Dedication to Deliver

YapıKredi

Contents

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Yapı ve Kredi Bankası A.Ş.

1. Opinion

We have audited the annual report of Yapı ve Kredi Bankası A.Ş. (the "Bank") and its subsidiaries for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated and unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report 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 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. Our Audit Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 6 February 2018 on the full set consolidated and unconsolidated financial statements for the 1 January - 31 December 2017 period.

4. Board of Director's Responsibility for the Annual Report

The Bank management's responsibilities related to the annual report according to Articles 514 of Turkish Commercial Code ("TCC") No. 6102 and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of article 397 of the TCC and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements and with the information obtained in the course of audit.

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

Halûk Yalçın, SMMM

Istanbul, 26 February 2018

Part I

Introduction

Annual Shareholders' Meeting Agenda

20 March 2018 Annual Shareholders' Meeting Agenda

1. Opening and election of the Chairman of the Meeting,
2. Presentation of the Annual Activity Report of the Board of Directors, Financial Statements and Summary of Report of External Auditors related to the activities of the year 2017 and consideration and approval of the Annual Activity Report and Financial Statements for the year 2017,
3. Submission of appointment made by the Board of Directors for the vacated membership of Board of Directors during the year as per article 363 of Turkish Commercial Code for approval by the General Assembly,
4. Clearing of members of the Board of Directors of liability related to activities of the Bank during the year 2017,
5. Approval of transactions regarding liquidation by sale of some Bank receivables that are being followed up on nonperforming loans accounts and to clear Board members regarding these transactions,
6. Provided that the necessary approval is obtained from Banking Regulation and Supervision Agency, Capital Markets Board and Turkish Ministry of Customs and Commerce; the acceptance, acceptance following amendment or rejection of proposal of the Board of Directors regarding to the article 3rd (titled " Purpose and Scope"), to the article 8th (titled " Issuance of Bonds and Other Securities"), to the article 11th (titled " Board of Directors, Election of the Members and resolutions of the Board of Directors"), to the article 12th (titled "Distribution of Duties Among the Members of Board of Directors, Representation and Delegation of Management"), to the article 17th (titled " Corporate Governance Principles") and to the article 23 (titled "Legal Provisions") of the Articles of Association of our Bank,
7. Determining the number and the term of office of the Board members, electing members of the Board of Directors and independent members of the Board of Directors,
8. Submitting according to Corporate Governance Principles the Remuneration Policy for the Members of Board of Directors and Senior Managers, and the payments made within the scope of the Policy to the shareholders' knowledge and approval of the same,
9. Determining the gross attendance fees for the Members of the Board of Directors,
10. Approval of the "Dividend Distribution Policy" of the Bank pursuant to the Capital Markets Board regulations,
11. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding the Profit Distribution for the year 2017 created as per the Bank's dividend distribution policy,
12. Approval of the Independent Audit Institution selected by the Board of Directors with the requirement of the Regulation issued by the Banking Regulation and Supervision Agency and the Turkish Commercial Code,
13. Submitting according to the regulations of the Capital Markets Board the donations and charities made by the Bank in 2017 to foundations and associations with the aim of social relief to the shareholders' knowledge and determining a ceiling amount for the donations to be made in 2018 in line with the Banking legislation and the regulations of the Capital Markets Board,
14. Granting permission to the shareholders holding the management control, the members of the Board of Directors, the senior managers and their spouses and blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during the year 2017 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,
15. Wishes and comments.

Dividend Distribution Policy

The Dividend Distribution Policy of the Bank has been approved at the Annual Shareholders' Meeting held on March 27, 2014 as follow: "Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. At the Annual Shareholders' Meeting, in accordance with the Articles of Association, shareholders may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda."

Note on 2017 Net Profit

Our Bank's unconsolidated net profit that of the TL 3,614,080,992.06 for the accounting period, TL 127,833,375.21 be set aside as special reserve (profit from the sale of the real estate and share stocks on the basis of Article 5 clause 1/e of the Corporate Tax Law 5520), remaining TL 3,486,247,616.85 be set aside as extraordinary reserves and related 2017 profit distribution table, as given on page 5, was submitted at the Annual Shareholder's Meeting for approval.

2017 Dividend Distribution Table

	Yapı ve Kredi Bankası A.Ş. 2017 Profit Distribution Table (TL)	
1. Paid-in Capital		4,347,051,284.00
2. Legal Reserves (per Legal Book)		8,694,102,567.00
Information on whether Articles of Association has any privilege regarding profit distribution		None
		Per legal book
3	Gross Profit	4,473,413,783.06
4	Reserve for Taxes (-)	859,332,791.00
5	Net Profit (=)	3,614,080,992.06
6	Prior Years' Losses (-)	0
7	Legal Reserves (-)	0.00
8	NET DISTRIBUTABLE PROFIT (=)	3,614,080,992.06
9	Donations made during the year (+)	[redacted]
10	Net distributable profit including donations	
11	1st dividend to shareholders	0
	-Cash	0
	-Bonus shares	0
	-Total	0
12	Dividend to shareholders which possess preferred shares	0
13	Dividend to Members of Board of Directors and employees etc.	0
14	Dividend to shareholders which possess redeemed shares	0
15	2nd dividend to shareholders	0
16	Legal Reserves	0
17	Statutory Reserves	0
18	Special Reserves	127,833,375.21
19	EXTRAORDINARY RESERVES	3,486,247,616.85
20	Other sources which are accepted as distributable	-

DIVIDEND RATIO TABLE

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT	DIVIDEND TO 1 TL NOMINAL VALUE SHARE	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	-	-	-	-	-
NET	-	-	-	-	-	-

Chairman’s Message

Dear Shareholders,

2017 was a better than anticipated year in terms of global economy. In 2017, global economy was better than anticipated. Growth in the developed countries improved gradually with decline in unemployment rates. While developing countries benefitted from improvement in global economy, expectations of a potential tightening from the developed countries’ central banks, especially from the FedED, resulted in volatility in financial markets. Besides, specific to Turkey increase in the oil and commodity prices and ongoing geopolitical risks were can be counted as the additional risk factors. Thanks to the government incentives and with the support from the global environment, Turkish economic growth reached to the highest levels of the past four years. Meanwhile, Turkish banking sector maintained its resilience, supported by measures of Turkish Government, rapid and determined actions of the Central Bank of the Republic of Turkey and the Banking Regulation and Supervision Agency.

In 2017, with the support of Credit Guarantee FundCGF, total loans in the banking sector increased by 21% annually and reached to TL 2,021 billion, while total deposits grew 17% to TL 1,605 billion. Despite the challenges, improvement in asset quality continued in the banking sector with non-performing loans ratio realising ending the year at 2.9%. On the other hand, sector’s total net profit increased by 31% annually and reached to TL 57.5 billion.

For Yapı Kredi, the fourth largest private bank in Turkey with a total asset size of TL 320.1 billion, 2017 was a year of ongoing on-going selective growth in accordance with mid-term strategy with positive results on profitability. In 2017, net income increased by 33% (adjusted for one-off Visa sale gain) and return on tangible equity ratio improved by 170 basis points versus the previous year. In line with this strategy, with a respective 13% and 10% annual growth on loans and deposits, respectively, the Bank continued contributing to the financing of the Turkish economy with its “Dedicated to Deliver” approach. Yapı Kredi increased the volume of its total cash and non-cash loans by 14% to TL 278.7 billion, maintaining its important role position within the banking sector.

In 2017, sustainability continued to be among the significant items topics on the Bank’s agenda. Yapı Kredi remained in the BIST Sustainability Index owing to its successful performance in environmental, social and corporate governance related issues. Yapı Kredi is one of the 44 companies included in the index for the period between November 2017 -and October 2018.

Building on its strong dedication to corporate governance, Yapı Kredi has increased its corporate governance rating, which is granted based on the principles set by the Capital Markets Board, from 9.34 in 2016 to 9.43 (out of 10) in 2017.

Yapı Kredi continued to receive precious awards in 2017. The finance project of “Kadıncık Hydroelectric Power Plant”, participated by Yapı Kredi,, which was participated by Yapı Kredi, was awarded by the EMEA Finance magazine with “Best Project Finance Deal in Central and Eastern Europe Region”. Within the year, by supporting the projects that are significant in development of Turkey, Yapı Kredi won four awards at “Bond&Loans”, also known as “Oscars of Finance”. Additionally, the Bank won Turkey’s Best Private Banking award from Global Finance Award. In the field of digital banking, “Yapı Kredi Mobile” and “Yapikredi.com.tr” won six rewards at “Stevie Awards”, one of the most prestigious awards of business world. Meanwhile, Yapı Kredi’s communication efforts in 2017 brought a series of important awards to the Bank. Yapı Kredi won eight awards at the 29th Crystal Apple Awards by the Advertisers’ Association, and ten awards at the 12th Felis Awards by MediaCat. In addition, for the fifth consecutive year, Yapı Kredi was awarded the title “Turkey’s Most Ethical Company” at the ETIKA awards by Ethical Values Center (EDMER).

I would hereby like to extend my thanks to all our customers and shareholders for their continuous support and trust, and our employees for their devoted efforts.

Ali Y. Koç
Chairman

CEO's Message

Dear Shareholders,

In 2017, expectations regarding possible rate hikes by FED, rate decisions of Central Bank of the Republic of Turkey in accordance with maintaining its tight monetary policy and geopolitical developments created a volatile environment in both prices and outlook for emerging markets. 2017 started with the downgrade of Turkey's credit rating by Fitch which had a negative effect impact on foreign investor sentiment. Nevertheless, banking sector is supported by CGFCredit Guarantee Fund, easing regulations, actions of government and the regulatory agenciesbodies. Hereby, Turkey and Turkish banking sector continued to preserve their the strong fundamentals.

During this period, Yapı Kredi recorded a loan growth of 13% compared to the end of last year, increasing its cash loan volume to TL 199.9 billion. Deposit growth registered an increase of 10% and reached to TL 173.4 billion. Individual demand deposits, a core focus area of the Bank, rose 38% compared to last year, and the Bank gained approximately 20 basis points market share. The loan-to-deposit ratio including TL bonds materialized ats 112% at the end of 2017. Meanwhile, the Bank continued to provide significant support to critical projects for Turkey's development.

In 2017, Yapı Kredi recorded a net income of TL 3,614 million. The Bank's capital base grew stronger thanks to the ongoing internal capital generation, during the period. Capital adequacy ratio of the Bank on an unconsolidated basis improved by 28 basis points versus the previous year, reaching 14.5%.

Yapı Kredi's total revenues increased by 11% year-over-yearwhen compared with the previous year. Meanwhile, the increase in total costs adjusted for pension fund provision remained below the inflation increased by and materialised at 7%, lower than inflation, thanks to disciplined cost management approach. As a result, the cost- to -income ratio improved 150 basis points annually and materialized at 41% level.

Diversification of the funding base continued to hold a significant importance for Yapı Kredi. Accordingly, Yapı Kredi raised approximately US$ 5 billion funding through syndications, securitizations, bond issuances and other financial instruments. The Bank's success in these deals confirmed its strong financial structure and reputation in the international arena once again.

For Yapı Kredi, 2017 wasis a year of ongoing rapid development and diversification in digital channels. A pioneer of banking sector's digital transformation, Yapı Kredi continued to deliver innovations, such as money transaction via Siri and iMessage with voice or message, getting appointment from branches via Yapı Kredi Mobile and payment with Yapı Kredi Mobile using smart phones via POS in addition to current applications on top of the; "eye scan technology" and contactless cash withdrawal from ATMs via QR code. In the past one year, the number of active mobile banking customers grew by 51% to reach 3.7 million, while the number of active internet digital banking customers rose to 4.4 million with a 32% increase.

During 2017, Yapı Kredi continued to take significant steps in social responsibility. In 2017, AÇEV's "Change Fathers, Change Society" project that started in 2016 with the intention to raise awareness about child development through training efforts focused on fathers
the project reached to 780 fathers in 13 cities.

In 2017, Yapı Kredi continued to takeook considerable steps in terms of social projects. In 2017, support AÇEV's "Change Fathers, Change Society" project, which started back in 2016 with the intention to acknowledge fathers regarding the infant developments through some education programs, reached to 780 fathers in 13 cities. Additionally, Yapı Kredi continued to offer convenient and accessible banking services to individuals with disabilities through its Enabled Banking program, in line with its "Equal Banking for All" principle. The Bank continues to make life easier for orthopedically and visually impaired customers across Turkey with 2,471 Enabled ATM's.

I would like to take this opportunity to thank our loyal customers, our shareholders for their trust and support, and our employees for their valuable efforts.

Gökhan Erün
CEO

Vision, Mission and Strategy

Vision

To be the undisputed leader in the finance sector

Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees

Strategy

Healthy and consistent growth: Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness and funding diversification to sustain long-term performance with a customer-oriented approach

Strong and sustainable profitability: Address specific customer needs via a segment-based service model, optimise cost to serve to improve competitiveness and maintain effective liquidity, risk and capital management

Superior and long-lasting customer satisfaction: Enhance easy to work with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty

Values

Freedom: Yapı Kredi employees express their opinions easily through appropriate and constructive methods; they act in accordance with the Bank's values and contribute to the future of the Bank

Respect: Yapı Kredi employees listen to their customers and colleagues, irrespective of their identities, to understand their needs. They respect the opinion of others and know that their opinions and ideas also count

Fairness: Yapı Kredi employees treat their customers, colleagues and the Bank's stakeholders in a consistent manner without seeking personal gain; they make objective decisions and act in accordance with their values while focusing on corporate and social responsibility

Transparency: Yapı Kredi employees share relevant corporate information with their customers, colleagues and other stakeholders in a transparent and timely manner while adhering to the Bank's confidentiality principles and ensuring accessibility; they express their opinions with the same degree of transparency

Trust: Yapı Kredi employees build relationships based on trust with all relevant parties utilising their banking knowledge, skills and commitment to corporate values; they trust those that they grant responsibility and authority to. Consistent with the Bank's corporate values, Yapı Kredi employees keep their promises in a timely and accurate manner. They take responsibility for their customers' problems, find rapid solutions and follow up on the results

History

The Origins: Established in 1944 as Turkey's first retail focused private bank with a nationwide presence, Yapı Kredi has always played a pioneering role in the banking sector. Since its origins, Yapı Kredi has maintained a strong reputation in the banking sector leveraging on its customer-centric approach, dedication to innovation and contribution to the development of the financial sector in Turkey. In 2006, Yapı Kredi successfully completed the largest merger in the Turkish banking sector. The merger between Koçbank (8th largest bank) and Yapı Kredi (7th largest bank) formed the new Yapı Kredi, which became the 4th largest private bank. Since the merger, Yapı Kredi has consistently delivered a sustainable and strong performance.

2006: Merger and Integration

- Legal merger of Yapı Kredi and Koçbank
- Merger of the two banks' core subsidiaries operating in the same sectors
- Restructuring of the capital base
- Integration of information technology systems

2007: Restructuring

- Launch of branch expansion
- Completion of segment based service model
- Streamlining governance by bringing subsidiaries under the Bank
- Efficiency initiatives in systems and processes

2008: Re-launch of Growth

- Acceleration of branch expansion
- Innovation in product, service and delivery channels
- Tight cost discipline and emphasis on decreasing cost to serve
- Strengthening of capital base via capital increase

2009: Global Crisis

- Temporary suspension of branch expansion
- Continuous support for customers
- Tight cost management and efficiency efforts
- Proactive credit risk management

2010: Back to Strong Growth

- Re-launch of branch expansion
- Focus on innovation and customer acquisition
- Above sector growth and tight cost discipline
- Simplification of processes and improvement in efficiency

2011: Smart Growth

- Continuation of branch expansion
- Growth in value generating segments and products
- Sustainable revenue generation and tight cost control
- Diversification of funding base

2012: Smart Growth

- Continuation of branch expansion
- Growth in value generating segments and products
- Focus on core banking and disciplined cost control
- Diversification of funding base

2013: Continuation of Smart Growth

- Continuation of branch expansion
- Strengthening of capital base
- Effective liquidity management via balanced growth in loans and deposits
- Sustainable revenue generation via growth in value generating segments

2014: Growth Oriented Investment Strategy

- Balanced growth in both loans and deposits with strong market share gains
- Network expansion (headcount, branch, ATM)
- Focus on innovation and customer acquisition
- Continued focus on solid capital base and maintaining healthy liquidity profile

2015: Continuation of Growth Oriented Investment Strategy

- Ongoing network expansion and strong focus on digital
- Focus on rapid and healthy customer acquisition
- Balanced growth in both loans and deposits
- Strong revenue generation via effective loan book remix

2016: Harvesting Phase

- Maintaining solid market share in loans and deposits
- Continuation of support to Turkish economy
- Focus on efficiency and value creation
- Focus on digital banking

2017: Focus on Efficiency and Profitability

- Improvement in asset quality
- Focus on value-added fields and products
- Continuation to support Turkish economy
- Efficiency improvement with ongoing cost management
- Sustainable solid capital structure and healthy liquidty profile

Yapı Kredi at a Glance

Yapı Kredi has been sustainably strengthening its positioning in the sector since its establishment in 1944 through a customer-centric approach and focus on innovation. Yapı Kredi is the **4th largest private bank in Turkey** with **total asset size of TL 320.1 billion** as of the end of 2017. **Constantly in the pursuit of increasing its contribution to the financing of the Turkish economy, Yapı Kredi** increased the volume of its total cash and non-cash loans by 14% in 2017 to TL 278.7 billion. Accordingly, Yapı Kredi maintained its position at 2rd place among private banks.

Yapı Kredi serves **13.3 million active (23.5 million total) customers** through a widespread and multi-channel service network. The Bank has **866 branches** and **17,944 employees** covering all regions of Turkey. Yapı Kredi's Alternative Delivery Channels (ADCs) comprise **4,310 ATMs**, **innovative internet banking**, leading **mobile banking, 3 call centers** and approximately **532 thousand POS** terminals. 95% of the Bank's transactions go through non-branch channels.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through **retail banking** (comprising of individual banking, Small and Medium Size Enterprises (SME) banking and card payment systems, private banking and wealth management), as well as **corporate and commercial banking**. The Bank's operations are supported by **domestic subsidiaries** in asset management, brokerage, leasing and factoring as well as **international banking subsidiaries** in the Netherlands, , Malta and Azerbaijan.

Shareholding Structure

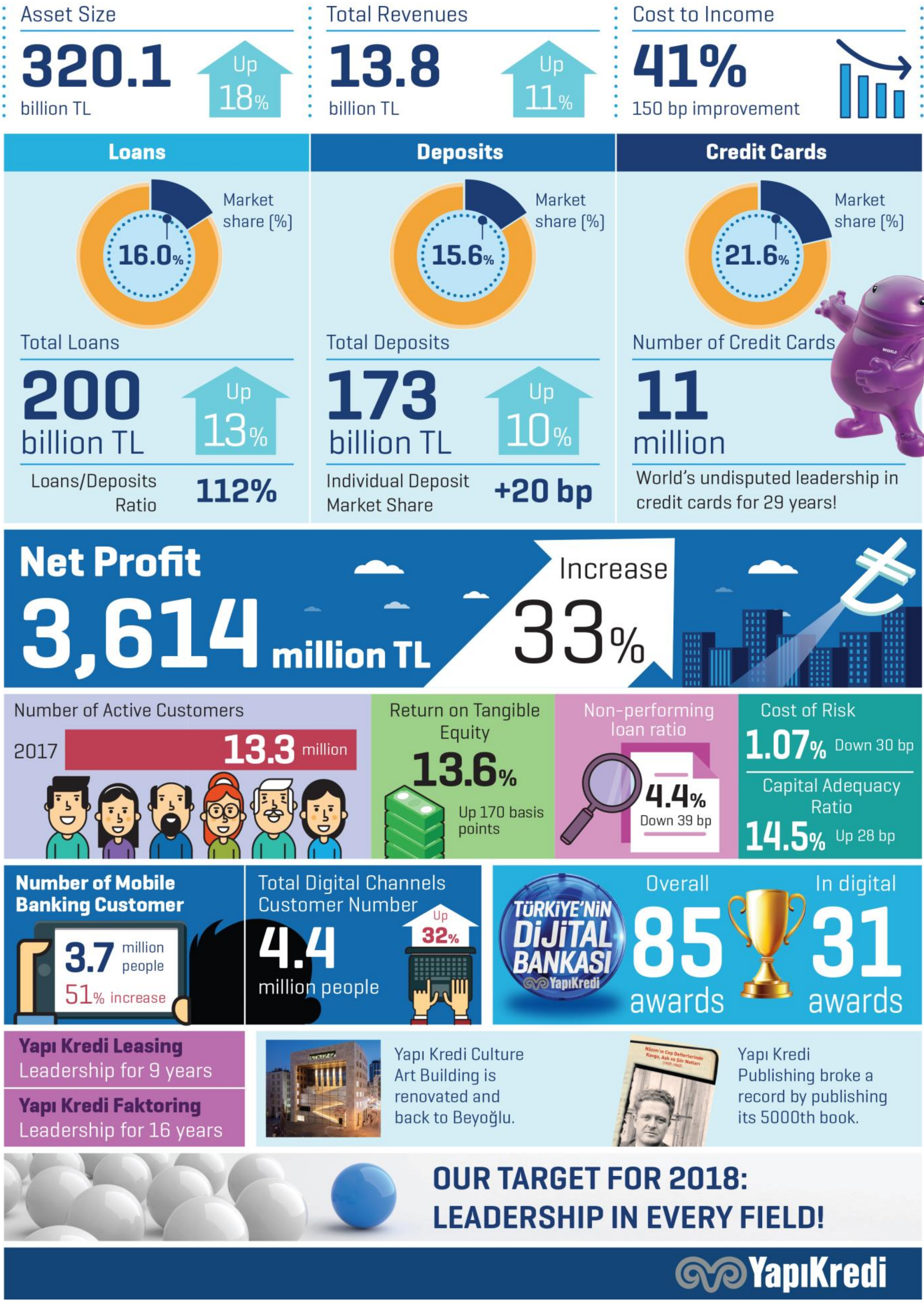
Yapı Kredi has a strong shareholding structure which ensures sustainable and profitable growth. 81.8% of the Bank's shares are owned by Koç Financial Services (KFS), a 50%-50% joint venture between UniCredit Group and Koç Group. The remaining 18.2% is publicly traded on Borsa Istanbul and Global Depositary Receipts that represent the Bank's shares are quoted on the London Stock Exchange.

Koç Group, founded in 1926, is the largest conglomerate in Turkey with its turnover, exports and over 94 thousand employees. Koç Group's turnover comprises 7.2% of Turkey's total Gross Domestic Product (GDP) and exports comprise 9.8% of Turkey's total exports.

UniCredit Group, with roots dating back to 1473, is a systematically important European financial institution based in Italy. The Group operates through leading banks in 14 countries and its network in another 18 countries.

