Other expense	1.320.764	1.268.690
Loss on sales of assets	6	19
Other	734.550	762.128
Total	**5.520.360**	**5.076.509**

4.9. Provision for taxes on income from continuing operations and discontinued operations:

The profit before tax includes TL 9.211.101 (31 December 2016 – 7.634.646) of net interest income, TL 3.136.135 (31 December 2016 – TL 2.825.515) of net fees and commissions and TL 5.520.360 (31 December 2016 – TL 5.076.509) of other operations.

As of December 31, 2017, the Bank has no (December 31, 2016 – None) profit before tax from discontinued operations.

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2017, the Bank has TL 1.010.325 (December 31, 2016 – TL 540.460) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 150.992 (December 31, 2016 – TL 171.430 deferred tax expense).

Total provision for taxes on income for the current period and the previous period:

	Current Period	Prior Period
Profit before tax	4.473.414	3.644.685
Tax calculated at rate of 20%	911.757	728.937
Nondeductible expenses, discounts and other, net	(52.424)	(17.047)
Total	**859.333**	**711.890**

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.

4.11.2. Information on any change in the accounting estimates concerning the current period or future periods: None.

4.12. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

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

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

5.1 Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2 Information on increase/decrease amounts resulting from merger:

None.

5.3 Information on available for sale financial assets :

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

5.4 Hedging transactions :

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2017 is TL 836.691 profit (December 31, 2016 – 379.150 profit).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2017 is EUR 410 million. (31 December 2016 is EUR 386 million)The foreign exchange loss of TL 461.466 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.(31 December 2016-215.812 TL loss)

5.5 Information on share issue premium:

Explained in details in Note 19 of Section Three.

6. Explanations and notes related to statement of cash flows:

6.1 Information on cash and cash equivalents:

6.1.1 Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2 Effect of a change in the accounting policies:

None.

6.1.3 Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1 Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**11.713.170**	**7.820.237**
Cash and effectives	2.656.507	1.949.094
Demand deposits in banks	9.056.663	5.871.143
Cash equivalents	**2.244.649**	**499.699**
Interbank money market	-	284.692
Time deposits in banks	2.244.649	215.007
Total cash and cash equivalents	**13.957.819**	**8.319.936**

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

6.1.3.2 Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**14.430.478**	**11.713.170**
Cash and effectives	2.495.919	2.656.507
Demand deposits in banks	11.934.559	9.056.663
Cash equivalents	**7.159.223**	**2.244.649**
Interbank money market	816.790	-
Time deposits in banks	6.342.433	2.244.649
Total cash and cash equivalents	**21.589.701**	**13.957.819**

6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

Reserves amounting to TL 34.613.762 (December 31, 2016 – TL 27.599.587) in CBRT represent the reserve requirements of the Bank.

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other Account" amounting to TL 2.291.765 as of December 31, 2017 (December 31, 2016 – TL 2.733.569 decrease), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 1.549.396 as of December 31, 2017 (December 31, 2016 – TL 3.265.544 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 1.211.207 as of December 31, 2017 (December 31, 2016 – TL 989.614 increase).

7. Explanations and notes related to the Bank's risk group

7.1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

7.1.1. Information on loans of the Bank's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group (1)(2)	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	35.428	168.459	367.000	1.158.561	2.317.430	2.502.492
Balance at the end of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Interest and commission income received	58.148	1.689	9.517	7.893	264.703	12.077

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group (1)(2)	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	36.629	270.763	6.593	954.585	1.654.575	2.393.852
Balance at the end of the period	35.428	168.459	367.000	1.158.561	2.317.430	2.502.492
Interest and commission income received	50.321	1.277	4.981	7.546	198.730	10.217

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.
(2) The information in table above includes marketable securities and due from banks as well as loans.
.

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

7.1.2. Information on deposits of the Bank's risk group:

Bank's risk group (1)(2)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	4.074.057	2.500.000	19.715.780	15.911.762	13.596.912	10.366.561
End of the period	3.193.655	4.074.057	27.662.849	19.715.780	17.865.257	13.596.912
Interest expense on deposits	**176.824**	**204.721**	**1.339.521**	**1.021.951**	**719.527**	**545.287**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

7.1.3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

Bank's risk group (1)(2)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Transactions at fair value through profit or loss (2)						
Beginning of the period (3)	3.305.854	4.510.236	8.532.884	1.455.484	802.512	146.778
End of the period (3)	6.825.457	3.305.854	4.585.782	8.532.884	3.688.054	802.512
Total profit / (loss)	**(75.512)**	**(48.025)**	**(16.232)**	**(9.004)**	**(60.696)**	**(270)**
Transactions for hedging purposes (2)						
Beginning of the period (3)	-	-	-	-	-	-
End of the period (3)	-	-	1.375.186	-	-	-
Total profit / (loss)	-	-	**25.186**	-	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.
(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.
.

7.2. Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 67.790 as of December 31, 2017 (December 31, 2016 – TL 48.113).

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	**Number of Employees**			
Domestic Branch	865	17.942			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total asset	**Statutory share capital**
Foreign Branch	1	2	Bahrain	15.998.901	-
Off-Shore Banking Region Branch			-	-	-

9. Explanations and notes related to subsequent events:

None.

Section Six-Other Explanations and Notes

1. Other explanations on the Bank's operations

None.

Section Seven - Explanations on independent audit report

1. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended December 31, 2017 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, January 6, 2018 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.