Shareholding Title	Share Price (TL)	Share Ratio (%)
Koç Financial Services	3,555,712,396.07	81.80
Other	791,338,887.93	18.20
Total	**4,347,051,284.00**	**100.00**

2017 Financial Results[1]



(1) 2016 and 2017 figures are adjusted for one-off revenues and costs

Positioning

	Market Share	Ranking
Total Bank		
Total Loans (Cash + Non-Cash)	10.3%	3
Cash Loans	9.5%	5
Cash Loans in Turkish Lira	9.3%	7
Cash Loans in Foreign Currency	10.1%	3
Deposits	10.0%	6
Deposits in Turkish Lira	8.3%	7
Deposits in Foreign Currency	12.1%	3
Delivery Channels		
Employees(1)	9.3%	4
Branches(1)	8.2%	6
ATMs	8.6%	5
Digital Banking	12.4%	-
Mobile Banking	12.4%	-
Retail Banking		
Credit Card Outstanding	21.6%	1
Credit Card Issuing	19.5%	2
Commercial Credit Card Oustanding	29.6%	1
Credit Card Acquiring	20.3%	2
Number of Credit Cards	17.7%	1
Consumer Loans	9.0%	6
General Purpose Loans	10.2%	5
Mortgages	7.8%	6
Auto Loans	7.6%	4
Commercial Installment Loans	4.9%	8
Corporate and Commercial Banking		
Corporate Loans	8.8%	6
Non-Cash Loans	12.6%	3
Leasing Receivables	20.7%	1
Factoring Turnover	15.3%	1
Cheque Clearing	11.1%	2
Private Banking and Wealth Management		
Mutual Funds	18.9%	2
Equity Transaction Volume	7.1%	4

Notlar:
(1) Bank only employee number: 17,944; Bank only branch number: 866
Calculations are based on BRSA weekly data as of December 31, 2017 and BRSA monthly data as of December 2017
Digital and mobile banking market shares are calculated based on number of customers

Summary Financials

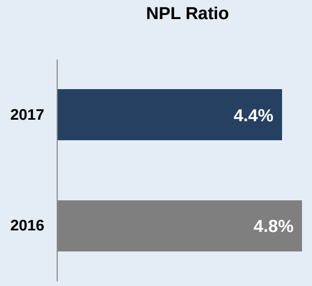
	2016	2017	Growth
Volumes			
Assets (billion TL)	271.1	320.1	18%
Cash + Non-Cash Loans (billion TL)	244.9	278.7	14%
Cash Loans (billion TL)	176.5	199.9	13%
Deposits (billion TL)	157.1	173.4	10%
Profitability			
Revenues (million TL)	12,023	13,779	15%
Operating Expenses (million TL)	5,315	5,820	9%
Net Income (million TL)	2,933	3,614	23%
Return on Average Tangible Equity(1)	12.8%	13.6%	78 bps
Return on Assets	1.1%	1.1%	5 bps
Cost/Income Ratio	44%	42%	-197 bps
Capital and Liquidity			
Bank Capital Adequacy Ratio	14.2%	14.5%	28 bps
Bank Tier-1 Ratio	10.3%	10.8%	46 bps
Bank Leverage(2)	8.7x	8.9x	0.2x
Bank Loans/Deposits Ratio	110%	112%	261 bps
Asset Quality			
Non-Performing Loans Ratio	4.8%	4.4%	-39 bps
Total Coverage(3)	109%	114%	473 bps
Cost of Risk(4)	1.37%	1.07%	-30 bps

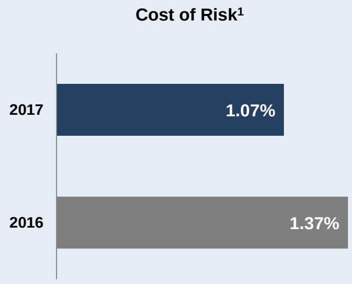
Notes:
bps (basis points) indicates difference between ratios
(1) Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006
(2) (Total Assets-Shareholders' Equity)/Shareholders' Equity
(3) Indicates specific and general provision coverage
(4) Cost of Risk = (Total Loan Loss Provisions-Collections)/Total Gross Loans

Strategic Review

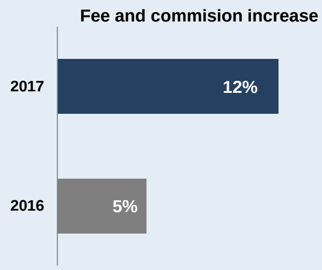
2017:

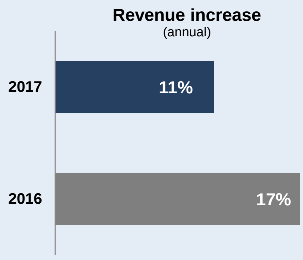
Improvement in Asset Quality



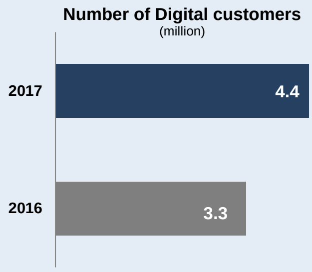


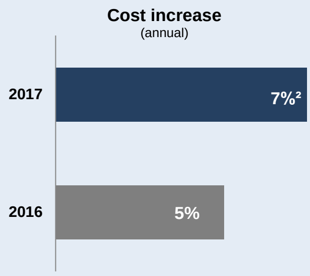
Strong earnings growth supported by the focus on value generating segments



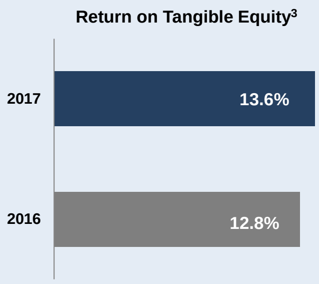


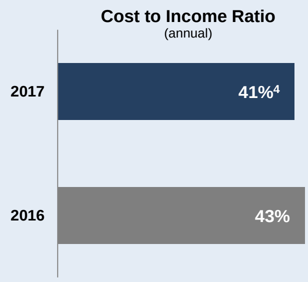
Efficiency gains and significantly below inflation cost growth thanks to digitalisation





Significant improvement in profitability





2018+:

- Loan growth at private bank levels focusing on value generating segments
- Improvement in loan-deposit spread, double digit fee increase with diversification efforts
- Strict cost discipline leveraging heavily on digitalization & efficiency
- Proactive approach to ensure ongoing improvement
- Ample liquidity levels with solid capital ratios

(1) Cost of Risk = (Total Loan Loss Provisions- Collections)/Total Gross Loans
(2) Excluding TL 123 mln pension fund provision. Including the pension fund provision cost growth is at 9% y/y in 2017
(3) Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006
(4) Excluding TL 123 mln pension fund provision in 2017

2017 Awards

Banking	
Corporate Awareness Award	TİDE
Most Ethical Companies in Turkey	ETİKA
Turkey's Best Private Banking	Global Finance Magazine
Best "Asset Management" offered in Turkey	Euromoney
Best "Philanthropy Advisory" offered in Turkey	Euromoney

Banking Product	
Leading Bank in Visa Credit Cards Purchase Volume	Vizyonist 2017
Visa Mobile Payments Success Award: Highest Number of Mobile Payment Transaction	Vizyonist 2017
Best Cash Management Bank for Non-Financial Institutions in Turkey	Euromoney
Best Trade Finance Provider in Turkey	Euromoney
The Best Bank in Project Development	EBRD
Infrastructure Finance Deal of the Year, First Place Prize	Bonds&Loans
Transport Finance Deal of the Year, Second Place Prize	Bonds&Loans
Natural Resources Finance Deal of the Year, First Place Prize	Bonds&Loans
Structured Finance Deal of the Year, Third Place Prize	Bonds&Loans
Best Trade Finance Bank in Turkey	BneIntellinews
Project and Project Management (PPM), Shining Star Award	Hewlett Packard Enterprise
GPL 1-to-1 Pricing Project, Big Data and Analytics, 1st Place Prize	IDC Turkey
Self Service World, Innovation of the Year	Master Card
Best Infrastructure Deal in EMEA, North Marmara Highway including third bridge	EMEA Finance
Best Project Finance Deal in CEE	EMEA Finance
Best Infrastructure Deal in CEE&Best Privatisation in EMEA	EMEA Finance
PPP Deal of the Year, İzmir &Kocaeli PPP	EMEA Finance

Alternative Delivery Channels	
Bronz Award, Best Customer Data Analytics Category	ECCCSA
Winner, Most Effective Improvement Strategy Category	ECCCSA
Winner, Best Business Analysis Application Category	Nice Systems
Winner, Best Technology and Innovation Category	IMI Türkiye Call Center Awards
Winner, Best Human Resources Category	IMI Türkiye Call Center Awards
Global Most Innovative Consumer Digital Bank	Global Finance Awards
Yapikredi.com.tr, Global Best Corporate/Institutional Digital Bank Website Design	Global Finance Awards
Most Innovative Consumer Digital Bank in Europe	Global Finance Awards
Yapikredi.com.tr, Best Web Site Design in Europe	Global Finance Awards
Yapikredi.com.tr, Best Integrated Corporate Bank Site in Europe	Global Finance Awards
Best Corporate Digital Bank in Turkey	Global Finance Awards
Best Consumer Digital Bank in Turkey	Global Finance Awards
Yapı Kredi Mobile, Winner, Best in User Experience	BAI Global Innovation Awards
Self Service World, Winner, Best Innovation in Marketing	BAI Global Innovation Awards
Yapı Kredi Mobile, Winner, Mobile Apps Category in Europe	MMA Smarties Awards
Yapı Kredi Mobile, Winner, Mobile Apps Category in Turkey	MMA Smarties Awards
Yapı Kredi Mobile, Winner, Innovation Category in Turkey	MMA Smarties Awards
Yapı Kredi Mobile, 2nd Place Prize, Banking and Finance Category	Altın Örümcek Ödülleri
Yapı Kredi Mobile, 2nd Place Prize, Mobile Web Site Category	Altın Örümcek Ödülleri
Yapı Kredi Mobile, Gold Stevie Winner, Apps - Financial Services/Banking Category	Stevie International Business Awards
Yapı Kredi Mobile, Gold Stevie Winner, Apps - Experimental&Innovation Category	Stevie International Business Awards
Yapı Kredi Mobile, Gold Stevie Winner, Apps - Business/Government Category	Stevie International Business Awards
Yapı Kredi Mobile, Silver Stevie Winner, Apps - Integrated Mobile Experience Category	Stevie International Business Awards
Yapikredi.com.tr, Gold Stevie Winner, Websites - Banking Category	Stevie International Business Awards
Yapikredi.com.tr, Gold Stevie Winner, Websites - Financial Services Category	Stevie International Business Awards
Code.Yapıkredi, Bronz Award, New Business Ecosystem Category	EFMA Distribution Marketing Awards
Yapı Kredi Mobile, Winner, Turkey's Best Innovation Project Category	International Data Coorporation (IDC)
Paperless GPL Utilization Branches – Winner,Turkey's Best IT Cost Efficiency Project Category	International Data Coorporation (IDC)
Best Practice, Eyeprint-ID Technology for Login to Yapı Kredi Mobile	Finovate Europe
Yapikredi.com.tr, Best in Class, Website/Banking Category	Interactive Media Awards
Yapikredi.com.tr, Award of Excellence, Websites: General-Banking /Bill Paying Category	Communicator Awards
Yapikredi.com.tr, Award of Distinction, Features - Best Practices Category	Communicator Awards
Yapı Kredi Mobile Site, Award of Distinction, Mobile: General - Finance Category	Communicator Awards
Yapı Kredi Mobile Site, Award of Distinction, Features - Best User Experience Category	Communicator Awards
Yapı Kredi Mobile, Award of Distinction, Mobile: General - Finance Category	Communicator Awards
Yapı Kredi Mobile, Most Effective Mobile Service	Effective Mobile Marketing Awards

Human Resources and Yapı Kredi Banking Academy

Yapı Kredi Banking Academy, Best Corporate University, Holistic Human and Digital Approach Bronze Award	Global CCU

Subsidiaries

Yapı Kredi Faktoring, Best Factoring Company of Turkey	Global Banking and Finance Review
Yapı Kredi Faktoring, Second Best Export Factoring Company in the World	FCI
Yapı Kredi Leasing, Best Energy Savings Finance in Turkey	Cfi.co
Yapı Kredi Leasing, Turkey's Most Popular Companies, Leasing Category	Capital Magazine
Yapı Kredi Asset Management, Pension Funds Management - Highest Return	Turkish Capital Markets Association
Yapı Kredi Asset Management, The Best Social Responsibility Project	Turkish Capital Markets Association
Yapı Kredi Asset Management, Best Asset Management Company Turkey	Global Banking and Finance Review
Yapı Kredi Asset Management, Best Pension Funds Management Company of Turkey	Global Banking and Finance Review
Yapı Kredi Asset Management, Brand Excellence in Asset Management, Turkey	Finance Digest
Yapı Kredi Asset Management, Brand Excellence in Pension Funds, Turkey	Finance Digest

Corporate Communication Management

Yapı Kredi Young Talent Program - Porsukluspor, Digital Category, The Best Online Commercial	14th Red Awards
Farewell Letter from Yapı Kredi ATMs, Direct Marketing/Ambient Media/Small Scale Category, Success Award	Felis
Gary&Metin, Excellence in Production/Creative Celebrity Usage Category, Success Award	Felis
Gary&Metin, Excellence in Production/Digital Video-Animated Gif Category, Felis Award	Felis
Gary&Metin, Media/The Best Multiple Channel Usage Category, Success Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Film/TV Cinema - Financial Services Category, Success Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Film/Online Films-Viral Films Category, Success Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Excellence in Production/The Best Actor Category, Felis Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Film/Online Films-Financial Services Category, Felis Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Digital/Commercial/Financial Services Category, Felis Award	Felis
Gary&Metin, Advertiser-The Most Strategic Execution Category, Success Award	Felis
Gary&Metin, The Most Effective Launch Campaign Award	Effective Mobile Marketing Awards
Hidden Vadaa, The Most Effective Rich Media Campaign	Effective Mobile Marketing Awards
Gary&Metin, Excellence in Execution Category, The Best Animation Award	Crystal Apple
Adios-Spend&Fly, Press/Bank, Insurance and Financial Services Category, Bronze Apple	Crystal Apple
Farewell Letter from Yapı Kredi ATMs, Ambient Channel Usage Category, Bronze Apple	Crystal Apple
Farewell Letter from Yapı Kredi ATMs, Channel Usage at Sales Points Category, Bronze Apple	Crystal Apple
Gary&Metin, Film - TV and Cinema/Bank and Insurance Services Category, Bronze Apple	Crystal Apple
Yapı Kredi Young Talent Program-Porsukluspor, Online Film/Bank, Insurance and Financial Services Category, Crystal Apple	Crystal Apple
Yapı Kredi Young Talent Program-Porsukluspor, Online Film/Corporate Image Category, Silver Apple	Crystal Apple
Gary&Metin, Integrated Campaign and Services Category, Bronze Apple	Crystal Apple
Hidden Vadaa, Turkey: 360 Video Category, Silver Awards	MMA Smarties
Gary&Metin, "Online/Offline Integration" Category, Bronze Award	Social Media Awards
Superbrands of Turkey	Superbrands
Donation Program	UniCredit Foundation

Service Model

Retail Banking

Includes Card Payment Systems, Individual Banking and SME Banking. Individual Banking serves individuals with total financial assets up to TL 500 thousand and SME Banking serves companies with annual turnover of less than US$ 10 million

Breakdown by Business Unit		
Revenues: 48%	Loans: 43.8%	Deposits: 43%

Corporate and Commercial Banking

Serves companies with annual turnover more than US$ 10 million, sub-segmented under Commercial Banking (between US$ 10-100 million) and Corporate Banking (over US$ 100 million)

Breakdown by Business Unit		
Revenues: 33%	Loans: 56.1%	Deposits: 39%

Subsidiaries

Yapı Kredi Leasing
Yapı Kredi Factoring
Yapı Kredi Nederland
Yapı Kredi Azerbaijan
Yapı Kredi Malta

Private Banking and Wealth Management[1]

Serves customers with total financial assets above TL 500 thousand

Breakdown by Business Unit		
Revenues: 3%	Loans: 0.1%	Deposits: 18%

Subsidiaries

Yapı Kredi Asset Management
Yapı Kredi Invest

Notes:
Business units account for 84% of total revenues. The remaining 16% of revenues is attributable to treasury and other operations
Yapı Kredi's other subsidiaries include Yapı Kredi Koray Real Estate Investment Company, Banque de Commerce et de Placements, Yapı Kredi Culture, Art and Publishing, Yapı Kredi Technology as well as Allianz Yaşam ve Emeklilik

(1) Based on Board Resolution dated 22 September 2017, Private Banking and Wealth Management started to be managed under Retail Banking Sales management as of 1 January 2018.

Retail Banking: Card Payment Systems

Profile	
Credit Cards	11.1 million
Debit Cards	11.1 million
Customers	6.0 million
POS Terminals	532 thousand
Positioning	**Market Shares**
Credit Card Outstanding	21.6%
Credit Card Issuing	19.5%
Commercial Credit Card Outstanding	30.0%
Credit Card Acquiring	20.3%
Number of Credit Cards	17.7%

Products and Services

Worldcard, World Gold, World Platinum, Play, Taksitçi, World Eko, Opet Worldcard, Fenerbahçe Worldcard, KoçAilem Worldcard, Adios, Adios Premium, Crystal, World Business, Debit cards (TLcard, Play TLcard, Business TLcard), Desktop POS, Mobile POS, Contactless POS, ADSL POS, Cash Register POS, Virtual POS, Mail Order

Long-standing sector leadership

Yapı Kredi has been the leader in card payment systems since 1988 with its main credit card brand, World. The bank reinforces this leadership every year with a focus on always exceeding customer expectations and leading the sector in terms of innovation in card payment systems. In 2017, the Bank maintained its innovative approach and leading position in the sector with over 11.0 million credit cards. According to the 2017 Nilson Report, Yapı Kredi's credit card program World still holds first place in Continental Europe and sustained its position as the sixth largest credit card program in Europe. Globally, Yapı Kredi ranks 56th.

2017 was marked with social and economic developments across the country, as well as severe competition. Notwithstanding these circumstances, Yapı Kredi maintained its leadership position in total credit card outstanding volume and achieving strong growth in profitability. Throughout the year, the Bank focused on customer acquisition, lasting customer relations, cross-sales and cost reduction efforts while maintaining a disciplined approach to installments and loyalty points. As befits its motto of being the "Digital Bank of Turkey," Yapı Kredi concentrated efforts in 2017 on developing new digital channels and improving functions in current ones in order to enhance customer acquisition and credit card experiences of customers.

In 2017, Yapı Kredi maintained its leadership in credit card outstanding volume with TL 24,3 billion and reached TL 131 billion credit card turnover and TL 138 billion in POS turnover, both of which were above market figures.

The Bank also remained leader in commercial credit cards with TL 7.1 billion outstanding volume as of the end of 2017. Additionally, Yapı Kredi's debit card POS volume increased by 58%, outperforming the sector average.

Continuous innovative solutions for card users

In 2017, Yapı Kredi carried out numerous innovative projects to further strengthen its market position and boost customer satisfaction:

- The Bank implemented new approaches in data analysis to better understand the usage behavior of card holders and thereby present more effective and tailored offers for them.
- In an effort to augment customers' brand loyalty for World, the Bank launched, in addition to World points, brand points and group points depending on the brand and brand group of purchased goods.
- Increased synergies with other business units to offer suitable products and product features to individual and commercial customers.
- Currently, customers can apply for a credit card on yapikredi.com.tr by filling out a long form. Additionally, customers may demand a call from Call Center on yapikredi.com.tr or via social media to submit their application.
- With an eye to ensuring sustainability, efficiency and protection of the environment, the Bank gained momentum in guiding customers towards e-statement and managed costs effectively.
- Launched Yapı Kredi Wallet, a mobile wallet and mobile marketing platform that digitalizes customer experience with credit cards before, during and after shopping in late 2015. Yapı Kredi Wallet application displays shopping locations closest to the location of the customer, enabling the customer to view special offers at these locations, benefit from these offers via the application rather than the traditional method of SMS, and pay with the contactless (NFC) feature of their mobile phone without needing to carry a physical card. It provides customers with a digital marketing platform that offers easy access to payment information during payment, such as limit, points, statement date, debt, and shopping transaction, without having to wait for the account statement. Coupled with its mobile payment feature that enables fast and secure payment via mobile phones, Yapı Kredi Wallet facilitated the highest number of mobile payments in the sector in 2017
- Motivated with the success of Yapı Kredi Wallet, mobile payment was taken to the next level in 2017. The payment method is now integrated in Yapı Kredi Mobile in line with the vision to produce technologies that add value to

human life. Mobile applications offered by Yapı Kredi (Yapı Kredi Wallet and Yapı Kredi Mobile) were the most popular applications used for mobile payment transactions. According to BKM data, between January and November 2017, TL 73 of every TL 100 mobile payment transaction on various digital banking apps in Turkey was made on Yapı Kredi's mobile applications.

- Automatic payment order for credit card debts, automatic bill payment order, e-statement order, installment plan or postponement of transactions are now available in mobile banking channels which in turn boost customer satisfaction.
- In 2017, Yapı Kredi partnered with Turkish Airlines and Universal Air Travel Plan (UATP) to launch Turkish Airlines Corporate Club Card, first of its kind in the world used for travel spending. Turkish Airlines Corporate Club Card offers two types of products in two segments, namely virtual credit card and prepaid card. The card offers SME, commercial and corporate customers a variety of benefits including discounts and installment plans for flight purchases, passenger lounges and extra luggage privileges. Customers with high travel spending are entitled to Turkish Airlines Corporate Club Premium Card with differentiated benefits and discounts. Turkish Airlines Corporate Club Card aims to reduce travel spending of SME, commercial and corporate customers and help companies develop travel management with detailed monthly reports. Opet Worldcard has been offering benefits to Yapı Kredi customers for fuel oil and LPG purchases since 2011. In 2017, the product features of the card were enhanced with added value for the customers. As of April 2017, customers with Opet Worldcard earn TL 5 (to be used at Opet gas stations only) for every fuel oil and LPG purchases worth TL 100 and above, amounting to a total of TL 25 per month. Opet Worldcard has thereby become an even stronger credit card offering fuel oil benefits with a specific brand.
- The contactless feature facilitates and accelerates credit card purchases of customers, while shortening cash register transactions of member merchants and increasing shopping circulation. This payment method is a satisfying one that easily becomes a habit. With a vision to enhance benefits for Yapı Kredi card holders and member merchants, all personal credit cards launched as of 2017 have a contactless feature.

Pioneering position in merchant business
In 2017, Yapı Kredi maintained a profitable growth of its already wide range of member merchants that reinforce its credit card network. Fluctuations in interest rates posed a challenge but were successfully managed with price adjustments for member merchants. With 532 thousand POS terminals and more than 600 major brands, Yapı Kredi offers opportunities to customers with more than 80 campaigns for member merchants per month.

In 2017, the Bank pioneered numerous areas of development in member merchants and carried out following activities towards that aim:

- Digitalization was among the top priorities for products and services provided to member merchants.
  - Yapı Kredi introduced the Self-Service World platform, the first and only such platform in Turkey, which allows member merchants to develop their own discount campaigns for the target audience of their own choosing via Corporate Internet Banking.
  - To ensure a more secure and modern infrastructure service, the Bank started to provide every function used by virtual POS customers via Corporate Internet Banking segment.
- Fixed price POS offers allow member merchants to carry out transactions at a fixed monthly fee up to a certain turnover. Additional 10 offers were introduced based on customer needs.
- Throughout the year, all sales channels were encouraged to access account summaries of member merchants online rather than use print-outs.
- In 2017, the Bank laid significant emphasis on cash register POS transformation for member merchants.
  - The sales of Electronic Cash Register (ECR) POS on Yapı Kredi sales channels, thanks to a collaboration with ECR POS manufacturers, contributed to this transformation.
  - Yapı Kredi is the bank offering the widest range of products to member merchants, thanks to agreements signed with a variety of ECR POS manufacturers.
  - Member merchants and acquisitions were supported through joint campaigns with ECR POS companies.
- Brand sharing agreements with three licensed banks were extended, resulting in a total of 15 million Worldcard holders.

Future Outlook

- Start activities with sales channels of new member merchants.
- In an effort to effectively manage the profitability of member merchants, develop and improve pricing infrastructure and offer price options to customers with a consideration of their product activities apart from their member merchant segment, provide new work conditions and monitor profitability management more precisely.
- Expand member merchant functions on digital channels and simplify processes in member merchant sales channels.
- Launch services for debt collection of member merchants to meet their cash flow needs.

Retail Banking: Individual Banking and Platinum Banking

Profile	
Customers	12.1 million
Branches	787
Relationship Managers	1,725
Positioning	**Market Shares**
Consumer Loans	9.0%
General Purpose Loans	10.2%
Mortgages	7.8%
Auto Loans	7.6%

Products and Services

Mortgages, Home Equity Loans, Home Improvement Loans, General Purpose Loans, Auto Loans, FordFinans, Individual Flexible Account, Product Bundles, Bill Payments, Regular Payments, Rent Payments, University Payments, Safety Deposit Box, Deposits (Time Deposit, Demand Deposit, Flexible Time Deposit, Fund Deposit, Gold Deposit, 5D Deposit), Scrap Gold Collection, Working Account, Private Pensions, Health insurance, Life insurance, Property and Casualty Insurance, Snowball, My first money, Dowry Deposit, House Deposit, Findeks Package

Value generating healthy growth

Retail Banking of Yapı Kredi is divided into two sub-segments offering value-generating products and services on a wide spectrum: Individual Banking for customers with financial assets worth up to TL 100 thousand and Platinum Banking for those with financial assets worth between TL 100 thousand and TL 500 thousand. In addition, Yapı Kredi performs all its insurance activities under Retail Banking through a dedicated Bancassurance unit.

Retail Banking plays a key role in Yapı Kredi's customer-oriented growth strategy. In 2017, the Bank maintained its focus on expanding its active customer base while providing innovative products to its customers. One of the key priorities of the Bank was payroll customer acquisition. Equal attention was given to launching new services and boosting the use of digital channels, which helped maintain the Bank's strong position in strategic products.

Individual Banking

With payroll customer acquisitions in 2017, Yapı Kredi maintained a successful progress in creating new customer relationships. As of the end of 2017, the Bank reached over 2.1 million payroll customers at an annual growth rate of 10%. Relationship with payroll customers is not only a key part of the Bank's retail strategy but also helps Yapi Kredi create synergies with Corporate Banking customers.

Yapı Kredi, digital bank of Turkey, continued to be a leading player in the sector in 2017 thanks to activities carried out in line with its digital transformation strategy. In 2017, Yapı Kredi increased the number of active customers using digital banking by 32% and those using mobile banking by 51%. The rate of mobile banking users among active digital customers rose to 85%.

The rate of digital channels in non-cash transactions went up to more than 95%, while product sales penetration on digital channels increased to more than 50% in 2017. More than 55% financial transactions are utilized via digital channels excluding ATM.

Moreover, the Bank won a total of 46 awards in digital channels in the last three years. In 2017 alone, Yapı Kredi received 31 awards, 24 of which were given by prestigious international organizations. The Bank will lay emphasis on digitalizing both customer experience and sales processes in 2018 as well. As of the end of 2017, the Bank provides services via 787 Retail Banking branches.

One of the Bank's key products is general purpose loans, which cover various needs of its customers. In 2017, new loan granting channels were made available and digital loan experience was developed, resulting in 53% of loans granted outside branches. In 2017, all branches started to grant general purpose loans with a process launched on touch screens and authorized digitally with no need to provide documents. As of the end of 2017, 44% of all general purpose loans were given with digital authorization.

As of the third quarter in 2017, Yapı Kredi raised its Flexible Account balance by 17%, increasing market share to 12.6% and landing at number two among all other banks. Throughout 2017, thanks to activities encouraging e-statements for flexible accounts, 65% of customers started to use paper-free e-statements.

In 2017, with an eye to become the main banking partner of its customers, Yapı Kredi boosted demand deposits by 46% in Individual Banking via cross selling in payments of bills, credit cards and school fees, all of which deepen relations with customers. The same segment recorded a 40% volume growth in term deposits, a savings vehicle for customers.

The agreement between Yapı Kredi and Ford Otosan marked a decade in 2017, a success story of increasing momentum. Yapı Kredi grew market share in personal vehicle loans by 25% compared to the previous year, reaching 7.6%.

Platinum Segment

In 2017, Yapı Kredi continued to offer privileged services to Platinum Banking customers in all fields, financial and non-financial, via 551 expert relationship managers in 386 branches as well as on the VIP Call Center. Additionally, the "World of Privileges" offered by the Bank brings daily life advantages in travel, health care and sports. To enrich customer experience, various consulting services and regular discount campaigns are also provided.

In 2017, portfolio management services provided to Platinum Banking customers helped the continuous increase in time deposit volume. In 2017, time deposits in the segment grew by 12% in volume.

Yapı Kredi continues to offer successful services with tailored products in mortgages via call centers, branches and the "loan now" channel. Additionally, the Bank collaborates with corporate real estate firms and construction companies to offer mortgages for housing projects. Yapı Kredi also started offering life insurance products to mortgage customers to provide them with more value, reaching an insurance penetration of 65%.

In 2017, Yapı Kredi's customer satisfaction among Platinum customers remained high according to the global TRIM index.

Bancassurance

At the end of 2017, Yapı Kredi maintained leadership in healthcare bancassurance with a 34% market share. The bank has 10.6% market share in life insurance, 4.4% in elements and 13.4% in private pension.

In 2017, Yapı Kredi improved digital channel infrastructure, accessed customers via alternative distribution channels, thereby boosting insurance sales. In 2018, the Bank will continue to serve customers' insurance needs via new products and channels.

Future Outlook

- Boost customer loyalty with an eye to becoming the housebank of customers, carry out activities to deepen relations, expand customer base
- Increase sales efficiency by developing sales and service model with an innovative approach
- Increase digital channel use by improving customer experiences on digital channels
- Provide services to customers in equal quality on all channels for every product they need

Retail Banking: SME Banking

Profile	
Customers	1.1 million
Branches	787
Relationship Managers	1,888
Positioning	**Market Shares**
SME Loans	4.9%

Products and Services

Commercial Installment Loans, Revolving Loans, Flexible Commercial Accounts, Product Bundles (Defne, Nar, Palmiye, Sedir, Çam), POS and Merchant Services, Agricultural Loans, Cash Management Products, Investment Products, Commercial Credit Cards, Commercial Purchasing Cards, Corporate Mobile Banking, Verimli Kart, SME web site

Acting with its "Dedication to Deliver" philosophy, Yapı Kredi has been supporting SMEs, the driving force of the economy, since its inception. In 2017, the Bank continued to stand by SMEs with a vast range of products and banking services.

2017 was marked with major innovations in SME Banking segment of Yapı Kredi. A new service model was introduced, dividing SME customers in sub-segments. SMEs with an annual turnover up to TL 1 million now receive services by retail customer managers with a digital-focus service model, supported by non-branch channels. Those with an annual turnover between TL 1 million and 5 million are now served by relationship managers, while those with more than TL 5 million annual turnover are served by portfolio managers of Large Scale Enterprises. The segmentation enables faster and more effective identification and management of customer needs.

Customer acquisition continued to be one of the Yapı Kredi's main priorities in SME banking in 2017. The Bank acquired customers in all sub-segments, leaving behind a successful year in this regard. Customer acquisition was supported by SME customer relations managers responsible for new acquisitions.

Yapı Kredi continued to make life easier for SMEs with digital banking channels. Commercial credits are an SME's most fundamental banking need. SMEs are now able to obtain commercial credits on Corporate Internet Branch of Yapı Kredi. Additionally, SMEs are able to carry out cash management and foreign trade transactions on the Corporate Internet Branch of Yapı Kredi. These services include cheques and bonds transactions, import transfers in cash and with cash against delivery.

The Bank maintained partnership with Credit Guarantee Fund (KGF) to support sustainable development of SMEs. With protocols signed with Credit Guarantee Fund, Yapı Kredi acts as an intermediary for KGF programs to provide financing for SMEs.

Thanks to an agreement signed with KOSGEB (Small and Medium Enterprises Development and Support Administration), SMEs were offered zero-interest credits as part of programs entitled "Zero-Interest Working Capital Credit Support in 2017" and "Immediate Support Credit in 2017."

Agricultural Banking

Yapı Kredi continued to offer tailored products and services to farmers in all branches with regional managers, underwriting and segment teams specialized in agricultural banking. The Bank carried on with its mission to augment agricultural productivity and modernization, serving customers faster. Numerous infrastructural investments were carried out to serve this end, with even more in the pipeline. Yapı Kredi Agricultural Banking also continued to leverage on special products for farmers, such as Agri Card (Verimli Card), NAR Package, agri-insurance (TARSİM) products in 2017.

Future Outlook

- Robust and sustainable development in loans with effective risk management
- Increase payment and loyalty product penetration among customers to attract their cash flow to the bank
- Develop product sales and after sales services on digital channels.

Corporate and Commercial Banking

Profile	
Customers	36 thousand
Branches	51
Relationship Managers	574
Positioning	**Market Shares**
Company Loans	8.8%
Non-cash Loans	12.6%
Cheque Clearing	%11,1

Products and Services

Letter of Guarantee, Money Transfers, Working Capital, Long-Term Loans, Project Finance, Direct Debit, BANKO™-OHES, Payment Products, Collection Products, Business Cards, POS, Public Payments, Derivatives, Import and Export Letter of Credit, Documentary Collection, Payments, Letters of Guarantee, Import and Export Financing Products (ECA's, Banker's Acceptance, Post Financing, Trade Loans, Forfaiting, Import and Prefinancing Promissory Note Avalisation, T.Eximbank Credits), Corporate Finance Advisory, Financial Advisory, Merger and Acquisition Financing, Capital Structure Advisory

Yapı Kredi is one of the leading banks in Turkey in terms of Corporate and Commercial Banking with distinguished products and services. The Bank not only serves a wide range of local companies but also focuses on providing tailored services to large international and multinational businesses. Products and services include project finance, cash management, foreign trade finance and corporate finance advisory, financial advisory, capital structure advisory and merger and acquisition financing under investment banking.

Corporate and Commercial Banking serves companies with annual turnover more than US$ 10 million, sub-segmented under Commercial Banking (between US$ 10-100 million) and Corporate Banking (over US$ 100 million). The Bank's Corporate and Commercial Banking activities are coordinated via six regional offices and 47 branches in Commercial Banking, three branches in Corporate Banking and one branch in International and Multinational Banking. In addition, Yapı Kredi leverages its presence in the international arena through its subsidiaries in Azerbaijan, the Netherlands and Malta as well as its branch in Bahrain.

Considering the challenging operating environment in domestic and global markets in 2017 marked by increased market volatility, Yapı Kredi continued to provide full support to its Corporate and Commercial Banking customers while focusing on effective risk management with a customer-oriented service model.

The Bank introduced leading developments in digitalization with new practices and trailblazing activities, offering high-security digital solutions catering to customers' needs in 2017.

With a view to making life easier for customers, Digital Cash Loan Granting Project was launched in the Corporate Internet Banking segment. The customers can use this product on a digital platform to request a loan suitable to their needs. On the corporate banking platform, they can complete all transactions fast and securely. They can use digital cash flow products such as "FX plus" for foreign exchange transactions and "Foreign Currency-TL" and "BANKO" for import payments and money transfers.

Further projects are in the pipeline in Corporate and Commercial Banking segment, the aim being simplification of business processes to provide even faster services for the customers and to use time efficiently. New technical and specialty training programs were organized for sales personnel. The purpose of trainings was to make sure sales teams identify and redirect customer needs in the right channels with digital solutions in the branches, and do so with a rapid and quality service approach.

Project Financing

As a leading bank in long-term projects and structured finance in Turkey, Yapı Kredi has a project financing portfolio that comprises projects in infrastructure, energy, real estate and acquisition financing sectors. Through project finance, the Bank supports the growth of the country by promoting long term investment while also building long-term partnerships with its customers. Yapı Kredi provides the strong underwriting capacity required for large-scale project financing, leveraging on its strong balance sheet as well as cooperation and synergies with UniCredit. *A differentiated service model and long-standing expertise enable the Bank to offer customers a wide range of financial services including financial advisory, structuring, arrangement and project financing.*

In terms of project financing, 2017 was marked by tenders for major infrastructure projects designed with PPP build-operate-transfer model. Most notably, tenders were invited for Renewable Energy Resource Areas where wind and solar power are generated. Meanwhile, refinancing and restructuring took place in especially energy and commercial real estate businesses. Uncertainty of operations, soaring funding and capital costs, low energy prices and FX fluctuations led to rising costs. This in turn weakened the momentum for new investments and the industry recorded a modest growth rate in project finance compared to previous years. Despite these trying circumstances, Yapı Kredi maintained contribution to national economy, raising the amount allocated for project finance to US$ 15 billion. Financing secured from international financial institutions such as EBRD, ECA and EIB diversified resources for investing companies.

In cooperation with Leasing, Investment Banking and Structured Foreign Trade teams, Yapı Kredi will continue to focus on synergy-building operations for project finance. With Turkey's growth rate regaining momentum, Yapı Kredi will continue to increase its contribution to the development of the country.

Cash Management & Foreign Trade Finance

Yapı Kredi provides its customers cash management (both local currency and foreign currency) and foreign trade finance products through diverse channels, thereby holding a strong position in the sector. While offering multinational solutions to local customers in this area, Yapı Kredi also leverages UniCredit's product scheme and utilizes its experience and funding sources in its countries of operation. Yapı Kredi's cash management and foreign trade finance services are supported by a team operating from three corporate branches and one multinational branch in various commercial locations.

Yapı Kredi offers a wide range of products and cash management services including countrywide collection and payment services, cash transfer services, digital banking, and operational services. In addition to cash management, Yapı Kredi also offers a variety of data integration and reconciliation solutions related to these products. In 2017, Yapı Kredi further strengthened its market position in e-banking, with high turnover performance in direct debit and the BANKO bulk payment system, and launched new products such as Bulk Taxes with Electronic Files and Social Security Institution Payments.

The Bank also provides a variety of support services and payment management mechanisms to Turkish companies engaging in international trade transactions. In addition to traditional import and export products, it also supports customers via innovative and alternative foreign trade products and solutions. Moreover, the Bank expands its trade finance business through Turkish Eximbank Export Credit Programs, the Central Bank of the Republic of Turkey's pre- and post-shipping financing sources for supporting exports and export credit agencies and Eximbanks of other countries, while developing long term and favorable financing products through correspondent banks for the investment needs of its customers.

As of December 2017, the number of customers using Yapı Kredi's cash management and foreign trade finance products was 276 thousand. The Bank maintained its position in the market with 11.1% market share in cheque collection and payments, nearly 13.6% market share in imports as of November and nearly 15.8% in exports as of November.

Investment Banking

Investment Banking oversees three advisory functions within the Bank including corporate finance advisory, financial advisory and capital structure advisory.

- **Corporate Finance Advisory:** Yapı Kredi provides merger and acquisition advisory services to customers, especially those operating in energy, infrastructure, consumer goods, retail, finance, telecom-media-technology and general industries. The Bank focuses on cross-border transactions, acting as a bridge between its customer base in Turkey and UniCredit's customer network in Italy, Germany, and Central and Eastern Europe. In 2017, Yapı Kredi provided advisory services for the sale of Banvit's control stock to Brazilian BRF and the sale of three hydroelectric power plants by BM Holding. The Bank also closed the sale of control stock of Netaş owned by One Equity Partners to Chinese ZTE.
  In addition to major purchasing transactions the Bank mediated in various sectors over the years, other major transactions include the acquisition of Solventaş by Yıldırım Holding and Abraaj Capital's purchase of minority shareholding in Fibabanka.
- **Financial Advisory:** Yapı Kredi is the sector leader in financial advisory together with UniCredit. With its Financial Advisory team, Yapı Kredi assists clients looking to finance large scale projects via advisory services in structuring, negotiating and obtaining the right mix of financing from various lenders. Yapı Kredi focuses primarily on infrastructure (airport, port, bridge, tunnel and highway) projects, health care PPPs as well as other sectors within UniCredit's field of expertise, such as power, oil and gas and mining. In 2017, Yapı Kredi Financial Advisory served as financial advisor in various projects in the health care sector developed with PPP model. These include İzmir Bayraklı and Kocaeli PPP and projects for Public Health Agency of Turkey and Turkish Medicines and Medical Devices Agency. The Bank also provided consulting services to Turkish investors for port financing abroad.
- **Capital Management Advisory (CMA):** Capital Management Advisory provides consultancy services for developing sound financial statement structure, ensuring optimum debt-equity ratios and satisfying financial needs by using the most suitable products in line with sector-specific factors and to provide most appropriate banking products and financing options for this purpose. Furthermore, corporate structure advisory is responsible for mediating in balance-sheet-based structured financing services, such as syndications, club loans, and refinancing.

International and Multinational Banking

- Yapı Kredi provides one-to-one services to international and multinational companies operating in Turkey with International Banking, International Banking Sales and Credit Support and Cross-Border Banking departments staffed with many customer representatives fluent in a variety of languages. An expert team helps such companies boost efficiency and operations and coordinates their investment and structured finance demands. The bank offers advisory services needed for new entrants into the market in close cooperation with reputable law offices and consultants, and supports them during their company establishment procedures and domestic/international account opening processes.

- Leveraging on the experience and especially the wide service network of UniCredit in Europe and CEE countries, the Bank is an ideal business partner for those who invest in Turkey, Azerbaijan, the Netherlands and Malta as well as for domestic customers interested in investing abroad.

Future Outlook

- Consolidate business partnerships with customers with a wide range of services from daily transactions to financial advisory
- Focus on value chain management to build stronger relationships with customers' subsidiaries and suppliers
- Continue to take part in major projects that require expertise and create added value for the country.
- Reinforce position in project finance lending, especially in renewable energy and infrastructure, while maintaining a value-creating approach in commercial real estate projects
- Continue to create a difference in customer experience by incorporating smart systems in process design
- Achieve operational efficiency through effective use of digital channels, and give priority to digital channels in sales

Yapı Kredi Leasing

Profile	
Customers	5,810
Branches	14
Number of Employees	146
Positioning	**Market Shares**
Leasing Receivables	20.7%

Established in 1987, Yapı Kredi Leasing is 99.99% owned by Yapı Kredi. Having been the sector leader for the past eight years, Yapı Kredi Leasing holds a market share of 20.7% in leasing receivables this year. With 146 employees and 14 branches, Yapı Kredi Leasing continues to leave a mark in the leasing sector and fulfill customer needs at any time, by providing smart solutions through a team of experts and vast experience. Additionally, it is constantly developing new products for niche areas such as renewable energy projects leveraging on unique partnership agreements with local and global suppliers to deliver creative solutions.

In 2017, Yapı Kredi Leasing maintained its leadership in the sector. It continued to secure financing for machinery investments in the real sector, especially for the manufacturing and construction equipment industries.

Yapı Kredi Leasing will seek to preserve leadership in the sector, consolidate its customer network and sector positioning in 2018.

Yapı Kredi Factoring

Profile	
Customers	5,459
Branches	9
Number of Employees	122
Positioning	**Market Shares**
Factoring Turnover	15.3%

Established in 1999 and 99.95% owned by Yapı Kredi, Yapı Kredi Factoring has been the sector leader in factoring turnover for the last 17 years, thanks to its robust capital structure and performance, wealth of experience, high quality service and an expert team of 122.

Yapı Kredi Factoring holds a market share of 15.3% in total transaction volume, and 24.2% in international factoring volume. In addition, the Company realized a total transaction volume of TL 22 billion, of which 70% is derived from domestic transactions and 30% from international transactions. Yapı Kredi Factoring renders factoring services across the country through its HQ in Istanbul and branches in Adana, Ankara, Antalya, Beyoğlu, Bursa, Güneşli, Izmir, Kadıköy and Kartal. In 2017, Yapı Kredi Factoring diversified its funding sources to provide financing to its customers at a more affordable rate.

The synergy resulting from its close relationship with Yapı Kredi Bank and, particularly, its nationwide sales and service network, constitutes one of Yapı Kredi Faktoring's most important service and competitive advantages.

In 2017, Yapı Kredi Factoring was named "Best Factoring Company in Turkey" by "Global Banking and Finance Review", one of the most prestigious economy publications.

Since 2002, Yapı Kredi Factoring has ranked among the top companies in the Factors Chain International's Best Export Factoring Company index worldwide. In 2017, the Company was ranked second with a service quality of "excellent". Yapı Kredi Faktoring is also a full member of the Amsterdam-based FCI headquartered as well as a member of the Turkish Factoring Association.

Yapı Kredi Factoring aims to increase customer numbers and penetration in all segments in 2018, while deepening relationships with existing customers.

Yapı Kredi Bank Nederland

Profile	
Asset Size	US$ 2.3 billion
Customers	Over 14 thousand
Branches	1
Number of Employees	53

Yapı Kredi Bank Nederland offers a wide array of products and services in retail, corporate and private banking. The bank's main objective is to support Yapı Kredi's customer base residing abroad. The bank, whose shares are fully owned by Yapı Kredi, serves its customers through its head office in Amsterdam with 53 employees.

In 2017, the bank continued to perform favorably despite regulatory pressure and volatile market conditions. Yapı Kredi Bank Nederland offers
savings and deposit products to more than 14 thousand customers in the area of retail banking. In corporate banking, the bank provides structured commodity finance and trade finance solutions leveraging on synergies with Yapı Kredi and UniCredit. Yapı Kredi Bank Nederland, while continuing its trade finance activities where market conditions play a key role, provides its corporate customers marine finance, project finance, cash management as well as Islamic banking products. In the area of correspondent banking, the bank assesses the opportunities presented by money and capital markets based on its balance sheet requirements.

In 2018, the bank will focus on sustaining its customer satisfaction at the highest level while increasing profitability by managing its risks effectively and improving its existing processes. The pilot internet banking service, made available only to a selected group of customers in 2017, will be offered to the entire customer base in 2018.

Yapı Kredi Bank Malta

Profile	
Asset Size	US$ 189 million
Customers	Less than 100
Branches	1
Number of Employees	8

Yapı Kredi Bank Malta was established in 2014 and started to operate in 2015. The bank mainly focuses on serving Yapı Kredi's corporate and commercial customers. As of the end of 2017, the Bank increased its total assets to EUR 158 million with a 20% growth over the previous year. This growth is reflected on profitability as well, with the Bank registering net profits of over EUR 1 million by the end of 2017. The Bank continued to take positive steps regarding its performance and its compliance to regulations by taking into account legal requirements.

In 2018, the bank will concentrate on increasing its profitability by expanding its customer base and strengthening its presence in the market, while considering the relevant risk management factors.

Yapı Kredi Bank Moscow

By our Bank Board of Directors resolution dated 25.10.2017; it is resolved to sell our Bank's shares in Yapı Kredi Bank Moscow (99.84% ownership) with Russian Rouble 477,520,000 nominal value to Expobank LLC in Russia for Russian Rouble 3,294,811,320.75 and to sign the Share Purchase Agreement with Expobank LLC regarding this issue.

The share purchase agreement for the sale of 99.84% shares owned by our Bank in Yapı Kredi Bank Moscow capital and 0.16% of shares owned by Yapı Kredi Finansal Kiralama A.O to the total of 3.300.000.000 Russian Rouble at the Expobank LLC was signed on 25.10.2017. As of 1 December 2017, the transfer of shares completed after the necessary legal approvals have been obtained and the sale amount of the shares has been transferred to our accounts.

Yapı Kredi Bank Azerbaijan

Profile	
Asset Size	US$ 263 million
Customers	287 thousand
Branches	8
Number of Employees	289
Positioning	**Market Shares**
Credit Card Outstanding Volume	10.5%
Credit Card Acquiring	7.5%

Yapı Kredi Bank Azerbaijan was established in 1998 and is 99.80% owned by Yapı Kredi. The bank provides a wide range of products and services in retail and corporate banking through its eight branches located in Baku and Sumgait.

Through a number of policy measures, the Azerbaijani economy is on the road to recovery after a 3.1% contraction in 2016. The Bank has managed to increase its liquidity to a satisfactory level in 2017, expanding its customer base and deposit boo. In 2017, customer deposits grew by 14% year-over-year to exceed US$ 203 million, while the number of customers reached 287,000 with an 17% increase. While the banking sector of Azerbaijan remains under firm regulatory pressure, the Bank continued to reap the benefits of its efforts towards increasing asset quality despite the market conditions and the uncertainties, established a strong cost-management culture, and increased its profits by 386% over the previous year. Its capital adequacy ratio stood at 20.5%, well above statutory limits.

For 2018, the Bank aims to sustain its healthy position in the sector while driving up its customer-focused profitability.

Private Banking and Wealth Management[1]

Profile	
Customers	22 thousand
Branches	22
Relationship Managers	163
Positioning	**Market Shares**
Mutual Funds	18.9%
Equity Transaction Volume	7.1%

Products and Services

Mutual Funds, Yapı Kredi Bills and Bonds, Private Sector Bills, Indexed Time Deposits, Fund Deposits, Managed Fund Accounts Equity, TradeBOX, FXBOX, Warrants, TurkDEX Transactions, Derivatives Market (VIOP) Transactions, Structured Products, Derivatives, Smart Fund Basket

Yapı Kredi, serves its customers with more than TL 500 thousand total financial assets through Private Banking. Yapı Kredi continued its activities in private banking and wealth management in 2017 with TL 45.4 billion in customer assets, 22 private banking centers and 22 thousand customers.

Yapı Kredi Private Banking and Wealth Management offers the entire range of banking products and services for all customer financial needs, as well as integrated wealth management through the bank's subsidiaries Yapı Kredi Invest and Yapı Kredi Asset Management.

Sustained Leadership

As in previous years, Yapı Kredi Private Banking and Wealth Management achieved all-around strong growth in 2017, driven by its focus on prioritizing customer needs, professional asset management services in line with customers' risk perception and financial expectations. On an annual basis, private banking deposits rose to TL 30.5 billion, mutual funds to TL 5.1 billion, assets under custody to TL 4 billion and pension funds to TL 852 million.

2017 was a year marked by efforts prioritizing deepening relations with existing customers in addition to new customer acquisitions. Product range was enhanced with the addition of new products to support portfolio diversification and deepening. Accordingly, the Bank issued 13 bonds, and introduced the fund basket that enables customers to invest in numerous instruments through a single fund.

In line with the vision of being the digital bank of Turkey, the Bank offers a wide range of products and services through an Internet banking platform for Private Banking customers. In 2017, the Bank continued to develop its tailored digital service offering, while carrying out necessary improvements that allow investment-related processes to be finalized over these channels.

Increased Customer Satisfaction

In 2017, Yapı Kredi Private Banking continued to focus on both financial and non-financial interests of its customers through advantageous offers and business partnerships with leading firms in their respective sector.

Throughout the year, it organized events in a variety of fields, ranging from economy to arts, sports to travel and special events. These event were very well received by Private Banking customers

In the meantime, Yapı Kredi continued to provide tax, inheritance, philanthropy, education, real estate and art consultancy services to Private Banking customers. Throughout the year, it organized special events on education, real estate and tax consultancy. The tax consultancy week, which brought a boutique approach to the field of taxes, included information sharing by independent international consultancy firms on changes and developments in tax legislation, and private tax consultancy services for customers. In addition, customers were offered education consultancy services on post-grad education for themselves, and on studying abroad for their children.

As a result of Yapı Kredi's customer-oriented approach, higher frequency of visits to and interviews with customers has enabled the Bank to promote new products, services and digital channels more effectively, contributing significantly to the increase in customer satisfaction.

Future Outlook

- Expanding the customer base by focusing on new generation customer groups and delivering tailored investment solutions
- Enhancing contents and processes with regard to services offered through digital channels, and creating a distinctive customer experience in all Bank channels

- Diversifying the portfolio with a long-term perspective to deepen customer relations and increase wallet shares
- Offering investment products that are favorable for the risk perception of customers with an integrated asset management approach

(1) Based on Board Resolution dated 22 September 2017, Private Banking and Wealth Management started to be managed under Retail Banking Sales management as of 1 January 2018.

Yapı Kredi Asset Management

Profile	
Number of Employees	60
Positioning	**Market Shares**
Mutual Funds	18.9%

Established in 2002, Yapı Kredi Asset Management is one of the leading asset managers in Turkey. With 60 employees, Yapı Kredi Asset Management operates in a wide range of asset classes, driven with diversified investment products and services, analytics, and a solid risk management infrastructure.

Yapı Kredi Asset Management strives to meet investors' needs in the best way possible through a wide range of products and services including 33 mutual funds, 35 private pension funds as well as retail and corporate private asset management models in diversified asset classes designed to fit investors' requirements and investment consultancy. In 2017, Yapı Kredi Asset Management successfully maintained its second place in mutual funds with 18.9% market share and its total assets under management reached an all-time high of around TL 21 billion.

The company's achievements have been recognized by a number of prestigious national and international awards. Various prestigious local and global institutions awarded Yapı Kredi Asset Management as Turkey's best asset management company in different categories in 2017.

In line with the new regulations, Yapı Kredi Asset Management will keep creating innovative solutions in 2018, as a response to the changing needs of its customers according to their risk profiles. In this direction, the company aims to strengthen its pioneering position in the sector.

Yapı Kredi Invest

Profile	
Customers	129 thousand
Number of Employees	219
Positioning	**Market Shares**
Equity Transaction Volume	7.1%

Yapı Kredi Invest is among Turkey's leading investment houses with more than 20 years of experience in capital markets. As a 99.98% owned subsidiary of Yapı Kredi, the company effectively utilizes the Bank's wide branch network in reaching over 129 thousand retail and corporate clients. Aiming to be a one-stop shop in delivering solutions for its customers, Yapı Kredi Invest handles a wide range of transactions ranging from domestic and international equities to sophisticated derivative products and advisory services with its 219 experienced employees.

Yapı Kredi Invest carries on to prioritize digital channels to develop simple and rapid solutions tailored to meet customer needs. Meanwhile, remaining close to customers to better satisfy their needs and support their decision making process with in-depth research remains a fundamental element of the company culture.

Yapı Kredi Invest consistently ranks amongst the top tier investment institutions vis-à-vis business volume and profitability. Despite challenging market conditions in 2017, the company maintained its leadership position in terms of net income generation, as has been the case since 2008.

In 2018, Yapı Kredi Invest will continue to offer its customers unique, high quality products tailored to meet their needs in changing market conditions to ensure sustainable growth and development. Yapı Kredi Invest will also continue to invest in its infrastructure in order to better serve the needs of its customers.

Treasury

Yapı Kredi Treasury Management operates through its treasury and financial groups.

The Bank's treasury consists of Fixed Income Securities, Money Markets and Balance Sheet Management, Foreign Exchange and Derivatives, Budget Planning and Financial Monitoring, and Treasury Marketing. The Treasury manages the Bank's liquidity requirements, interest rate risks, foreign exchange position and also controls its proprietary investment portfolio.

The Bank's financial institutions unit comprises are Correspondent Banking and International Debt and Capital Markets.

2017 was characterized by a volatile period for emerging markets due to regarding possible rate hikes by FED, changes in CBRT's interest rate policies, geopolitical developments, and the sharp decline in oil prices. During the year, net capital inflows to emerging markets became variable in nature, which affected the currencies of these countries.

Throughout the year, thanks to its strong expertise in interest rate and currency risk management Yapı Kredi was able to navigate through this challenging and volatile economic environment and effectively manage its liquidity and further diversify its funding base. In the meantime, the Bank continued to support the funding needs of Turkey's real sector through its product diversity and maturity profiles within the framework of its asset and liability management.

Fixed Income Securities
As one of the 13 market-makers determined by the Republic of Turkey Undersecretariat of Treasury, Yapı Kredi played an active role in the securities and bonds market. In 2017, Yapı Kredi's market share in BIST securities market was 17.01%, while the share of securities in the Bank's overall assets was 12.1%.

Furthermore, in 2017, Yapı Kredi secured TL 3.5 billion from the domestic market in 13 issuances in a similar trend to 2016.

For short-term liquidity management purposes, Yapı Kredi continued to utilize repo funding. As of the end of 2017, share of repo funding in total liabilities was at 2.9%.

Money Markets and Balance Sheet Management
The Money Markets and Balance Sheet Management unit managed the interest rate risks associated with the Bank's balance sheet and non-balance sheet liabilities in a manner that is highly responsive to market developments and in line with the Bank's risk policies. Accordingly, it developed a flexible balance sheet structure by taking into account effective management of liquidity positions in addition to credit and investment portfolios, risk-return balances, and customer needs.

The share of loans in the book's total assets was at 62%, while deposits' share in liabilities was at 54%, roughly in line with the previous year's figures.

Thanks to its high credibility, Yapı Kredi continued to secure long-term, low-cost funding sources from international finance markets through various debt instruments. In 2017, the share of foreign sources in balance sheet was 21%.

Foreign Exchange and Derivative Products
The Foreign Exchange and Derivative Products unit performs the pricing of spot and forward foreign exchange at international markets, in addition to all commodity types and derivative products. It ensures effective pricing that reflects the Bank's position and market conditions, while developing derivative products by taking into account customers' needs.

According to the official figures of the Central Bank of the Republic of Turkey, in 2017, Yapı Kredi achieved a transaction volume of US$ 283.8 billion in interbank markets, with US$ 92.4 billion in foreign exchange and US$ 191.4 billion in derivatives. As a result, the Bank was able to maintain a market share of 9.93% in interbank market foreign exchange transactions, and 8.84% in derivative product transactions.

For 2018, Yapı Kredi aims to extend its market-maker role in fixed income securities to other organized markets.

Treasury Marketing
The Treasury Marketing Group offers financial advisory services to customers from all segments with its technological infrastructure and know-how. In addition to competitive pricing for all product groups, it also develops derivative products tailored to the specific financial needs of customers.

According to CBRT figures, in 2017 Yapı Kredi achieved a transaction volume of US$ 176 billion, with US$ 143 billion in foreign exchange and US$ 33 billion in derivatives. As a result, the share of customer transactions mediated by the Yapı Kredi Treasury Marketing Group was 12.8% in foreign exchange, and 15.3% in derivatives.

Market shares are expected to increase in the coming period as the new technological infrastructure set to enter into service in 2018 will enable faster and more effective response to customer needs.

Budget Planning and Financial Monitoring

The Budget Planning and Financial Monitoring unit aims to manage the Bank's balance sheet and income statement in an effective manner in light of its risk management principles. It also supports the other units of the Treasury by analyzing the effects of changes in market conditions on the Bank's profitability and operations.

Correspondent Banking

2017 proved to be yet another successful year for Yapı Kredi in terms of corresponding banking activities in spite of the fluctuations in domestic and global markets. Throughout the year, the bank delivered trade finance services to its customers benefiting from its network of around 2,500 international banks. Success in correspondent banking resulted in the renewal of syndicated loan as well as increased market share in trade finance.

In May, in order to meet its customers' pre-export funding needs, Yapı Kredi renewed a syndicated loan in four tranches, comprising 367-day and two-year terms in US$ and EUR, raising US$ 306 million and EUR 956,5 million. With 48 banks from 15 countries participating, the syndicated loan had one of the largest lender base among its kind, and carried an all-in cost of Libor+1.45% and Euribor+1.35% for the 367-day loan, and Libor+2.20% and Euribor+2.10% for the two-year loan.

In October, the Bank secured the second syndicated loan of the year in four tranches, comprising 367-day and two-year terms in US$ and EUR, raising US$ 411,3 million and EUR 799,7 million. The dual currency term loan facility, secured to finance foreign trade, was underwritten by a syndicate of 37 banks. The all-in cost of the loan is Libor+1.35% and Euribor+1.25% for the 367-day facility. The interest rate in the second syndicated loan was 10 basis points lower than the first one due to the more positive outlook of Turkey, as well as an improved risk perception.

In addition to syndicated loans, the Bank continued to increase its volume and market share in funding transactions related to foreign trade.

Throughout the year, Yapı Kredi supported Turkish contractors' projects abroad by providing them import and export letters of guarantees, letters of credits and other foreign trade products. Furthermore, the Bank enhanced its leadership position in trade finance thanks to its ever-improving and sustainable business relationship with correspondent banks, superior services and its wide array of products.

International Debt and Capital Markets

In 2017, despite a difficult macro environment characterized by uncertainty and volatility, Yapı Kredi continued its strategy to secure funds from international markets by diversifying its funding base and secured international funds worth of US$ 5.2 billion thanks to its strong international relations and partnerships.

The Bank;

- Secured US$ 600 million in funding from foreign markets with the Eurobond issuance in February,
- Raised TL 500 million via another issuance carried out under the Global Medium Term Note (GTMN) program
- Secured US$ 500 million in funding from foreign markets with the Eurobond issuance in June,
- Carried out the first issuance, worth TL 530 million, in the Mortgage Backed Securities Program, which was launched in 2016
- Secured a funding of US$ 450 million in December under the Diversified Payment Rights securitization program for long-term funding purposes
- And obtained a number of other funds from international markets via dual loans

In addition, total funding obtained by the Bank's Global Medium Term Note (GTMN) program reached US$ 3.84 billion.

Future Outlook

- Continued support to the funding needs of the real sector
- Maintain the Bank's leading position in international correspondent banking activities and further expand its correspondent network
- Diversify funding
- Preserve the disciplined approach to sustain solid liquidity and funding position

Alternative Delivery Channels

Profile	
ATMs	4.310
Active Digital Banking Users	4.3 million
Active Mobile Banking Users	3.7 million
Mobile Banking Application Download	12.6 million
Annual Call Center Contacts	94 million
Annual Call Center Sales	6.6 million
Positioning	**Market Shares**
ATMs	%8,6
Mobile Banking	%12,4
Digital Banking	%12.4

Having introduced numerous firsts in the sector as befits its title, "The Digital Bank of Turkey", Yapı Kredi continued to invest in non-branch channels in 2017 and maintained its leading position in this area. The Bank's main focus regarding alternative delivery channels is to create value both for the bank and the customers through increasing direct product sales and cross-sales, decreasing service costs, and enhancing customer satisfaction and customer experience.

The Bank continued its "Single Experience" efforts in 2017, offering a unified look and experience across all channels. Accordingly, in addition to improvements in design and infrastructure, customers were provided with the ability to carry out their transactions via online/mobile banking and Customer Relations Center through Single Password. Retail and corporate mobile banking applications were unified under Yapı Kredi Mobile. Furthermore, mobile banking was positioned as the Bank's remote control, allowing single point of management for all banking transactions.

The range of products sold through digital banking increased to 39 product types, and 78 different products are available through directly or cross-sales through the Customer Relations Center, thanks to the improvements to the Bank's infrastructure. In 2017, the share of ADC sales within total general purpose loan sales increased to 53%, reaching a sales performance equivalent to 980 branches, while credit card penetration reached 51%.

Through sustained focus on alternative delivery channels, Yapı Kredi has increased its Mobile Banking penetration from 74% to 85% in one year. Accordingly, the share of non-branch channels within total banking transactions increased from 56% in 2007 to 90% in 2017. In 2017, the penetration of deposit transactions through non-branch channels reached 48%. 95% of non-cash financial transactions are now executed through digital channels.

Technological developments influence business models as Banking services undergo rapid change. Customer experience grows increasingly important, becoming a primary factor in bank selection for customers. Accordingly, Yapı Kredi acts with a vision of ensuring excellence in customer experience by aiming for the best experience across channels, developing empathetic communications, designing proactive processes, and increasing transparency. In line with this vision, in 2017, the Bank established innovation and customer experience departments within its alternative delivery channels. This team will play a leading role in conceptualizing and redefining the banking experience of tomorrow, and aims to help bring innovative ideas to all channels in 2018 and support the efforts to transform these into innovations that will carry banking forward.

Digital Banking

In 2016, Yapı Kredi, the "Digital Bank of Turkey", continued to invest in mobile and other digital channels, enhance customer experience, and introduce new practices that will help build the future of banking. In addition to the design and infrastructure enhancements it carried out as part of its "Single Experience" vision that aims to offer a unified look and experience across all channels, the Bank also introduced "Single Password" and "Single App" to make its customers' lives easier. Accordingly, the Bank allowed customers to carry out their transactions from the Customer Relations Center using their Yapı Kredi Mobile and internet banking passwords. It also unified retail and corporate mobile banking applications under Yapı Kredi Mobile. At the same time, the Bank provided for one-to-one pricing on products offered through digital channels, allowing for personal rates in transactions. In addition to product customization, the Bank also developed a deep-analyses algorithm for bringing the best offers to its customers.

Positioning Yapı Kredi Mobile as the Bank's "remote control", Yapı Kredi integrated digital solutions in all points of contact with customers. In doing so, it created a robust infrastructure for managing physical channels and banking products through mobile. With Yapı Kredi Mobile, it created an ecosystem where branch, ATM, call center and credit card systems can be managed, and expanded upon this infrastructure with third party integration.

The number of customers using digital channels have been on a rapid increase as the Bank led innovation in its sector in 2017. The number of active users of its digital banking channels grew by 32% over the previous year, reaching 4,4 million with 1.1 million new customers. After being positioned as the remote control of all delivery channels, the renewed Yapı Kredi Mobile reached 1.3 new customers in 2017, while growing its active customer base by 51% to 3,7 million.

The share of non-cash transactions through digital channels has reached 95%, showing that the Bank's customers are able to carry out their banking transactions whenever and wherever they want, with the best experience. With digital developments that directly increase transaction speeds, the Bank creates benefit for its customers in terms of both cost and efficiency, driving up customer satisfaction even further. As a result, in 2017 digital channels had the highest share among all financial transactions. 31% of general purpose loans and 39% of deposit products were delivered through digital channels.

Yapı Kredi pioneers the digital transformation of banking, and as such, supports a corporate culture that embraces innovation. The Bank continues to make a difference in the sector by making customers' lives easier with innovative products and services. Over the past year, the Bank's innovations in digital banking received over 30 awards, 25 coming from international institutions. The Digital Bank of Turkey took these accomplishments to the next level, as Yapı Kredi received "Most Innovative Digital Bank" and "Best Corporate Website Design" awards by Global Finance, a prestigious finance periodical. Eye-ID, featuring an advanced retina scanner technology for signing in to mobile banking, a first in Europe, was presented as a case study in Finovate Europe 2017, one of the world's leading fintech events. This enabled Yapı Kredi to promote the firsts it introduced in banking, as well as to represent the Turkish banking sector in the international arena. As in 2016, Yapı Kredi Mobile was once again named "Game Changer in Mobile Banking" in 2017 in a study by Digital Age.

In line with its strategy of positioning its mobile banking application as the remote control of the bank, Yapı Kredi added a number of innovative features to the application. Building up on the features added near the end of 2016 such as Eye-ID, contactless money withdrawal from ATMs via QR code and direct connection to call center, in 2017 Yapı Kredi introduced branch queue map display and ticketing, mobile payment via Yapı Kredi Mobile through NFC-compatible devices, messaging with banking keyboard, and money transfer through Siri.

Yapı Kredi prioritizes customer needs when developing new features, which are designed with a "design focused thinking" approach. One such example is the "no panic" button added to Yapı Kredi Mobile for customers whose cards are lost or stolen. This unique feature has allowed customers to easily and quickly lock their card in case of loss/theft, and unlock it when needed.

Furthermore, Yapı Kredi Mobile, in collaboration with the SYNC 3 technology equipped in Ford brand vehicles, now allows for market monitoring, provides directions to the nearest Yapı Kredi ATM or branch, provides exchange rate and BIST information, and quick connection to Yapı Kredi Customer Relations Center without having to dial in.

In addition, the Bank renewed the corporate user interface of Yapı Kredi Mobile, introducing features such as Eye-ID login, cash advance/installment cash advance, motor vehicle tax payment, and HGS toll card application.

Thanks to these developments, in 2017 Yapı Kredi Mobile's active user count grew by 51% to reach 3.7 million, while its market share rose to 12.4%. The number of mobile-exclusive customers grew by around three-fold, and the app was downloaded over 12.5 million times. Mobile transactions were the fastest growing area of online transactions with 89% growth rate. Yapı Kredi Wallet, offering exclusive campaigns and payment solutions to credit card customers, acquired over X million campaign subscriptions in 2017, and accounted for 89% of the mobile payments in Turkey.

In 2017, the Bank enriched the sales products and functions of its online branch, which provides access to over 80% percent of all retail products, and supports more than 800 transaction types, including corporate. Meanwhile, the Bank continued to develop improvements to its sales experience to offer proactive solutions for customers, and to allow them to easily reach the products they need.

Retail internet banking was improved with new features such as travel health insurance, investment account opening, Findeks account opening, Türk Telekom cash top-up, social media account linking, and maturity conversion tracking. More than 80% of retail products are offered to customers via Internet banking.

Yapı Kredi positions its corporate internet branch not only as a channel for banking transactions, but also as a business platform. Accordingly, internet banking is now enhanced with additional features such as e-order for legal persons that eliminates the need to visit a branch for placing transaction orders, and FX+, which enables large-volume foreign exchange trading. The Bank also provided Yapı Kredi Leasing integration, and as a result, financial and non-financial transactions handled by Yapı Kredi's retail and corporate internet banking grew close to 300 million in 2017. The Bank's active customer market share corporate internet banking reached 20%.

Leveraging on these developments as well as its leading market position, Yapı Kredi achieved high customer satisfaction in digital banking once again in 2017. Yapı Kredi Mobile was one of the highest rated apps in its sector throughout the year.

In 2017, the Bank continued to offer convenient solutions for customers through its corporate website, yapikredi.com.tr. In addition to enhancements in customer experience, the Bank also increased the number of digitally accessible products and services. One such development was installment commercial credit applications for legal persons. Meanwhile, the website began receiving applications for automatic participation in the private pension system.

Smart Assistant, an alarm and notification system that informs customers about their banking transactions via SMS, email and push messages, was improved with new notification types. In 2017, the Bank reached 4.7 million users with 7% growth.

Throughout the year, Yapı Kredi continued its Code.YapıKredi program, which was launched to support youth and entrepreneurs in designing the banking of tomorrow. It organized programming courses for university students and children, as well as an interactive robotics and coding workshop at Garage, Arçelik's technology development office. In addition, the Bank took significant steps to support the fintech ecosystem. It provided coders with access to its financial technology programming interfaces (OpenBankingAPI), and promoted innovative project ideas with its "Code.YapıKredi Hackathon", which is open to all creative individuals who are interested in fintech. As part of the hackathon, the Bank shared with the participants the most extensive OpenBankingAPI set of the sector, enabling them to develop in-depth solutions in their projects. In addition, it launched Code.Yapıkredi's portal (code.yapikredi.com.tr), which offers courses, training, API sets, and blog content.

Furthermore, the Bank focused on holistic digital transformation, taking significant steps towards process optimization, automation, and branch digitalization. The Bank improved its paperless processes, minimizing procedures requiring wet signature and hard copy contracts.

Customer Relations Center

Customer Relations Center has renewed its organization structure and processes with the vision of focused customer experience, reinforced end-to-end communication, generating potential customers and increasing penetration into the digital channels. In line with the multifaceted service structure provided to customers, the "Yapı Kredi Call Center" identity has been renewed and renamed into "Yapı Kredi Customer Relations Center".

The Customer Relations Center provides 24/7 service in English and Turkish with over 1,500 employees, and handles more than 94 million inbound and outbound calls via IVN, chat, e-mail, social media, chatbot and interactive voice response systems. Providing services to branch customers as well, the Customer Relations Center has made over 130 thousand calls each month to the customers of 789 branches. The center has started providing information for swift, cheque and bond services, which were previously performed by branches only.

The Customer Relations Center has demonstrated a comprehensive program with its goal of 360 degree management and seamless provision of services. In parallel with the bank's vision of digitalization, 33 different platforms have been redesigned to be combined into one with the renewed organization structure and processes. The center has successfully put into practice a highly comprehensive program that provides an excellent customer experience, integrates employee-targeted systems for easier and faster transactions, boosts user experience and increases the efficiency and quality of the bank. The entire history of a customer's interaction with the bank and possible reasons for calling are integrated into the Customer Relations Center employees' screens. This practice aims to respond to customer needs as quickly and efficiently as possible. All calls made at the Customer Relations Center are instantly analyzed using speech analytics technology, and transferred to relevant departments for recording using big data. The processes developed from the gathered data have provided a significant increase in efficiency, quality and customer satisfaction.

The Customer Relations Center continued to be a strong sales channel in 2017. With 18 million outbound calls, the center has landed a product or service sale for every five contacts. The Customer Relations Center sold 6.6 million product and services with an increase of 30% compared to 2016 and accounted for 17% of the total general purpose loan sales. Customer Relations Center, as the main channel for the customer retention and win-back, achieved a 71% success rate in these activities. The increasing product range reached 78 products in 2017.

Positioned as a sales center, İzmir location gained momentum with a personnel of 450 people in 2017 and continued its growth with the addition of the SME branch. The Customer Relations Center established in İzmir for micro SMEs yielded a substantial increase in sales and customer satisfaction and strengthened the service model.

Supporting digitalization and enhancing the customer experience were two important agenda items for 2017. The first implementation towards achieving these was enabling customers to directly access the call center via mobile banking without entering any additional information. With the "Single Password" application, the passwords used for mobile, online and telephone banking services were combined into one, thus providing fast and secure services to customers. In addition to the sales of general purpose loans during calls, the general purpose loan sales gained momentum with the translation of special offers made over the interactive voice response system into sales.

Customer Relations Center aims to further strengthen its sales talent with a new sales-focused service model, enhancements and gamification. Among its goals is adding strategic products such as trade credit and trade credit cards to the range of products in the SME segment.

Having received five different national and international awards in 2017, the Customer Relations Center aims to maintain this fast pace of success and continue developing products and services that facilitate and make a difference in customers' lives, digitalizing its processes and bringing the customer experience to perfection.

ATM Network and Self Service Banking

Ranking among the top five banks in Turkey in terms of ATM coverage with an ATM network of 4,310, Yapı Kredi sustained its growth strategy in non-branch channels for the ATM network and achieved a high level of efficiency by maintaining the number of ATMs while increasing the number of touch points to 3,250. All ATMs of the Bank offer both withdrawal and cash deposit transactions. The share of Recycle ATMs, which enable withdrawal of the cash deposited and reduce the need for loading cash increased by 45%.

Used by over six million customers every month, Yapı Kredi ATMs have processed more than 209 million transactions in 2017 and were used for 85% of all cash transactions that are done at the bank.

In line with the bank's focused customer experience strategy within its digital channels in a sectoral environment of fast-paced digital transformation, ATM infrastructure, interface and process flows have been renewed from end to end. As a result, ATMs have become sales channels where customers can carry out their transactions in parallel with their experience on digital channels, cash transactions are processed faster with easier flows and customer needs-oriented products can be offered. Sales of products for swift cash withdrawals such as general purpose loans and flexible accounts have been launched for ATMs and 3.5 million of such products were sold at ATMs in 2017.

In addition to the "QR Code Withdrawal" feature offered in the Yapı Kredi Mobile application in 2016, Yapı Kredi continued to be the pioneer in the sector with the implementation of "QR Code Deposit". Thus, digital banking customers who prefer the ATM channel for cash transactions can easily withdraw/deposit cash from/to their TL, US$ or EUR accounts without touching the ATM and a need for their debit or credit cards.

Carrying the innovation culture over to the ATMs, the Bank has introduced MobilMatik to its customers. With MobilMatik, which does not have a card slot and only works with mobile phones, Yapı Kredi Mobile customers can swiftly and easily withdraw cash without using their cards and touching MobilMatik.

As part of the vision of increasing financial access, new features of depositing cash, paying credit card debt and accessing credit card balance (including debt and limit) have been added to the menus of common ATMs that could only process withdrawals and account balance access. Thus, we have increased the range of services the customers of other banks can benefit from at Yapı Kredi ATMs whenever they need it.

A Yapı Kredi innovation originally introduced in Turkey in 2009, Enabled ATMs continued to grow in numbers in 2017 and now allow new transactions to be made via the Enabled ATM–audio menu for visually impaired customers.

Therefore, Yapı Kredi always works with the vision of making its ATMs the only channel of cash transactions for both their customers and others, mutually creating added value.

Innovation and Customer Experience

Established in line with the vision of achieving excellence in customer satisfaction in all channels in 2017, the Innovation and Customer Experience Division analyzes customer satisfaction survey results, social media activity and complaints, conducts focus group studies with customers to improve the identified areas of development and receives the customers' opinions before launching new designs. This method helped to identify 38 areas of development, implement 17 improvements and design 21 improvement actions in 2017.

Innovation is essential for maximizing customer experience. The Bank promotes idea generation to support innovation. In 2017, our employees proposed 554 ideas which were accepted and submitted to relevant business units for project design. In 2017, 62 of these ideas were implemented. Moreover, Evreka2, a competition for innovation that allows individual and team participation by all Koç Group employees, was organized.

Future Outlook

- Maintain the vision of being the digital Bank of Turkey
- Continue working to achieve single, consistent and excellent customer experience in all channels

- Enhance sales capacity and number of products sold from Customer Relations Center and digital channels
- Continue investing in technological developments to improve customer experience and provide faster services
- Continue to offer digital services including new service models and leading innovative solutions in this digitalizing world

Information Technologies and Operations

Information Technologies

Yapı Kredi Information Technologies has further improved the service quality and speed with its infrastructure of high standards and continued to provide customers with the first and best practices in the sector in 2017.

The prioritized pioneering and innovative digitalization projects increased customer satisfaction and received national and international awards.

- The data warehouse modernization program initiated to process large data and to allow business units make timely and accurate decisions is mostly completed and in use for building smart infrastructures with advanced analytical techniques and for making decisions.
- With the launching of smart infrastructures based on data analytics and real-time calculations, automatic customer action management has been put into practice on multi-channel platforms.
- Our bank's customer data quality score has increased from around 65% to approximately 90% with the current data management program. Thus, we have enhanced our risk-oriented asset projections and capital adequacy ratio.
- Innovative ideas such as logging into the mobile application using eye scan, panic button and QR code withdrawals maintained Yapı Kredi's leadership position in the sector as the "Digital Bank of Turkey".
- Designed with an interface and process flows that are in line with our multi-channel vision as part of the digital transformation, our ATM application has been renewed with the most up-to-date technologies.
- We have updated the technology used in our Corporate Mobile Banking application to further enhance customer experience in accordance with our digitalization strategy. Moreover, with the cash management products, foreign trade products and digital transactions for order of cash credit added to Corporate Internet Banking, corporate customers can access many services without going to the branch.
- To improve the digital experience at the branches, the installation of touch screens and infrastructure for paperless customer transactions and contracts has been completed.
- To increase the collection performance, current credit risk models and origination processes have been renewed, origination processes of the bank have been enhanced and a more flexible, more easily manageable and more efficient structure has been established.
- In addition to the infrastructure investments for lowering the costs and continuously improving the usability in Information Technologies, Yapı Kredi continued making important cyber security investments such as creating a security operations center and network separation as a natural result of digitalization.
- With the purpose of providing the customers the most secure digital services as part of Secure Banking, investments increased both on the bank's and customers' side.

Operations

Yapı Kredi works with a service approach that revolves around the customer and always prioritizes customer experience. In 2017, development efforts continued towards efficiency, faultless and fast operational models as well as risk-minimizing and control-oriented processes, the areas that significantly availed the Bank over the last several years. To serve that end, following actions were taken:

- The launch of processes and infrastructures to increase automated control in banking operations continued.
- The efforts continued towards digitalization of operational activities in branches, and increasing centralization.

Thanks to a more efficient use of machine learning and developed analytical techniques, resource utilization reached an optimum level in banking operations, allowing for both a higher focus on risk and control in operations management and an improved customer experience.

- Operational service levels, significantly improved in previous years, maintained their high performance.
- Time spent on completing high-volume transactions was reduced by ~24% to 17 minutes, furthering previous years' improvements.
- Improvement in returned job rate was recorded at a sustained 2%.
- Operational errors were reduced by an approximate 20% year-over-year.

To further enhance customer service quality, the introduction of digital competencies to branch transactions and improvement in branch service models continued, automation and centralization of operations reduced the workload of branches. Accordingly, 156 systems and processes were improved in total. All these competencies expanded the time allocated to customer relations and sales to 2.5 hours per branch.

- The first phase was implemented with success at the project aiming to change the SME service model for a more effective management of SME customers. Simplified and faster processes were observed to improve customer satisfaction.
- Customers' in-branch digital experience was enhanced in all branches with automated digital approvals through customer-facing screens displaying seven products (including pilot products) catering to customers. Ready-to-use general purpose loan sale and password activation for retail Internet banking have been expanded across all branches. This way, customers have bought products and received services in a much faster way without any wet signature or paper involved. According to daily loan allocations in 2017, ~80% of ready-to-use, digitally available general purpose loans provided in branches were approved digitally. In 2017, digital approval of general purpose loans with a ready-to-use limit saved a total of ~3.7 mio papers.
- With all these improvements, certain products and services customers obtain from the Bank are now handled in all channels available. In 2018, emphasis will remain on widening the scope of the digital practice in the branches.

Future Outlook

- Sustain, in parallel with the Bank's strategic principles, the programs for improving the asset quality, optimization of operations and service models, digital transformation projects, developing data management and analytics
- Set up a new allocation system for large-scale SME customers and create new product sales channels
- Continue to operationalize process and service models enabling branch portfolio managers to serve customers more effectively
- Constantly feed digital channels, aimed at delivering the best customer experience, with innovative products/services
- Extend the scope of customers' digital experience in branches
- Further improve paperless services in branches
- Continue to reduce operational activities in branch network
- Develop flexible and learning models to render financial analysis processes more efficient
- Develop supplier finance system to increase the bank's market share
- Finalize modernization of the Data Warehouse models and the network
- To enhance security of customers' transactions through all the channels, develop behavior-based threat detection systems employing advanced analytics and machine learning technologies
- To cut technology costs, adopt enterprise cloud, set up and launch required cloud infrastructure

Human Resources

Profile	
Number of Group Employees	18.839 (Bank: 17.944)
Average age	35
Average working year	9 years
Share of female employees	62%
Share of university graduates	90%
Share of employees fluent at least in one language	29%
Share of employees who benefit from Yapı Kredi's pension plan	74%

Yapı Kredi attaches strong importance to its employees. In this regard, the Bank has a dynamic and structured human resources policy in place to manage recruitment, adaptation, career planning as well as development and training.

Yapı Kredi's (including Bank and subsidiaries) net employee number reached 18,839 in 2017. During the year, the Bank received 675 thousand job applications and conducted 5,700 interviews.

Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2017 to 31 March 2019. 57.7% of all Yapı Kredi employees are union members.

Career Development

As part of Yapı Kredi's career development activities in 2017, 5,835 employees were appointed and 1,677 employees were promoted to new positions. Meanwhile, 1,626 one-to-one employee meetings and 75 branch visits were organized throughout the year.

Leadership and Talent Management

Talent management and backup activities seek to deliver the performances and potentials of employees in different levels of the Bank and to devise and implement development programs customized for their career goals. In addition to leadership and talent development programs jointly run by main partners Koç Holding and UniCredit Group, the Bank continues to support leadership development of employees with educational and development activities in cooperation with leading business schools in the sector.

Training Programs and Yapı Kredi Banking Academy

Yapı Kredi Banking Academy (YKBA) is responsible for coordinating the development activities for all employees of Yapı Kredi and its subsidiaries. Yapı Kredi Banking Academy's vision is to provide a proactive and continuous learning environment. YKBA provides development and certification programs via 250 in-house trainers, leading consultants and academicians to employees, their families, customers and university students. YKBA is also present in the Bank's subsidiary in Azerbaijan and has trained nearly 4,000 participants there since 2011.

In 2017, 628,685 participants received training while total training hours was 19,215 thousand. Since its inception, Yapı Kredi Banking Academy has been continuously recognized for its successful implementations at every stage of the learning and development process by many reputable domestic and international institutions.

Yapı Kredi employees are provided specially designed certificate programs via cooperation with local and international universities as well as reputable institutions such as The Bankers Association of Turkey. Yapı Kredi also has partnership agreements with Koç University, Bilgi University, Bilkent University, Kadir Has University, Özyeğin University, İstanbul Ticaret University, Bahçeşehir University and Yeditepe University to provide employees master programs with a special discount. YKBA also established an associate degree program in cooperation with MEF University in 2015 with the mission of building a bridge between business and academic life. A total of 41 students graduated from the program in 2017.

Another graduate program currently offered at MEF University is Big Data Analytics launched in 2017 by YKBA - MEF University partnership with a view to offering Yapı Kredi employees expertise on big data analytics.

In 2017, YKBA and Department of Management of Boğaziçi University joined forces to offer an elective course titled "Current Trends in Selected Industries: Banking" which had Yapı Kredi executives as guest lecturers and provide students with a closer look into the banking sector.

Recruitment and HR Development

- **Young Talent Program:** A dedicated 2-year young talent and development program launched in 2012 and designed for 3rd year university students. The program allows students to engage in various training activities, projects, seminars and seize internship and part-time work opportunities at the Bank. As part of the program, each student is assigned a human resources advisor in the first year and receives career mentorship from managers during the second year. At the end of the program, the student may be eligible for a job offer based on their performance and the Bank's needs. In 2017, 50 students graduated from the Young Talent Program. Twelve graduates of the Young Talent Program joined the Bank at various positions at the Head Office. So far, a total of 82 Young Talent Program graduates have been hired by Yapı Kredi.

- **University Activities:** These activities aim to invest in student development, offering them an insight into the banking sector and a one-day experience at Yapı Kredi. To serve this purpose, employees speak or present case studies at campus events hosted by university student clubs. Furthermore, Yapı Kredi Human Resources team hold events that feature case studies, networking, and development-oriented programs. In 2017, over 2,750 students were reached through visits to 14 universities in four cities.

Employee Support Services and Benefits

- **HR IT Self Service:** An online platform where all aspects of HR including recruitment, performance management, training and development, leave and overtime can be viewed and managed by employees.
- **aloİK:** An HR call center providing phone support to Yapı Kredi employees on HR-related matters. In 2017, aloİK received more than 30 thousand calls.
- **Employee Support Line:** An exclusive 24/7 free help line created in 2010 to assist employees with both personal and professional inquiries, including financial, legal, medical, psychological help and dietician services. This line received approximately 16 thousand calls in 2017, with a 12.5 percent increase over 2016.

Additionally, Yapı Kredi offers various employee incentives, such as health insurance which can be used by all employees and their immediate families, life insurance, shuttle services, contribution to private pension funds of employees and a Koç Ailem (My Family) Card that provides advantages in a variety of organizations.

Future Outlook

- Raising the best bankers in the Turkish banking sector
- Increasing branding and developing new work methods in line with the vision of becoming a preferred employer
- Recruitment of new employees with high competencies who will develop and support the digitalization strategy
- Organizing training and events for employee development in line with the Bank's digitalization strategy
- Identifying employees with high potential and supporting them through special development programs increasing use of alternative learning technologies and designing a web-based learning portal and mobile applications

Other Subsidiaries

Yapı Kredi Koray Real Estate Investment Trust
Established in 1996 and 30.45% of which owned by Yapı Kredi, Yapı Kredi Koray Real Estate Investment Trust operates in both residential and commercial real estate development. The company is publicly traded in Borsa Istanbul with a market capitalization of TL 92.8 million as of the end of 2017. In 2017, residence sales continued while rental agreements for commercial spaces finalized at Ankara Çankaya Project. The goal for 2018 is to complete all sales of the residences that are a part of the project.

Banque de Commerce et de Placements
Established in 1963 as a Swiss bank and 31% owned by Yapi Kredi, Banque de Commerce et de Placements – BCP – segmented its business activities in: Structured Commodity Trade Finance, Wealth Management, Treasury & Capital Markets and International & Correspondent Banking. For more than fifty years, the Bank has been offering its commercial, private and institutional clients a full range of services tailored to their needs.

BCP enjoys a solid reputation as a top quality service provider in all of these banking fields and serves an ever-growing number of customers and banks across the globe with a wide range of innovative and value-added products and services. Founded under Swiss Banking Law and Regulations, BCP is supervised by FINMA, the Swiss financial markets supervisory authority. Headquartered in Geneva, BCP also operates through its branches in Luxembourg and Dubai.

In 2017, BCP carefully pursued its expansion strategy of customer base as well as commodity and geographical area diversification. In the context of improving commodity prices and moderate global market growth, BCP reaped the benefit of its efforts and achieved a satisfactory year with a declared net profit of CHF 29.3 million, matching its best years of past performance. This was accompanied by a commodity trade finance volume of CHF25.5 billion, a 22% increase over the previous year, reflecting BCP's efforts and heightened market recognition in the commodity trading sector. At year-end, the Bank's Tier 1 capital adequacy ratio remained strong at 15.7%.

Going forward, BCP intends to continue expanding its customer base while pursuing its policy of diversification in its main business pillars, within a strict risk control environment, maintaining good asset quality as its top priority.

Allianz Yaşam ve Emeklilik
Allianz, one of the largest insurance companies and asset management groups in the world, serves 86 million customers with over 140 thousand employees in more than 70 countries. As a company operating under Allianz Turkey, aiming to pioneer next-generation insurance with a focus on customer satisfaction and technology and to become a social brand improving the society's life standards, Allianz Yaşam ve Emeklilik operates in private pension and life insurance, offering individual and corporate customers a wide range of tailored products. Allianz became the main shareholder of Yapı Kredi Pension Fund on 12 July 2013 by purchasing 80% of its shares. On 27 September 2013, the name of the company was changed to Allianz Yaşam ve Emeklilik. Yapı Kredi remained a 20% shareholder in the company to support its long-term strategic partnership with Allianz. As part of this successful and well-timed transaction, a 15-year exclusive bancassurance agreement was signed with Allianz. Accordingly, customers continue to benefit from insurance and private pension products through Yapı Kredi's extensive branch network and innovative alternative delivery channels.

Yapı Kredi Cultural Activities, Arts and Publishing
Established in 1984 and fully owned by Yapı Kredi, Yapı Kredi Cultural Activities, Arts and Publishing (YKKSY) is one of the most reputable culture and arts companies in Turkey. YKKSY presents important publications, cultural events and exhibitions to the society.

Based on Istiklal Street since 1964, Yapı Kredi Culture and Arts Center underwent a four-year renovation until opening in September 2017 with an exhibition showcasing the Yapı Kredi Collection. The exhibition was extended by one month due to great public interest, with almost 55 thousand visitors until the end of the year. The "Helix" Exhibition presents a total of 403 artefacts including coins, sculptures, paintings, photos, and video arts.

In 2017, Yapı Kredi Publications published 256 new titles and 1,165 reprints, a total of around 5 million books. During the year, around 110 school and library events brought together an approximate 40 thousand students, teachers and librarians with authors and editors.

Yapı Kredi Technology
Yapı Kredi Technology was founded in 2015 as a wholly-owned technology subsidiary of Yapı Kredi, to offer innovative, creative and high value-added products and solutions. The company is located in İstanbul Technical University ARI Technopark.

The company's research and development activities mainly concentrate on two areas:
- Artificial intelligence (machine learning, natural language processing, data mining).
- Software development (on iOS and Android platforms)

In terms of mobile software development, 2017 started with the launch of the Yapı Kredi Individual Mobile Banking App sporting, for the first time in Europe, the “Eye Recognition Technology” in addition to a number of innovations. The application earned Yapı Kredi, the digital bank of Turkey, a spate of national and international awards. Also in 2017, foundations were laid to develop a Corporate and Commercial Mobile Banking App. New innovative functions will be added to both applications in 2018.

In 2017, two artificial intelligence projects were awarded with TÜBİTAK TEYDEB grant. One of these projects, SAFİR is an artificial intelligence application that eliminates manual entry by classifying customers’ transaction orders and automatically detecting transaction details from these orders. An initiative commenced to transform this successful project, currently used by Yapı Kredi employees, into a product. As regards the other artificial intelligence project, ChatBot, R&D phase was completed and ready to provide customer support and perform sales transactions (credit cards, loans, etc.) at call centers and solution centers in 2018. In addition, application to TÜBİTAK was finalized with the new artificial intelligence project initiated in 2017 to digitalize financial analysis.

Yapı Kredi Technology is a partner to the globally sponsored EDI (European Data Incubator) project, an ICT initiative launched as part of Horizon 2020. This project aims to improve big data and data technologies across different countries and sectors (retail, finance, transportation, media, energy).

With the intention to contribute to its surrounding ecosystem along with R&D efforts, in 2017-2018, Yapı Kredi Technology cooperated with ITU Computer Engineering Department in the “Graduation Projects Partnership” program.

In 2018, Yapı Kredi Technology intends to become the first bank to spring to mind in terms of artificial intelligence and mobile banking technologies, as a result of the investments in development of the people, R&D and technology.

Customer Experience Research

Customer Experience Research

Yapı Kredi carries out all investments with a customer-oriented approach. With a view to assessing customer satisfaction, customer experience is monitored on a daily basis. To this end, customers, who perform transactions at the branch and Customer Relations Center, are contacted the day after. Through this service, in 2017, an approximate 570 thousand customers shared their views on the service they receive from Yapı Kredi.

Aside from channel/service based operational performance, Yapı Kredi measures and follows up customer experience with emphasis on “customer perception” as well. To serve this end, Customer Experience Committees actively follow up the “Customer Experience index” calculated with indicators related to both operational services and customer perception. The said platform adopts a holistic approach to customers experience with the Bank and carries out work to enhance this experience.

Holding customer satisfaction always at the heart of its strategies, Yapı Kredi also attaches significant importance to measuring, following up and boosting internal customer satisfaction. In an effort to raise internal service quality and monitor employee experience, Yapı Kredi makes enquiries to follow up experiences of all Bank employees with the departments they are related with. Also organized are events such as “A Day in the Head Office” for branch employees and “A Day in the Branch” for Head Office staff. The activities aim at boosting cooperation and a better understanding of various positions in the Bank. In 2017, senior managers assigned as mentors continued to visit branches as part of the Regional Mentoring program. The feedback gathered from these visits are shared with related managers and follow with action plans.

Corporate Social Responsibility

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations. The Bank develops its own social responsibility projects in line with the needs and expectations of the society. Furthermore, Yapı Kredi supports the active engagement of its stakeholders and provides support to societal activities undertaken by its main shareholders, Koç Holding and UniCredit. Since its foundation in 1944, Yapı Kredi has been supplementing the investments made in education, culture & arts, environment and sports through innovative social responsibility projects seeking lasting solutions to social problems and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to enable wider audiences to benefit from these projects.

Cultural and Arts Projects

Yapı Kredi Culture, Arts, Publishing: Yapı Kredi Publications published 256 new titles and 1,165 reprints in 2017. At the end of 2017, it had maintained its position as a major actor in the publishing world with its total of 5,005 titles printed since the inception of the company. While the share of children's publications within its range of categories steadily increased, the 110 school activities the company organized over the year brought together students, teachers, librarians, authors and editors alike. The 130 activities the new building of Yapı Kredi Culture and Arts organized during the year and the “Helix” exhibition that was held reached a wide audience of art lovers as the Center continued to occupy a significant place in the world of culture and arts in Turkey. In line with its mission to support educational projects and endeavors in culture and the arts with an eye to raising Turkey's general standard of living, Yapı Kredi Culture & Arts Publishing is now also focusing on producing audiobooks, a line of publication that is still in the development stage in Turkey today. As of the end of 2017, the enterprise made a significant contribution by making 313 audiobooks accessible to the visually impaired.

Yapı Kredi Afife Theater Awards: Hailed as the most prestigious and the longest-lasting arts award, Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater who have dedicated their lives to this art form transparently vote on plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.

Çatalhöyük Excavations: The Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for a long period in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya at an altitude of 21 meters, Çatalhöyük Hill houses secrets from 9,000 years ago. Every year in August and September, a team of around 200 from all over the world perform excavations at Çatalhöyük, one of the most important and impressive archaeological sites in the world. The 2017 excavation season marked a period in which new perspectives were adopted and significant finds were brought to light at Çatalhöyük, included in the UNESCO World Heritage List.

Projects for Citizens with Disabilities

Enabled Banking: Initiated in 2008 as the first and most comprehensive Enabled Banking Program in Turkey, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making Turkey's finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers. Working in cooperation with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities), Yapı Kredi adds value to the lives of disabled citizens. Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 313 books were transferred onto the digital media, converted into audio books and made available 7/24 to disabled citizens on the phone as of the end of 2017.

In the project "Speaking is in our Hands," which was started in cooperation with the Federation of the Hearing Impaired, 300 volunteers from the branches were provided with sign language training. In 2009, we initiated Enabled ATM's for the orthopedically disabled and in 2010 for the visually impaired. Yapı Kredi facilitates the lives of its orthopedically and visually impaired customers via Enabled ATMs throughout Turkey. One of the projects started in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2017, a total of 5 disabled individuals were employed by Yapı Kredi.

I Know No Barriers for My Country: Yapı Kredi sustained its support to the project 'I Know No Barriers for My Country' led by Koç Holding. The Bank provided 4,127 employees with distanced training called 'The Right Approach to Disability' as of the end of 2016. By the end of 2016, the physical conditions of 10 schools were improved to ensure better access for disabled students through the "Koç for My Country Variable Fund".

Sustainability and Yapı Kredi

Sustainability Structure: Within the scope of studies conducted under the coordination of Yapı Kredi’s Sustainability Committee, sub-working groups specialized in different subjects were established. The Sustainability Governance System Project was initiated to integrate sustainability principles into all of the Bank’s operations.

Sustainability Report: Yapı Kredi prepared and published the 2016 Sustainability report in accordance with the Global Reporting Initiative (GRI) Standards core option.

BIST Sustainability Index: Yapı Kredi succeeded in becoming one of the 44 companies included in Borsa Istanbul's BIST Sustainability Index as a result of its successful performance in the areas of environmental, social and corporate governance in the assessment made by the London-based Ethical Investment Research Service (EIRIS).

Carbon Disclosure Project: As a symbol of the importance Yapı Kredi places on climate change, the bank participated in the Carbon Disclosure Project Climate Change Program for the second time in 2017.

Gender Equality for My Country: Yapı Kredi plays an active role in the project "I Support Gender Equality for My Country" which was started in June 2015 under the leadership of Koç Holding. This project aims to raise awareness on the reasons and consequences of gender inequality. As part of the project, voluntary trainers provide awareness training to employees in the Head Office and in branches. "Koç for My Country Variable Fund" started a project entitled "When Fathers Change, Society Changes" together with AÇEV (Mother Child Education Foundation) in 2016. In 2017, 780 fathers in 13 provinces were provided with education on domestic gender equality.

Educational Projects

I Read, I Play: In cooperation with the Educational Volunteers of Turkey Foundation (TEGV), Yapı Kredi conducts the "I Read, I Play" project that was launched in 2006 to give underprivileged elementary school children the chance to benefit from extracurricular activities. More than 6,100 volunteers at TEGV's 67 activity points around the country, including 10 education parks, 38 schools and 19 Firefly learning units are implementing the project. This project reached more than 178 thousand children by the end of 2017.

Environmental Projects

Recycling Project: Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources. In 2017, more than 1 million kilograms of paper, more than 7 thousand kilograms of plastic, approximately 10 thousand kilograms of glass and over 32 thousand kilograms of metal were collected for recycling. Furthermore, Yapı Kredi prevented the emission of more than 105,677 tons of greenhouse gases, saving over 19,620 trees, 30,519 cubic meters of water, 124,753 kWh of energy and 30.9 tons of crude oil.

ISO 14064: Yapı Kredi annually continues the ISO 14064 Greenhouse Gas Emissions Reporting certification process initiated in 2011. The certification process for 2016 was completed in 2017.

ISO 14001: Yapı Kredi has successfully completed in 2017 the inspections for maintaining the validity of the ISO 14001 environmental management system certification process for the general management buildings and the Yapı Kredi Plaza D-Block and Banking Base.

Relations with the Academic Community

Anatolian Scholars: Yapı Kredi continued to sponsor Koç University's Anatolian Scholarship Program, which was founded in 2011, raising the number of scholars supported in this program to 8 in 2017.

Yapı Kredi Banking and Insurance Academic Program: In 2015, Yapı Kredi undertook another first in the field of education and collaborated with MEF University to launch the Yapı Kredi Banking and Insurance Associate Degree Program. The two-year associate degree program aiming to educate future bankers and finance specialists graduated 41 in 2017.

Yapı Kredi Vocational and Technical Anatolian High School: One of Yapı Kredi's important projects in the area of education is the Yapı Kredi Bank Vocational and Technical Anatolian High School located in Kocaeli – Çayırova which was launched in the 2008-2009 academic year. Its first graduates received diplomas in 2012 and today, more than 500 students study there in the Child Development and Education, Graphics and Photography, Information Technologies, Catering and Office Management divisions. Furthermore, in 2017, 20 students benefited from scholarships that had been instigated in 2012.

Part II

Bank Management and Corporate Governance Practices

Board of Directors

Ali Y. KOÇ
Chairman of the Board of Directors
Ali Y. Koç graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. Between 1990-1991, he attended the American Express Bank Management Trainee program. Between 1992 and 1994, he worked as an Analyst at Morgan Stanley Investment Bank. Between 1997-2006, Koç held various senior level positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group. Between 2006-2010, he was the President of the Corporate Communications and Information Technology Group. Koç has been a Board Member of Koç Holding since January 2008 and was named Vice Chairman in February 2016. He is also the Chairman of various Koç Group companies. Additionally, Koç contributes to the country's social and economic development by serving as President at URAK (International Competition Research Association) and as a Board Member at Endeavor Association and DEİK (Foreign Economic Relations Board). He is also the Vice Chairman of TÜSİAD (Turkish Industry and Business Association) and a Member of the Global Advisory Council of Bank of America, Harvard University and CFR. Koç has been Board Chairman of Yapı Kredi and Koç Financial Services since April 2016.

Carlo VIVALDI
Vice Chairman of the Board of Directors
Carlo Vivaldi graduated from University of Ca'Foscari (Venice, Italy) Department of Business Administration. He started his career in 1991 as Teller in Cassamarca, which merged into UniCredit in 1998. From 1993, he continued his career in various Planning and Control teams. In 2000, Vivaldi became responsible for Planning and Control for the New Europe Division (today's Central and Eastern Europe - CEE). In 2003, he became the Chief Financial Officer (CFO) of Koçbank/Koç Financial Services. In 2007, he became a Member of the Management Board and CFO of UniCredit Bank Austria (covering Austria and the CEE countries of UniCredit). He also became a Member to several Supervisory Boards in CEE subsidiaries. In 2011, Vivaldi was appointed as the Executive Director and Deputy CEO of Yapı Kredi. In 2015, he was appointed as the Head of CEE Division of UniCredit. In addition to being the Board Vice Chairman of Yapı Kredi and Koç Financial Services since February 2015, Vivaldi is also Supervisory Board Member in UniCredit Russia and UniCredit Foundation, a Board Member in UBIS (UniCredit Business Integrated Solutions) and a Member in UniCredit Executive Management Committee.

Gökhan ERÜN[1]
Executive Director and Chief Executive Officer (CEO)
Gökhan Erün earned his undergraduate degree from Istanbul Technical University Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. In 1994, Erün began his career at Garanti Bank Treasury Department. Between 1999-2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün served as the Deputy CEO of Garanti Bank since September 2015, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Niccolò UBERTALLI
Executive Director and Deputy CEO
Niccolo Ubertalli graduated from Politecnico di Torino (Turin, Italy) with a Bachelor's Degree in Material Engineering in 1996 and received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During his graduate program, he worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002-2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004-2006, Ubertalli worked at MBNA (USA and UK) as First Vice President. Between 2006-2009, Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit as the Chief of Staff for Group CEO and between 2011-2012, as the Head of Group Consumer Finance. In 2012, he moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012-2015, he was a Member of Management Board for UniCredit Tiriac as well as Member of Supervisory Boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. As of February 2015, Ubertalli has continued his career in Yapı Kredi as Executive Director in Board of Directors and Deputy Chief Executive Officer (CEO). In addition, Ubertalli is the Deputy CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

F. Füsun AKKAL BOZOK
Member of the Board of Directors
F. Füsun Akkal Bozok has a MBA degree from Boğaziçi University in Faculty of Administrative Sciences and a Ph.D. from Istanbul University in Faculty of Administration. She began her career at Arthur Andersen Audit Company in 1980. Bozok joined Koç Group in 1983 as an Associate and Coordinator Assistant in the Audit and Financial Group Division. In 1992, she

was appointed as the Audit and Financial Group Coordinator, a position which she held for 11 years. Between 2003-2006, she worked as the Finance Group Director. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Bozok is also an Assistant Professor at Sabancı University and an Independent Board Member at Akiş GYO ve Bizim Toptan.

Ahmet F. ASHABOĞLU
Member of the Board of Directors
Ahmet F. Ashaboğlu holds a Bachelor of Science degree from Tufts University and a Master's of Science degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT. Between 1996-1999, Ashaboğlu held various positions in capital markets within UBS Warburg, New York. Between 1999-2003, he worked as a Consultant at McKinsey & Company, New York. In 2003, Ashaboğlu joined Koç Holding as Finance Group Coordinator. Since 2006, he has been serving as the CFO of Koç Holding. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Ashaboğlu is also a Board Member at Yapı Kredi Koray Real Estate Investment Trust and various Koç Group Companies.

Levent ÇAKIROĞLU
Member of the Board of Directors
Levent Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He earned a Master's degree at the University of Illinois. In 1988, Çakıroğlu began his professional career as an Auditor at the Ministry of Finance. Between 1997-1998, he taught as a part-time instructor at Bilkent University and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. In 1998, Çakıroğlu joined Koç Holding as Financial Coordinator. Between 2002-2007, he served as the General Manager of Koçtaş, between 2007-2008 as General Manager of Migros, between 2008-2015 as General Manager of Arçelik and between 2010-2015 as President of the Consumer Durables Group at Koç Holding. In February 2015, Çakıroğlu was appointed as Deputy Chief Executive Officer of Koç Holding. He has been the Chief Executive Officer (CEO) of Koç Holding since April 2015 and a a Member of Koç Holding Board of Directors since 2016. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since April 2015, Çakıroğlu is also a Board Member at various Koç Group Companies.

Mirko D. G. BIANCHI
Member of the Board of Directors
Mirko D. G. Bianchi earned a Masters in Science degree in Chemical Process Engineering from Swiss Federal Institute of Technology. In 1991, he also got his MBA in Marketing & Finance from Fordham University (New York). Bianchi started his career at BCI Capital (New York) as an Equity Analyst. Between 1993-1998, he worked as Senior Analyst (Vice President) at Moody's Investors Service. In 1998, Bianchi joined Deutsche Bank Securities as a Director at the Global Debt Capital Markets Department. Between 2000-2009, he worked at UBS Investment Bank (London) as Managing Director and Global Head of Ratings Advisory. In October 2009, Bianchi joined UniCredit as Head of Group Finance in the CFO department and Co-Head of the Group Treasury. Between June 2015-September 2016, he was appointed as CFO for Austria & CEE of UniCredit Bank Austria and served as Member of the Management Board. In September 2016, Bianchi was appointed as the CFO of UniCredit. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since July 2015, Bianchi is also a Board Member at some UniCredit Group Companies.

Giovanna VILLA
Member of the Board of Directors (Independent)
Giovanna Villa earned her Bachelor's degree in Financial Administration from Bocconi in 1991 and obtained a Certified Public Accountant (CPA) certificate in 2000. Between 1991-1995, Villa worked as a Senior Auditor at Pricewaterhouse Coopers. Between 1995-1997, she was an Assistant in the administration department at Santavaleria (an Italian listed company). In 1997, Villa provided accounting consultancy to SME companies. Between 2009-2011, she worked as an Assistant to the Internal Auditor at Aler Azienda Lombarda Edilizia Residenziale. Since 2000, Villa has been a Member of the Audit Committee for several companies such as Lenovo Italy, Ritrama Group, Sias Monza Circuit, Lux Vide and Malvestiti. In 2017, she has been appointed as Statutory Auditor in Sias Group and Sintesi, Italian listed companies. Villa has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Giuseppe SCOGNAMIGLIO
Member of the Board of Directors
Giuseppe Scognamiglio obtained a Law Degree from University of Naples in 1987. He started his career as a Junior Professor in International Law and Law of the European Community. In 1989, Scognamiglio entered diplomacy by starting to work for the Italian Ministry for Foreign Affairs. Between 1989-1992, he coordinated the Government Human Rights policies to the United Nations. Between 1992-1995, he was the Italian Consul in İzmir – Turkey. Between 1996-1999, he was the Political and Press Counselor at the Italian Consulate in Buenos Aires - Argentina. Between 1999-2001, he served as Counselor for Foreign Policy of the Minister for Industry and Foreign Trade and as the Chief of Staff of the Minister for Foreign Affairs. Between 2001-2003, he was the Italian Delegate to the "Bureau International des Expositions". In July 2003, Scognamiglio joined UniCredit. Since 2010, he has been a Member of the Management Board, Executive Vice President for Group Institutional & Regulatory Affairs and a Member of the Steering Committee of Italian Banks Association. He is also the Chairman of the Editorial Company "EuropEye", which publishes and distributes, among others, the bimonthly magazine of international policy and economy "Eastwest", of which he was appointed as Editor in January 2016. Scognamiglio is also a

Board Member of "L'AltraNapoli" Association and was previously a Board Member of "Save the Children Italy" until 2015. Scognamiglio has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Gianfranco BISAGNI
Member of the Board of Directors

Gianfranco Bisagni holds a degree in Business Administration from Royal Melbourne Institute of Technology. He started his career in the Italian UniCredit network and shortly thereafter, moved to the United States. His first appointment was in the Chicago office. He was than relocated to New York, where he took over as Deputy Chief Manager for the UniCredit New York branch, responsible for all the representative offices in North and South America. In 2001, he was named Chief Manager of UniCredit´s Hong Kong branch and in 2008, Head of Corporate Banking Asia Pacific & Chief Manager Hong Kong branch. In 2010, he started to serve as Head of Corporate and Investment Banking & Private Banking at UniCredit Tiriac Bank Romania, where he was also appointed a Member of the Management Board. Between 2011 and 2015, he acted as Head of Central and Eastern Europe (CEE) Corporate and Investment Banking and as Deputy Head of CEE Division of UniCredit. In April 2015, he was appointed as the Deputy and in September 2016, as the Co-Head of Corporate and Investment Banking. Bisagni has been Board Member of Yapı Kredi and Koç Financial Services since October 2016.

Adil G. ÖZTOPRAK
Member of the Board of Directors (Independent)

Adil G. Öztoprak graduated from Ankara University - Faculty of Political Science, Finance and Economics Department. Between 1966-1975, Öztoprak served at the Ministry of Finance as an Auditor. In 1975, he was appointed as the Assistant General Manager of Budget and Fiscal Control Department. After 1976, served as a Financial Coordinator and Chief Executive Officer at many companies. Between 1993-2000, Öztoprak was a Partner at Başaran Nas Yeminli Mali Müşavirlik (PricewaterhouseCoopers). Öztoprak, a Certified Public Accountant since 2000, served as a Statutory Auditor at Yapı Kredi, Yapı Kredi Insurance, Yapı Kredi Pension, Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Invest. Between March 2014-July 2016, he was a Board Member at Goodyear Lastikleri T.A.Ş. In addition to being a Board Member at Yapı Kredi and Koç Financial Services, Öztoprak is also an Independent Board Member at Yapı Kredi Koray Real Estate Investment Trust.

Wolfgang SCHILK
Member of the Board of Directors (Independent[2])

Wolfgang Schilk graduated from University of Wien Law School in 1992 and completed his postgraduate management trainee program at Creditanstalt- Bankverein (CA-BV). Between 1994-1996, he worked at CA-BV as the Restructuring and Workout Manager responsible for Corporate Banking. Between 1996-2004, Schilk worked as the Head of Credit Unit at Bank Austria Creditanstalt. In 2004, he became the Head of Regional Office responsible for Corporate Banking. In 2006, he worked as the Head of Regional Office responsible for Private and SME segments. Between 2007-2010, he was the Head of Risk Management responsible for Private and SME segments in Bank Austria. Between 2010-2016, Schilk served as the CRO of Yapı Kredi. In September 2016, he was appointed as UniCredit Chief Risk Officer (CRO) for Central and Eastern Europe (CEE) region. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since October 2016, Schilk is also Supervisory Board Member at UniCredit Bank Czech Republic & Slovakia and Zagrebacka Banka.

A. Ümit TAFTALI
Member of the Board of Directors

A. Ümit Taftalı earned his B.S. in Finance from Ball State University (Indiana) and his MBA degree from University of South Carolina. He also participated in senior executive programs at Harvard University. Taftalı is an investment banker and wealth manager with over 30 years of international experience. He has worked in executive positions in Atlanta, New York and London for Merrill Lynch & Company, Bankers Trust Company and Goldman Sachs International. Taftalı has been representing and advising Mrs. Suna (Koç) Kıraç since 2001 and has been a Member of Koç Holding Executive Committee. He is also Board Chairman of Kare Portföy and a Board Member at Kıraça Holding. Taftalı is or has been Board/Founding Member of various philanthropic and professional organizations such as Suna-İnan Kıraç Foundation, Educational Volunteers Foundation of Turkey (TESEV), Turkish Industrialists and Businessmen Association (TÜSİAD), Saint Joseph Educational Foundation, Educational Volunteers Foundation of Turkey (TEGV), Galatasaray Sport Club, American Finance Association (USA), Financial Management Association (USA), Museum of American Financial History (USA), Ball State University Foundation (USA), Turkish Bankers Association (UK), University of South Carolina Foundation (USA). Taftalı has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

(1) Based on Board resolution dated 27 December 2017; Gökhan Erün is appointed as Executive Director and Chief Executive Officer (CEO) to replace H. Faik Açıkalın who resigned on 29 December 2017.
(2) Based on Capital Markets Board's Item 6(3)a of the Communique Serial II-17.1 on Corporate Governance, Wolfgang Schilk, Chairman of the Audit Committee is deemed as Independent Board Member

Notes:

The members of the Board of Directors each have a one-year term of duty. Appointments of members are set out annually at the Annual Shareholders' Meeting.

Ali Y. Koç, Ahmet F. Ashaboğlu, Levent Çakıroğlu and A. Ümit Taftalı, who are members of the Board of Directors, are also members of Board of Directors at other Koç Group companies due to their positions in Koç Holding.

Carlo Vivaldi, Mirko D. G. Bianchi, Giuseppe Scognamiglio, Gianfranco Bisagni and Wolfgang Schilk, who are members of the Board of Directors, are also members in other UniCredit companies due to their positions in UniCredit Group.

Senior Management

H. Faik AÇIKALIN[1]
Chief Executive Officer (CEO)
After earning a BS degree in Business Administration from Middle East Technical University, Faik Açıkalın began his banking career in 1987 as a Management Trainee at Interbank. He subsequently worked in various positions including Internal Auditor, Relationship Manager, Branch Manager and Marketing Manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank. In May 1998, he joined Dışbank (which was later renamed Fortis following its acquisition by the eponymous international finance group) as Executive Vice President. Later that year, he was appointed Chief Operating Officer (COO) responsible for the coordination and communication between the Board of Directors and business units. He also assumed the position as a Member of the Credit Committee. In June 1999, Açıkalın was appointed as Deputy CEO and member of the Board of Directors. In December 2000, he became CEO of Dışbank. Following the acquisition of the majority shares of Dışbank by Fortis in July 2005, he continued to serve as CEO of the bank when it was renamed Fortisbank and was appointed member of the Fortis Global Management Committee and Fortis Global Retail Management Team. In October 2007, he resigned from his duties at Fortisbank and became CEO at Turkey's largest newsprint media holding company, Doğan Media. In April 2009, Açıkalın was appointed as Executive Director of Yapı Kredi's Board of Directors and was also appointed as Chairman of the Executive Committee. Serving as Yapı Kredi's CEO since May 2009, in addition to his current role, in 2010 Açıkalın was also appointed as CEO of Koç Financial Services. Also as of August 2011, Açıkalın became the President of Koç Holding's Banking and Insurance Group. At the same time, Açıkalın serves as Chairman of Yapı Kredi Malta, Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow, Yapı Kredi Koray Real Estate Investment Trust, Koç Finance, as Vice Chairman of Banque de Commerce et de Placements S.A. and Allianz Yaşam ve Emeklilik and as Director of the Banks Association of Turkey.

Niccolò UBERTALLI
Executive Director and Deputy CEO
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Yakup DOĞAN
Assistant General Manager - Alternative Delivery Channels
After graduating from the Faculty of Business Administration at Çukurova University, Yakup Doğan started his career at İşbank as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Doğan joined Koçbank as Alternative Delivery Channels Manager. With the merger of Yapı Kredi and Koçbank in 2006, Doğan held the position of Alternative Delivery Channels Executive Vice President in Yapı Kredi. Doğan has been Assistant General Manager in charge of Alternative Delivery Channels at Yapı Kredi since May 2009.

Cahit ERDOĞAN
Assistant General Manager - Information Technologies and Operations Management
After graduating from Istanbul Technical University Faculty of Mechanical Engineering, Cahit Erdoğan earned his MBA degree from Rochester Institute of Technology. Erdoğan started his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst. In 2000, Erdoğan joined Accenture Turkey office as a Management Consultant and was later promoted to Manager and Senior Manager. In February 2008, he was appointed as Turkey Country Lead for the Management Consulting practice of Accenture. Erdoğan joined Yapı Kredi in 2009 as Chief Information Officer (CIO). As of July 2013 he assumed the position of Assistant General Manager in charge of Information Technologies and Operations at the Bank. Mr. Erdoğan is a member of the Executive Committee of Yapı Kredi since July 2013 and also the chairman of the Board of Directors of Yapı Kredi Teknoloji A.Ş. since May 2015.

M. Murat ERMERT[2]
Assistant General Manager - Corporate Communications
Having graduated from Marmara University's Business Administration department, Murat Ermert began his career at Leo Burnett Advertising Agency in 1987. He later worked at Yapı Kredi between 1989-1993 as Advertising Unit Manager. From 1994 on, he worked for Doğan Media Group as Media Marketing Manager. In 1996, he assumed the role of Advertising and Public Relations Coordinator at Demirbank. Ermert joined to Dışbank (later Fortis) as Assistant General Manager, Corporate Communications. After the acquisition of Dışbank by Fortis he also served at the Fortis Global Marketing and Communications Management (Brussels). Being a faculty member at both Anadolu University and Bahçeşehir University in the recent years, he is one of the founding members of Turkish Association of Corporate Communications Directors and a member of European Association of Communications Directors (EACD). Ermert has been Assistant General Manager in charge of Corporate Communications at Yapı Kredi since July 2008.

Nurgün EYÜBOĞLU
Assistant General Manager - Corporate and Commercial Credits
After graduating in 1991 from Boğaziçi University Faculty of Administrative Sciences with a Degree in Economics, Nurgün Eyüboğlu began her career in İktisat Bankası as Management Trainee in the same year. She joined Koçbank in 1993 and worked as Branch Manager until 2004. With the merger of Yapı Kredi and Koçbank in 2006, Eyüboğlu held the position of

Head of Corporate and Multinational Companies in Yapı Kredi until 2009. In February 2009, she was appointed as General Manager of Yapı Kredi Leasing. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits since February 2013. Eyüboglu is also a member of the Board of Directors of Yapı Kredi Faktoring and Yapı Kredi Leasing.

Massimo FRANCESE

Assistant General Manager - Financial Planning and Administration (CFO)

Massimo Francese, graduated in Economics from Università Cattolica in Milan (Italy) and joined Credito Italiano in 1991 as Customer Relationship Manager. He experienced different positions in Organisation, Audit, Planning and Control functions in the following years. In 2005, he became Head of Group Planning at UniCredit. He continued his career at UniCredit Family Financing Bank between 2007 and 2010 as Chief Financial Officer. In November 2010, he moved to UniCredit S.p.a. as Head of Value Management & Planning for Consumer Finance business. In 2012, Mr. Francese assumed the position of CEO and Chairman of the Management Board in UniCredit Consumer Financing EAD in Sofia (Bulgaria) where he worked until the February 2016. He has been appointed as Chief Financial Officer and Member of the Executive Committee at Yapı Kredi Bank A.Ş. as of March 1st, 2016.

Mehmet Gökmen UÇAR

Assistant General Manager - Human Resources and Organisation

Mehmet Gökmen Uçar graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Economics Department in 1998. Between 1998 and 2002, he worked in Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş. (PwC) as an Independent Auditor and obtained the Certified Public Accountant qualification. He joined Koçbank in 2002 and worked at Budget Control and Planning as Budget Planning and MIS Supervisor until 2005. Between 2005 and 2007, he took several management responsibilities over strategy, budgeting and planning areas under UniCredit Group in Italy, Germany and Austria. He returned to Yapı Kredi in 2008 and worked as Capital Management, Cost Control and Allocation Supervisor, Head of Financial Reporting and Vice President in charge of Financial Reporting and Accounting, respectively. In 2011, he was appointed as Financial Reporting and Accounting Executive Vice President. Between 2012 and 2015, he worked as Assistant General Manager responsible for Retail Credits and also he was a Member of the Board of Directors at KKB simultaneously. He has been Assistant General Manager responsible for Human Resources and Organization since January 2016. He is also Member of the Executive Committee at Yapı Kredi.

Mert ÖNCÜ

Assistant General Manager – Treasury and Financial Institutions

Mert Öncü graduated from Istanbul Technical University, Electronics and Telecommunications Department (majoring in Biomedical Electronics) in 1992. He received his MBA degree majoring in finance from DePaul University, Chicago in 1994 and his Ph.D. in 2001 from Marmara University Banking and Insurance Institute. He completed the Advanced Management Program of Harvard Business School in 2017. Öncü worked as a graduate assistant in Depaul University and also as an intern in the Chicago Mercantile Exchange between 1992-1994. He started his banking carrier in the Treasury Department of Koçbank in 1994. Koçbank later merged with Yapı Kredi Bank in 2006. Öncü took different responsibilities in Treasury and has experiences in Asset Liability Management, foreign currency & rates trading, bonds, money markets, derivatives, structuring, debt capital markets and correspondent banking. He served as a board member and vice chairman on the Board in Izmir Futures and Options Exchange until its merger with Borsa Istanbul. Öncü has been working at Yapı Kredi Bank as Assistant General Manager responsible for Treasury and Financial Institutions and is a Member of the Executive Committee since May 2011. Öncü is also Board Member of Yapı Kredi Invest since 2018.

Mehmet Erkan ÖZDEMİR

Assistant General Manager - Compliance and Internal Control

After graduating from Middle East Technical University, Department of Economics in 1989, Mehmet Erkan Özdemir worked as a Sworn-in Bank Auditor on the Sworn-in Bank Audit Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Holding in August 2002 as Audit Coordinator in the Koçbank Audit Group, responsible for the financial companies of the Group. He started serving as Statutory Auditor at Koçbank in August 2002 and later at Yapı Kredi in September 2005. Özdemir was assigned as Compliance Officer and Assistant General Manager in charge of the Compliance Office in April 2008. Özdemir has been serving as Assistant General Manager in charge of Compliance and Internal Control since October 2013.

Giovanni AVANZI

Assistant General Manager - Internal Audit

After graduating in Economics, Giovanni Avanzi began his career at Arthur Andersen in 1995, where he acted as an external auditor and then as a consultant for the main Italian banks. In 2003, he joined the Internal Audit Department of UniCredit, responsible for auditing the UniCredit SpA and its subsidiaries with focus on the Market, Liquidity and Conduct risks. In 2006 Avanzi started up the Audit monitoring and reporting function, till 2009 when he became Head of Group Audit Methodologies responsible for re-engineering the audit processes and tools. In January 2014, he was appointed as Executive Director and Head of the Internal Audit at Bank Pekao in Poland. In 2017, he took on the responsibility of Assistant General Manager for Internal Audit at Yapı Kredi. Avanzi owns the CIA, CRMA and QA certificates.

Cemal Aybars SANAL
Assistant General Manager – Legal Affairs
After graduating from Istanbul University Faculty of Law, Cemal Aybars Sanal began his career in 1986 at Sanal&Sanal Law Firm as Partner. Between 1992 and 1995, he worked at Shell Company of Turkey Limited as an Attorney, between 1995 and 1998 at White&Case Law Firm as an Attorney, between 1998 and 1999 at Shell Company of Turkey Limited as Chief Legal Counsel and a Member of the Board of Directors, between 1999 and 2006 at Boyner Holding as Chief Legal Counsel and Vice President. After working as a freelance attorney between 2006 and 2007, Sanal worked at ELIG Law Firm as Senior Consultant from 2007 to 2008. Sanal has been Assistant General Manager in charge of Legal Affairs at Yapı Kredi since July 2008.

Patrick Josef SCHMİTT
Assistant General Manager - Risk Management (CRO)
Mr. Patrick Schmitt, graduated from University of Cologne, Germany and completed a masters programme at Community of European Management Schools (CEMS) in 2001. Mr. Schmitt started his professional career at UniCredit Bank Germany as a Relationship Manager for MidCap Corporate Customers. In 2005, Mr. Schmitt took a position as Executive Assistant to the Chief Risk Officer at UniCredit Bank which he held until 2007. Between 2007 and 2014, Mr. Schmitt worked as Head of Credit Underwriting for Machinery, Metal, Construction and Automotive Industry at UniCredit Bank. Later in 2014, Mr. Schmitt was appointed as Chief Risk Officer at UniCredit Bulbank Bulgaria. Mr. Schmitt has been working as Assistant General Manager for Risk Management and as a member of the Executive Committee at Yapı Kredi since October 2016. Mr. Schmitt is also a member of the Board of Directors of domestic and foreign subsidiaries of Yapı Kredi.

Zeynep Nazan SOMER ÖZELGİN[3]
Assistant General Manager - Retail Banking
After graduating from the Faculty of Business Administration at Boğaziçi University, Zeynep Nazan Somer Özelgin joined Arthur Andersen in 1988 as an Independent Auditor and obtained her Certified Public Accountant certificate. Between 1999 and 2000, she worked as Partner in charge of the finance sector. She joined Yapı Kredi in September 2000 as Assistant General Manager in charge of Individual Banking. Between 2003 and 2009, she served as Assistant General Manager in charge of Credit Cards and Consumer Lending. Somer Özelgin has been Assistant General Manager in charge of Retail Banking at Yapı Kredi and a Member of the Executive Committee since February 2009. In addition, she has been a Member of the Board of Directors of Yapı Kredi Bank Azerbaijan since September 2012 a member of the Board of Directors of Tanı Pazarlama A.Ş since March 2014 and a member of the Board of Directors of Unicredit Bank Romania since October 2017.Furthermore, Somer Özelgin has been a Board Director of Visa Europe since May 2003 till June 2016 and a Board Director of 441 Turst Company Limited since June 2016 till December 2017. Throughout her career, Mrs. Somer Özelgin also assumed responsibilities as Board Member and Chairwoman of KKB (Turkish Credit Bureau) and BKM (Turkish Interbank Card Center).

Feza TAN[4]
Assistant General Manager - Corporate and Commercial Banking
After graduating from the Department of Economics at Boğaziçi University in 1993, Feza Tan began her professional career at Yapı Kredi as a Management Trainee in Corporate and Commercial Credits and served in various positions in the same department between 1993 and 2006. In 2006, she was promoted as Head of Corporate and Commercial Credits Underwriting. In February 2009, Tan became Assistant General Manager in charge of Corporate and Commercial Credits. Tan has been Assistant General Manager in charge of Corporate and Commercial Banking since February 2013 and a Member of the Executive Committee since January 2013. Tan is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta

Demir KARAASLAN
Assistant General Manager - Retail Credits
Mr Karaaslan graduated from Marmara University, Business Administration department in 1999. Between September 1999 and December 2004, he worked at PricewaterhouseCoopers (PwC) where he joined as an Assistant Auditor and promoted to Audit Manager. He continued his career at Koçbank between 2005 and 2006 as Head of Budget & Planning. In 2006, following the merger of Koçbank and Yapi Kredi Bank, he was appointed as Vice President responsible from Planning & Control. He has been the Head of Planning & Control since 2010 and promoted as Executive Vice President in 2011. Starting from January 2016, he was appointed as Assistant General Manager in charge of Retail Credits. Throughout his career, Mr Karaaslan also assumed the positions of Statutory Auditor and member of Board in several subsidiaries of Yapi Kredi Bank. Karaaslan is also a board member of Credit Bureau and a member of The Banks Association of Turkey Risk Center.

Mert YAZICIOĞLU[3]
Assistant General Manager - Private Banking and Wealth Management
Mert Yazıcıoğlu graduating from German High School after that he graduated from Istanbul Technical University Department of Business Engineering in 1989 and graduated from Istanbul Technical University Business Administration Faculty in 1994. He started his business life in 1989 at Koçbank in the Customer Relations Department in Istanbul Central Branch. In 1990, Yazicioglu served as Junior Dealer, Dealer, Senior Dealer, Department Manager, Treasury Department in 1996 and Group Manager in TL / FX management in Fund Management in 1996 and became Deputy General Manager in charge of Treasury Management in 1999. Mr. Yazicioglu has been Assistant General Manager responsible for Treasury

Management at Yapı Kredi between February 2006 and May 2011 and has been Assistant General Manager responsible for Private Banking and Asset Management as of May 2011.

(1) Based on Board Resolution dated 27 December 2017, Gökhan Erün was appointed as Executive Director and Chief Executive Officer (CEO) as of 15 January 2018 (replacing H. Faik Açıkalın who retired from his position in Yapı Kredi as of 29 December 2017)

(2) Mehmet Murat Ermert, Assistant General Manager in charge of Corporate Communications, resigned his position as of 2 January 2018. No appointment 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) Based on Board Resolution dated 16 February 2018, the Board decided to apply to BRSA in order to appoint Erhan Adalı to the position of Assistant General Manager responsible for Corporate and Commercial Banking (replacing Feza Tan who resigned from her position in the same day)

Board of Directors and Committees

Board of Directors

The Board of Directors convenes upon the request of the Chairman when necessitated by the Bank's business. The Board of Directors reviews and decides on the corporate agenda, as authorised by the Articles of Association of the Bank, laws and regulations. In 2017, the Board of Directors convened 11 times with the required majority and quorum satisfied.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular bi-weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2017, the Executive Committee convened 21 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members		
Chairman	Gökhan Erün[1]	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Patrick Josef Schmitt	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Feza Tan[2]	Assistant General Manager - Corporate and Commercial Banking
Member	Serkan Ülgen[3]	Assistant General Manager - Retail Banking
Member	Mert Yazıcıoğlu[4]	Assistant General Manager - Retail Banking Sales
Member	M. Gökmen Uçar	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Mert Öncü	Assistant General Manager - Treasury

(1) Based on Board Resolution dated 27 December 2017, Gökhan Erün was appointed as Executive Director and Chief Executive Officer (CEO) as of 15 January 2018 (replacing H. Faik Açıkalın who retired from his position in Yapı Kredi as of 29 December 2017)

(2) Based on Board Resolution dated 16 February 2018, the Board decided to apply to BRSA in order to appoint Erhan Adalı to the position of Assistant General Manager responsible for Corporate and Commercial Banking (replacing Feza Tan who resigned from her position in the same day)

(3) Based on Board Resolution dated 22 September 2017, Serkan Ülgen was appointed as Assistant General Manager in charge of Retail Banking as of 1 January 2018 (replacing Z. Nazan Somer Özelgin who resigned from her position in Yapı Kredi due to a new assignment in UniCredit Group)

(4) Based on Board Resolution dated 22 September 2017, Mert Yazıcıoğlu, previously Assistant General Manager responsible for Private Banking and Wealth Management, was assigned as Assistant General Manager responsible for Retail Banking Sales as of 1 January 2018 (with the organization change, Private Banking and Wealth Management started to be managed under this management)

Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2017, the Credit Committee convened 51 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members		
Chairman	Gökhan Erün[1]	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	F. Füsun Akkal Bozok	Member of the Board of Directors
Member	Wolfgang Schilk	Member of the Board of Directors
Credit Committee Alternate Members		
Alternate Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Alternate Member	A. Ümit Taftalı	Member of the Board of Directors

(1) Based on Board Resolution dated 27 December 2017, Gökhan Erün was appointed as the Chairman as of 15 January 2018 (replacing H. Faik Açıkalın)

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2017, the Audit Committee convened 5 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members		
Chairman	Wolfgang Schilk	Member of the Board of Directors
Member	Giovanna Villa	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2017, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members		
Member	Mirko D. G. Bianchi	Member of the Board of Directors
Member	Adil G. Öztoprak	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2017, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members		
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

Report of the Board of Directors

Dear Shareholders,

For Yapı Kredi, one of the longest standing and strongest institutions in the banking sector, 2017 was a successful year despite uncertainties and fluctuations in the general business environment. As Turkey's fourth largest private bank in terms asset size, Yapı Kredi maintained its customer-centered, pioneering and innovation-oriented banking perspective in 2017.

In 2017, Yapı Kredi continued its strategy with the aim of strengthening its position in the sector and capturing long-term and sustainable profitability levels. Throughout the year, Yapı Kredi further increased its contribution to the financing of Turkish economy.

Yapı Kredi achieved positive results on profitability with balanced loan growth in accordance with its mid-term strategy. In 2017, net income increased by %33 (adjusted for one-off Visa sale gain) and return on tangible equity ratio improved by 170 basis points versus the previous year. The key element of this strategy is to use the Bank’s distribution network efficiently while focusing strongly on digitization to ensure sustainable performance. The fruits of this approach have been visible particularly in the accelerated customer acquisition over the past three years and in the increase in the number of transactions. Having acquired net 600 thousand new active customers in 2017, Yapı Kredi increased the number of digital customers by 1.1 million reaching 4.4 million in total.

While strengthening its sector positioning in 2017, Yapı Kredi also improved its financial performance by increasing its commercial efficiency. For Yapı Kredi, 2017 was a year where all digital channels were developed and enriched rapidly, with mobile banking taking the lead. A pioneer of banking sector’s digital transformation, Yapı Kredi continued to deliver innovations, such as money transaction via Siri and iMessage with voice or message, getting appointment from branches via Yapı Kredi Mobile and payment with Yapı Kredi Mobile using smart phones via POS in addition to current applications; “eye scan technology” and contactless cash withdrawal from ATMs via QR code.

Yapı Kredi achieved significant progress in 2017 in its sustainability efforts, an area of great importance for the Bank. Borsa Istanbul (BIST), in collaboration with the London-based Ethical Investment Research Service (EIRIS), designated Yapı Kredi as one of the corporations in the BIST Sustainability Index for the fourth consecutive year. Accordingly, Yapı Kredi became one of the 44 companies included in the index. This achievement is a direct result of the Bank's successful performance in environmental, social and corporate governance topics.

Building on its strong dedication to corporate governance, Yapı Kredi has increased its corporate governance rating, which is granted based on the principles set by the Capital Markets Board, from 9.34 in 2016 to 9.43; out of 10; in 2017.

Yapı Kredi's successful performance and superior service quality was confirmed by close to one hundred awards received in 2017 from many respected national and international organizations.

Dear Shareholders,

As we submit our 2017 annual report and financial statements for your review and approval, on behalf of the Board of Directors and myself, I would like to thank you, our esteemed shareholders, for your faith in Yapı Kredi.

On behalf of the Board of Directors,
Chairman of the Board
Ali Y. Koç

Human Resources Implementation

Candidate searches: Following the determination of needs in human resources, candidate searches are initiated through existing candidate database checks, recruitment platforms and internal announcements as well as head hunters. Following the publication of an internal announcement, a special candidate pool composed of existing employees is also prepared. Applications are assessed on the basis of criteria such as education, foreign language skills, work experience, technical and behavioral competences as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes activities in cooperation with university clubs to introduce the working environment and the business model of the Bank to university students, prepare them for business life and learn about their expectations.

Recruitment process: This process consists of competency-based interviews, assessment and evaluation tools and an employment proposal. Using the selected evaluation tools, the candidates are assessed and evaluated based on the technical and behavioral competencies required by their respective job posts. An English language proficiency test is also required for certain positions. The interview stage is aimed at determining whether candidates possess certain abilities (establishing communication, teamwork, etc.) required by the position to which they will be assigned and at observing them in role-playing throughout the process. These interviews take place with the Recruitment team and the relevant department in attendance. Candidates are also asked competency-based and behavior-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. The candidates who accept the job offer and start working sign a contract.

Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the bank's vision, mission and strategic objectives.

Senior management and employees receive fixed and performance-based income in accordance with the bank's Remuneration Policy. More detailed information is provided in Article 5.6 of the Corporate Governance Principles Compliance Report.

Support Services

- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. provide around 87 million printing services per year for credit cards and customer account statements
- Physical security services were provided by Ekol Grup Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti. (EKOL) as of 31 December 2017 with a total of 966 security personnel
- A total of 844 armed security personnel are located in the branches, 105 armed security personnel are situated in the Head Office and Regional buildings, 17 unarmed security personnel are positioned in the Bayramoğlu, Yeniköy Koru and Darıca buildings
- Alarm system monitoring, controlling and maintenance services for all technical and electronic security systems are provided by Elektromaks Elektronik ve Güvenlik Sistemleri San. Tic. Ltd. Şti.; fire alarm systems controlling and maintenance is provided by Protek Mühendislik Ltd. Şti.; card pass systems controlling and maintenance is provided by Senkron A.Ş.
- Support services for cash transportation, on-site and off-site ATM first-line maintenance services are provided by Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri (Bantaş), Loomis Güvenlik Hizmetleri (Loomis), Desmer Güvenlik Hizmetleri Ticaret (Desmer), And Tepe Savunma ve Güvenlik Sistemleri (Tepe)
- These firms provide Yapı Kredi Bank with the following:
  - Bantaş - 33 Cash Centers, 1,054 personnel and 290 armored vehicles
  - Loomis - 15 Cash Centers, 255 personnel and 80 armored vehicles
  - Desmer - 2 Cash Centers, 15 personnel and 5 armored vehicles
  - Tepe - 1 Cash Center, 11 personnel and 4 armored vehicles
- Altus Bilişim Hizmetleri A.Ş. and NCR Bilişim Sistemleri Ltd. Şti. provide second-line maintenance services for on-site and off-site ATMs.

Corporate Governance Principles Compliance Report

SECTION I - Declaration of Compliance with Corporate Governance Principles

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communique on Corporate Governance numbered II-17.1 which is currently in effect have been fully complied with and the non-mandatory principles have been mostly complied with. Despite full compliance with the non-mandatory Corporate Governance Principles is targeted, such full compliance has not been achieved yet due to reasons such as the practical challenges with some of the principles, the ongoing discussions both in our country and on the international platform in relation to compliance with some of the principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The principles that have not yet been implemented is worked on and it is planned that their practice will start after the completion of the administrative, legal and technical infrastructure work in a way to contribute to the efficient management of the Bank. Below in the relevant chapters are the explanations for Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covered the regulations of the CMB on the Corporate Governance Principles and with the communiques issued on the basis of this law were among the main efforts in the field of Corporate Governance in 2017. The Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communique on Corporate Governance. The Committees of the Board of Directors that are formed, continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communique on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communique. The communique also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communique also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, all of the Members of the Bank's Audit Committee were independent members in 2017, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

Among the Corporate Governance Principles, following main principles which have not been fully compiled and not mandatory in accordance to communique have been specified below detailed information on this respect is provided in the relevant chapters below. There is no conflict of interest arising from non-compliance with the said principles.

- In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.
- In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 14% in 2017.
- In relation to principle numbered 4.4.7, no limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors.
- In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

- In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice.

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) was increased to 9.43 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 28, 2017. The ratings in terms of main sections were set as 9.59 for Shareholders, 9.36 for Public Disclosure and Transparency, 9.74 for Stakeholders and 9.24 for the Board of Directors.

SECTION II - Shareholders

2.1. Investor Relations Unit

The functions at Yapı Kredi in relation to Investor Relations Unit are carried out in the following manner by Koç Financial Services (KFS) under Assistant General Manager for Compliance and Internal Control, the Subsidiaries and Shareholder Relations Unit and the Investor Relations Unit under Assistant General Manager for Financial Planning and Financial Affairs (CFO). During the year, all telephone and e-mail inquiries to both units were answered within the scope of the relevant legislation. Within the scope of relations with the Bank's shareholders, the Investor Relations Unit held around 250 meetings for investors, around 15 meetings for analysts and approximately 100 teleconferences, in addition to attending 21 conferences and 4 roadshows in order to meet existing and potential investors and ensure that shareholders are better updated on recent developments. Quarterly financial results were presented and shared 4 times during the year via quarterly teleconferences and questions by investors and analysts were answered by senior management.

The 2017 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on February 20, 2018 and was submitted to the Board of Directors of the Bank on the same date.

Functions of KFS, Subsidiaries and Shareholder Relations Unit are:

- To ensure that the correspondence on shares between the Shareholders and the partners and the information and documents that need to be kept in relation to shares within the scope of legislation are kept in a sound, safe and updated manner,
- To prepare the documents that need to be submitted to the shareholders for information and review in relation to the Annual Shareholders' Meeting and to take measures to ensure that the Annual Shareholders' Meeting is held in compliance with the relevant legislation, the Articles of Association and other regulations within the shareholding structure,
- To oversee and monitor the fulfilment of liabilities arising from the Capital Market legislation including all matters in relation to Corporate Governance and Public Disclosure.

Functions of the Investor Relations Unit are:

- To manage relations among national/international corporate investors/shareholders, banking analysts of intermediary agencies and partners, to inform them regularly and proactively, to answer their oral and written questions,
- To manage relations with the international credit rating agencies, to answer their oral and written requests for information,
- To manage all printed and web-based processes in relation to the issuance of the Bank's annual and interim reports and to coordinate the compilation of the contents in accordance with the legislation,
- To include the matters set forth in the Corporate Governance Principles in the Investor Relations section on the Bank's website and to keep information updated.

KFS, Subsidiaries and Shareholder Relations Unit

Head of the Unit	: Erdinç Tetik
Title	: Director of KFS, Subsidiaries and Shareholder Relations Unit
Licences	: Capital Market Activities Level 3 License, Corporate Governance Rating License and Derivative Instrument License
Telephone	: 0 212 339 64 31
E-mail	: erdinc.tetik@yapikredi.com.tr
Employees of the Unit	: Hasan Sadi* - Ercan Yılmaz

*Holds Capital Market Activities Level 3 License and Corporate Governance Rating License

Investor Relations Unit

Head of the Unit	: Kürşad Keteci
Title	: Corporate Strategy and Investor Relations Director
Telephone	: 0 212 339 72 73
E-mail	: kursad.keteci@yapikredi.com.tr
Employees of the Unit	: Hilal Varol* - Ece Oktar Gürbüz** - Arya Özçam - Can Aslankan*

* Holds Capital Market Activities Level 3 License
** Holds Capital Market Activities Level 3 License, Corporate Governance Rating License and Credit Rating License

2.2. Exercise of Shareholders' Right to Obtain Information

No discrimination is made among shareholders in terms of the use of the right to obtain and review information and all information except for trade secrets are shared with the shareholders. Questions received by the Investor Relations Unit are answered both by telephone and in writing upon establishing contact with the most senior individual related to the matter, except for information that are deemed to be confidential and trade secret. As explained in Chapter 3.1 of this report, all information and explanations that could impact on the use of shareholding rights are included in the corporate website. Yapı Kredi continuously communicates with and informs shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

Although the right to request a private auditor is not regulated in the Articles of Association as an individual right, each and every shareholder can place a request at the Annual Shareholders' Meeting, as per article 438 of the Turkish Commercial Code and even if such request is not included on the agenda, that specific cases are clarified through private audit whenever this is required in order to be able to exercise the shareholding rights and if the right to obtain and review information was exercised beforehand. Shareholders did not place a request to this end in 2017. According to the Banking Law, Yapı Kredi is subject to supervision and audit from Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations and the Bank's activities are periodically audited by the Independent Auditor elected in the Annual Shareholders' Meeting.

2.3. Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on March 28, 2017 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - İstanbul. Shareholders attended this meeting, that was open to the stakeholders and media representatives, with a 90,95% majority. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), the e-company and Electronic General Meeting System of the Central Securities Depository Institution (MKK).

The Board of Directors and Audit Committee Reports, Financial Statements and Independent Audit Report, Dividend Distribution Proposal for the year 2017, the Annual Report containing the date and the agenda of the Annual Shareholders' Meeting as well as the Corporate Governance Principles Compliance Report attached thereto and the articles of Annual Shareholders' Meeting Agenda, and the detailed annotation containing the Compliance to Capital Markets Board regulations were made available for the examination of shareholders at the Bank's Head Office and branches, on its website www.yapikredi.com.tr as well as at KAP and the Electronic General Meeting System of the MKK within the legal period of 3 weeks prior to the Annual Shareholders' Meeting.

Shareholders were informed of the donations and charities made in 2016 and a ceiling amount for the donations to be made in 2017 was determined by the General Assembly as TL 18,000,000. At the Annual Shareholders' Meeting, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items, there were not any raised a question which was supposed to be answered in written.

Minutes of the Annual Shareholders' Meeting can be accessed via the KAP, the Electronic General Meeting System and e-company portal of the MKK and on Yapı Kredi's website.

In 2017, there was not any proposal which was submitted by the shareholders to add an item to the agenda.

At the Board of Directors, there were no transactions for which an affirmative vote of the majority of the independent members of the Board of Directors was sought for making a decision and for which the decision was left to the General Assembly due to the fact that the said members cast a negative vote.

There were no cases in which the shareholders possessing management control, members of the board of directors, managers having administrative responsibilities and their spouses and relatives by blood and by marriage up to the second degree carried out a significant transaction that could cause conflict of interest with the company or its affiliates and/or carried out a transaction on behalf of themselves or others a business-like transaction that falls within the field of operations of the company or its affiliates or became an unlimited-liability partner of another company dealing with the same kind of business. At the same time, these individuals are pursuing their roles as Board Members in certain companies under Koç Holding and UCI Group, which may have the same area of activity with the company.

2.4. Voting and Minority Rights

Yapı Kredi has no privileged shares. There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the most recent Annual Shareholders' Meeting. Minority shares are not represented in management. Minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation.

2.5. Right to Dividend

As Yapı Kredi has no privileged shares, no privilege exists in dividend distribution. It is resolved at the annual general assembly dated 28.03.2017 that, after necessary legal reserves has been reserved from our bank profit of 2016, the rest of the amount be set aside as extraordinary reserve, dividend distribution has not been made.

The Dividend Distribution Policy of the Bank was approved at the Annual Shareholders' Meeting held on March 27, 2014. The Dividend Distribution Policy of the Bank available on the KAP, the Bank's website and the annual report provides that *"Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. At the Annual Shareholders' Meeting, in accordance with the Articles of Association, shareholders may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda."*

2.6. Transfer of Shares
There are no provisions in Yapı Kredi's Articles of Association that restrict transfer of shares and the provisions of the Banking Law which sets the transfer of shares are reserved.

SECTION III - Public Disclosure and Transparency

3.1. Corporate Website and Its Contents
In accordance to the Bank's Corporate Governance Principles, the Bank has two separate and regularly updated websites in Turkish (www.yapikredi.com.tr) and English (www.yapikredi.com.tr/en). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish (www.yapikredi.com.tr/yatirimci-iliskileri) provides information regarding the Bank's history, vision and values, shareholding structure, share price, periodic financial tables and annual reports, credit ratings given by rating agencies, corporate governance reports, the Board of Directors, senior management, Articles of Association, trade registry information, disclosure policy, code of ethics, details on Annual Shareholders' Meetings, including minutes, agenda, list of attendees and sample power of attorneys, explanations for material events disclosure and the future expectations of the Bank as stated within the scope of article 10 of the Communique on Material Events Disclosure and all other relevant information. The Annual Shareholders' Meeting disclosure document containing discussion topics related to the agenda and relevant documents (annual report, financial statements, dividend distribution table, Dividend Distribution Policy and other documents regarding the agenda) are available on the website and presented at the Annual Shareholders' Meeting.

During the year, on the website of the Bank for investor relations in English, information on Yapı Kredi, the progress of shares and bonds, information on the Medium Term Note Program, investor relations calendar, investor relations presentations, investor bulletin and the list of analysts in addition to periodic updates and amendments on all matters were included.

3.2. Annual Report
The Bank's annual report is prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks. In addition, the annual report is also including the necessary information in accordance with the "Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by Banks" set forth in the Capital Markets Board (CMB) legislation and the Corporate Governance Principles.

SECTION IV - Stakeholders

4.1. Informing Stakeholders
Yapı Kredi employees are informed about the Bank's activities via internal communication systems by the CEO and relevant senior management when necessary. In addition, Head Office and branch managers are regularly informed about various developments via management meetings, announcements and other communication channels. The Bank's Code of Ethics and compliance to this code are reported to the Corporate Governance Committee on a regular basis. Outside of Yapı Kredi's employees, stakeholders are notified regarding information pertaining to themselves and when deemed necessary via e-mail, telephone and other communication channels. Mechanisms were established for stakeholders to submit the transactions of the company that are contrary to the legislation and not ethically appropriate to the Bank's senior management.

4.2. Participation of Stakeholders in Management
Yapı Kredi is a joint stock company and is managed by internal executive functions. The decision making responsibilities of these functions are initially evaluated by the relevant management and then submitted for the approval of the related decision making bodies. Furthermore, there are channels available for stakeholders and specifically for the Bank's employees in order for them to support the management of the Bank without hindering the activities of the Bank. Internal

customer satisfaction measurement is also conducted once a year in order to get the views and opinions of the Bank's employees.

4.3. Human Resources Policy

The Bank's human resources practices are based on its Employee Guidelines. These guidelines inform employees about human resource practices and set conditions pertaining to administrative services. Through the Employee Guidelines, the Bank aims to inform and provide consultancy to employees regarding all matters relevant to employee relations such as employee selection, placement and development based on employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc. The Bank's Human Resources and Organization Management carries out its operations without discrimination of race, gender, nationality, age, religion, political view and physical disability and with respect towards privacy and civil rights. Job description as well as performance and bonus guidelines are announced to all employees of the Bank. In addition, the Bank has a human resources portal available to all employees with published detailed policies under main headings of career, new recruitment, salary and benefits as well as performance.

Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.

On the other hand, under the law on Trade Unions and Collective Labour Agreements (Law nr.6356), a Collective Bargaining Agreement is in place between the Bank and Union of Bank and Insurance Workers. The purpose of this agreement is identifying the benefits and responsibilities of the Bank and union members regarding contents and termination of members' labour contracts and other issues, ensuring that these are implemented correctly and demonstrating solutions in the event of possible conflicts. Through this agreement, both parties mutually guarantee to be on good terms, labor peace, and wellbeing and labor safety. As a part of the Collective Bargaining Agreement, Workplace Union Representatives are designated by BASISEN on behalf of the members of the union. These representatives are commissioned to listen to members, resolve their complaints, assure cooperation, labor peace and harmony between workers and the employer, monitor the rights and interests of the workers and assist the exercise of the working conditions subject to the labor laws and collective bargaining agreements.

Candidate searches: Following the determination of needs in human resources, candidate searches are initiated through existing candidate pool checks, recruitment platforms and internal announcements as well as consultancy from head hunters. Following the publication of an internal announcement, a special candidate pool composed of existing employees is also prepared. Applications are assessed on the basis of criteria such as education, foreign language skills, work experience, technical and behavioral competences as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.
In addition, Yapı Kredi actively undertakes activities in cooperation with university clubs to introduce the working environment and the business model of the Bank to university students, prepare them for business life and learn about their expectations.
Recruitment process: This process consists of competency-based interviews, assessment and evaluation tools and an employment proposal. Using the selected evaluation tools, the candidates are assessed and evaluated based on the technical and behavioral competencies required by their respective job positions. An English language proficiency test is also required for certain positions. The interview stage is aimed at determining whether candidates possess certain abilities (like establishing communication, teamwork) required by the position to which they will be assigned and at observing them in role-playing throughout the process. These interviews take place with the Recruitment team with the relevant department in attendance. Candidates are also asked competency-based and behavior-focused questions during the interview process to assess whether the qualities required by the job match their expectations.
At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the bank's vision, mission and strategic objectives.

4.4. Code of Ethics and Social Responsibility

Information on the Bank's code of ethics is publicly disclosed on the Bank's website. Furthermore, a policy for fighting against corruption and bribery is formulated and announced on the website.

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations. In this content, The Bank develops its own social responsibility projects in line with the needs and expectations of the society. Furthermore, Yapı Kredi supports the active engagement of its stakeholders and provides the societal activities undertaken by its main shareholders, Koç Holding and UniCredit. Since its foundation in 1944, Yapı Kredi has been supplementing the investments made in education, culture & arts, environment and sports through its innovative social responsibility projects seeking lasting solutions to social problems and collaborating with public institutions, Non-

Governmental Organizations (NGOs) and universities in an effort to enable a wider audiences to benefit from these projects.

Projects for Citizens with Disabilities

Enabled Banking: Initiated in 2008 as the first and most comprehensive Enabled Banking Program in Turkey, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making Turkey's finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and online chat services as well as Enabled ATMs for disabled customers. Working in cooperation with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities), Yapı Kredi adds value to the lives of disabled citizens. Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 313 books were transferred onto the digital media, converted into audio books and made available 7/24 to disabled citizens on the phone as of the end of 2017.
In the project "Speaking is in our Hands," which was started in cooperation with the Federation of the Hearing Impaired, 300 volunteers from the branches were provided with sign language training. In 2009, we initiated Enabled ATM's for the orthopedically disabled and in 2010 for the visually impaired. Yapı Kredi facilitates the lives of its orthopedically and visually impaired customers via Enabled ATMs throughout Turkey. One of the projects started in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2017, a total of 5 disabled individuals were employed by Yapı Kredi.

I Know No Barriers for My Country: Yapı Kredi sustained its support to the project "I Know No Barriers for My Country" led by Koç Holding. In this context, the Bank provided 15,143 employees in 2017 with a distance learning program called '"I Know No Barriers for My Country."

Sustainability and Yapı Kredi
Sustainability Structure: Within the scope of studies conducted under the coordination of Yapı Kredi's Sustainability Committee, sub-working groups specialized in different subjects were established. The Sustainability Governance System Project was initiated to integrate sustainability principles into all of the Bank's operations.

Sustainability Report: Yapı Kredi prepared the 2016 Sustainability report in accordance with the Global Reporting Initiative (GRI) Standards core option.
BIST Sustainability Index: Within the BIST Sustainability Index framework constituted by Borsa İstanbul, in addition to BIST 50 Index companies, BIST 100 companies were also included voluntarily in the assessment made by the London-based Ethical Investment Research Service (EIRIS). Yapı Kredi succeeded in becoming one of the 44 companies included in Borsa Istanbul's BIST Sustainability Index as a result of its successful performance in the areas of environmental, social and corporate governance.

Carbon Disclosure Project: As a symbol of the importance Yapı Kredi places on climate change, the bank participated in the Carbon Disclosure Project Climate Change Program for the second time in 2017.

Gender Equality for My Country: Yapı Kredi plays an active role in the project "I Support Gender Equality for My Country" which was started in June 2015 under the leadership of Koç Holding. This project aims to raise awareness in every part of society about the reasons and consequences of gender inequality. As part of the project, voluntary trainers provide awareness training to employees in the Head Office and the branches. "Koç for My Country Variable Fund" started a project entitled "When Fathers Change, Society Changes" together with AÇEV (Mother Child Education Foundation) in 2016. In 2017, 780 fathers in 13 provinces were provided with education on domestic gender equality.

Culture and Arts Projects
Yapı Kredi Afife Theater Awards: Hailed as the most prestigious and the longest-lasting arts award, Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater who have dedicated their lives to this art form transparently vote on plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.

Çatalhöyük Excavations: The Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for a long period in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya at an altitude of 21 meters, Çatalhöyük Hill houses secrets from 9,000 years ago. Every year in August and September, a team of around 200 from all over the world perform excavations at Çatalhöyük, one of the most important and impressive archaeological sites in the world. The 2017 excavation season marked a period in which new perspectives were adopted and significant finds were brought to light at Çatalhöyük, included in the UNESCO World Heritage List.

Educational Projects
I Read, I Play: In cooperation with the Educational Volunteers of Turkey Foundation (TEGV), Yapı Kredi conducts the "I Read, I Play" project that was launched in 2006 to give underprivileged elementary school children the chance to benefit from extracurricular activities. More than 6,100 volunteers at TEGV's 67 activity points around the country, including 10

education parks, 38 schools and 19 Firefly learning units are implementing the project. This project reached more than 178 thousand children by the end of 2017.

Environment Projects

Recycling Project: Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources. In 2017, more than 1 million kilograms of paper, more than 7 thousand kilograms of plastic, approximately 10 thousand kilograms of glass and over 32 thousand kilograms of metal were collected for recycling. Furthermore, Yapı Kredi prevented the emission of more than 105,677 tons of greenhouse gases, saving over 19,620 trees, 30,519 cubic meters of water, 124,753 kWh of energy and 30.9 tons of crude oil.

ISO 14064: Yapı Kredi annually continues the ISO 14064 Greenhouse Gas Emissions Reporting certification process initiated in 2011. The certification process for 2016 was completed in 2017.

ISO 14001: Yapı Kredi has successfully completed in 2017 the inspections for maintaining the validity of the ISO 14001 environmental management system certification process for the general management buildings and the Yapı Kredi Plaza D-Block and Banking Base.

Relations with the Academic Community

Anatolian Scholars: Yapı Kredi continued to sponsor Koç University's Anatolian Scholarship Program, which was founded in 2011, raising the number of scholars supported in this program to 8 in 2017.

Yapı Kredi Banking and Insurance Academic Program: In 2015, Yapı Kredi undertook another first in the field of education and collaborated with MEF University to launch the Yapı Kredi Banking and Insurance Associate Degree Program. The two-year associate degree program aiming to educate future bankers and finance specialists graduated 41 in 2017.

Yapı Kredi Vocational and Technical Anatolian High School: One of Yapı Kredi's important projects in the area of education is the Yapı Kredi Bank Vocational and Technical Anatolian High School located in Kocaeli – Çayırova which was launched in the 2008-2009 academic year. Its first graduates received diplomas in 2012 and today, more than 500 students study there in the Child Development and Education, Graphics and Photography, Information Technologies, Catering and Office Management divisions. Furthermore, in 2017, 20 students benefited from scholarships that had been instigated in 2012.

In 2017, Yapı Kredi channelled TL 3.3 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 10.4 million in aid and donations.

SECTION V - Board of Directors

5.1. Structure and Formation of the Board of Directors

The Bank is governed and represented by the Board of Directors. The number of Board members and the members themselves are determined at the Annual Shareholders' Meeting. The numbers and the qualifications of the independent members are determined in accordance with the BRSA and the CMB regulations. According to the Bank's Articles of Association, the Board of Directors must be composed of a minimum of 8 individuals. Members are elected by the General Assembly for a term of maximum 3 years and serve until the election of their successor.

Information on the Members of the Board of Directors who are elected and appointed due to position change at the Shareholders' Meeting on March 28, 2017 in order to serve until the Annual Shareholders' Meeting where the 2017 activities will be discussed is available in the following table (as of 31.12.2017) and their CVs are provided on the Bank's website and its annual report. At the Bank's Board of Directors, the executive director and the CEO and the members serving as deputy executive directors and deputy CEO function as executive members of the Board of Directors.

Name Surname	Position	The Most Recent Position outside the Corporation	Whether or Not Independent Member of Board of Directors	Committee Membership and Positions
Y.Ali Koç	Chairman	Vice Chairman of Board of Directors at Koç Holding A.Ş., Chairman of the Board of Directors at Koç Finansal Hizmetler A.Ş. and Chairman of the Board of Directors, Vice Chairman and Member Board of Directos at Koç Holding Group Companies	Not Independent	-
Carlo Vivaldi	Vice Chairman of The Board of Directors	Head of UniCredit Group Middle East and East Europe, UniCredit Group Executive Committee Member, Member of Board of Directors at some of the UniCredit Group Companies,Vice Chairman of Board of Directors at Koç Finansal Hizmeler A.Ş,	Not Independent	Alternate Member of Credit Committee , Remuneration Committee Member
Gökhan Erün[1]	Executive Director and Chief Executive Officer	Chief Executive Officer and Executive Director at Koç Finansal Hizmetler A.Ş., Vice Chairman and Chairman of Koç Holding A.Ş. Banking and Insurance Group, Chairman of Board of Directors at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Chairman of Credit Committee, Chairman of Executive Committee
Niccolò Ubertalli	Executive Director and Deputy CEO	Executive Director and Deputy CEO at Koç Finansal Hizmetler A.Ş., Vice Chairman and Board Member at Yapı ve Kredi Bankası A.Ş, Financial Affiliates	Not Independent	Vice Chairman of Credit Committee, Vice Chairman of Executive Committee
Levent Çakıroğlu	Member of Board of Directors	CEO at Koç Holding A.Ş.,Member of Board of Director at Koç Finansal Hizmetler A.Ş. and Member of Board of Directors at Koç Group Companies	Not Independent	Member of Remuneration Committee
F. Füsun Akkal Bozok	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Lecturer at Sabancı University	Not Independent	Member of Credit Committee
Ahmet Fadıl Ashaboğlu	Member of Board of Directors	CFO at Koç Holding A.Ş.,Member of Board of Directors at Koç Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş.,Member of Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Not Independent	-
Wolfgang Mag.Schilk[2]	Member of Board of Directors	Head of Middle East and East Europe Risk Management at UniCredit,Member Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Chairman of Audit Committee, Member of Credit Committee
Mirko Davide Georg Bianchi	Member of Board of Directors	CFO at UniCredit Group , Member of Board of Directors at some of UniCredit Group Companies, Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Member of Corporate Governance Committee,
Gianfranco Bisagni	Member of Board of Directors	Co-Chairman of UniCredit Corporate and Investment Banking Member of Board of Directors at Koç Finansal Hizmeler A.Ş.	Not Independent	-
Aykut Ümit Taftalı	Member of Board of Directors	Member of Steering Committee at Koç Holding, Member of Board of Directors at Koç Finansal Hizmetler A.Ş, Member of Board of Directors at Kare Holding, Member of Board of Directors at Kıraca Holding and Member of Board of Directors at Kıraca Holding Companies	Not Independent	Alternate Member of Credit Committee
Giuseppe Scognamiglio	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş, Member of Executive Committee at UniCredit, Executive Vice President for Group Institutional & Regulatory Affairs and the Member of the Steering Committee of ABI (Italian Banks Association).	Not Independent	-
Adil Giray Öztoprak	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of Board of Director (Independent) at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Independent	Member of Audit Committee, Member of Corporate Governance Committee,
Giovanna Villa	Member of Board of Directors	Member of Board of Directors at Koç Finansal Hizmetler A.Ş., Member of the Audit Committee at some companies at abroad.	Independent	Member of Audit Committee

(1) Based on Board resolution dated 27 December 2017; Gökhan Erün is appointed as Executive Director and Chief Executive Officer (CEO) to replace H. Faik Açıkalın who resigned on 29 December 2017.

(2) Based on Capital Markets Board's Item 6(3)a of the Communique numbered II-17.1 on Corporate Governance, Wolfgang Schilk, Chairman of the Audit Committee is deemed as Independent Board Member.

The posts of Chairman of the Board of Directors and the General Manager (CEO) are not occupied by the same individual. It is ensured that the Members of the Board of Directors allocate sufficient time for the work of the Bank and no limits are introduced for the Members of the Board preventing them from assuming a duty or duties outside the Bank.

Giovanna Villa and Adil G. Öztoprak were nominated as candidates for Independent Members to the Board of Directors on 16.01.2017 as a result of the examination of Candidacy Declarations and CVs by the Corporate Governance Committee and they were identified as candidates for Independent Members by the Board of Directors on the same date. It was decided in CMB's meeting held on 03.02.2017 that no negative opinions be submitted for Giovanna and Adil G. Öztoprak and they were elected as Independent Members at the Annual Shareholders' Meeting.

In clause 3 of article 6 of the Communique on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an Audit Committee Member within the Bank's organization for the Board of Directors shall be considered as Independent Board Members within the framework of this communique. The same communique also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in Audit Committee Members of Banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The communique also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. Within this framework, end of 2016, the other Independent Members of the Audit Committee was Wolfgang Schilk , with Giovanna Villa and Adil Giray Öztoprak having the qualifications set.

During the 2017 operational period, no case that removed independence arose.

No target rate was determined in relation to the rate of female members in the Board of Directors as a tool for ensuring the representation of different opinions on the Board but the rate of female members in the Board of Directors was 14% in 2017.

5.2. Operating Principles of the Board of Directors

The Board of Directors convenes upon the invitation of the Chairman as the operations of the Bank necessitate and at least 10 times a year. In 2017, the Board of Directors convened 11 times. The Board of Directors meeting and decisions are subject quorum of at least one more than half the total number of members. Members of the Board of Directors are not granted weighted voting rights. The average attendance rate of the members in the meetings of the Board of Directors in 2017 was 92%.

Meeting invitations are sent to all Members on behalf of the Chairman. Matters to be discussed and related documentation are collected and upon the Chairman's approval, the meeting agenda is sent to all Members. During the signing of the minutes by the attendees, Members who vote against an adopted resolution are required to state and undersign the reasons for their opposition thereof. Requests and views expressed at the Board of Directors' meetings are reflected in the minutes.

A 'Management Liability Insurance' is available for Members of the Board of Directors and the senior managers of the Bank.

5.3. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees is to provide support during the decision making process, evaluate proposals to be submitted for approval to the Bank's related functions and make decisions in their own areas of responsibility in accordance with the authorities delegated by the Board of Directors. The committees are responsible for acting in compliance with the Banking Law and related regulations while carrying out their functions within the framework of the Corporate Governance Principles.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors currently consists of 14 members. As a result, there are Members of the Board of Directors who are part of more than 1 committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular bi-weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the principal members. In 2017, the Executive Committee convened 21 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members		
Chairman	Gökhan Erün[1]	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Patrick Josef Schmitt	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Feza Tan[2]	Assistant General Manager - Corporate and Commercial Banking
Member	Serkan Ülgen[3]	Assistant General Manager - Retail Banking
Member	Mert Yazıcıoğlu[4]	Assistant General Manager - Retail Banking Sales
Member	M. Gökmen Uçar	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Mert Öncü	Assistant General Manager - Treasury

(1) Based on Board Resolution dated 27 December 2017, Gökhan Erün was appointed as Executive Director and Chief Executive Officer (CEO) as of 15 January 2018 (replacing H. Faik Açıkalın who retired from his position in Yapı Kredi as of 29 December 2017)

(2) Based on Board Resolution dated 16 February 2018, the Board decided to apply to BRSA in order to appoint Erhan Adalı to the position of Assistant General Manager responsible for Corporate and Commercial Banking (replacing Feza Tan who resigned from her position in the same day)

(3) Based on Board Resolution dated 22 September 2017, Serkan Ülgen was appointed as Assistant General Manager in charge of Retail Banking as of 1 January 2018 (replacing Z. Nazan Somer Özelgin who resigned from her position in Yapı Kredi due to a new assignment in UniCredit Group)

(4) Based on Board Resolution dated 22 September 2017, Mert Yazıcıoğlu, previously Assistant General Manager responsible for Private Banking and Wealth Management, was assigned as Assistant General Manager responsible for Retail Banking Sales as of 1 January 2018 (with the organization change, Private Banking and Wealth Management started to be managed under this management)

Credit Committee
The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2017, the Credit Committee convened 51 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members		
Chairman	Gökhan Erün[1]	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	F. Füsun Akkal Bozok	Member of the Board of Directors
Member	Wolfgang Schilk	Member of the Board of Directors
Credit Committee Alternate Members		
Alternate Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Alternate Member	A. Ümit Taftalı	Member of the Board of Directors

(1) Based on Board Resolution dated 27 December 2017, Gökhan Erün was appointed as the Chairman as of 15 January 2018 (replacing H. Faik Açıkalın)

Audit Committee
The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2017, the Audit Committee convened 5 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members		
Chairman	Wolfgang Schilk	Member of the Board of Directors
Member	Giovanna Villa	Independent Member of the Board of Directors
Member	Adil G. Öztoprak	Independent Member of the Board of Directors

Corporate Governance Committee
The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. In 2017, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members		
Member	Mirko D. G. Bianchi	Member of the Board of Directors
Member	Adil G. Öztoprak	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration

Remuneration Committee
The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2017, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members		
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakıroğlu	Member of the Board of Directors

5.4. Risk Management and Internal Control Mechanism

Effective Internal Control Systems were established to monitor and control risks at branches and all related subsidiaries to ensure Bank's compliance to local laws and internal regulations. The Internal Control System, under the Audit Committee organisational structure, consists of Internal Audit, Compliance and Internal Control as well as Risk Management departments. Through the Manager of Internal Systems and Audit Committee, these departments report to the Board of Directors as per the regulations.

5.5. Strategic Goals of the Company

Strategic objectives of the Bank are annually reviewed by the Board of Directors. The Bank's annual budget is approved by the Board of Directors. At each Board of Directors' meeting during the year, the Bank's overall performance is reviewed and compared with the monthly targets. On a quarterly basis, key performance indicators and growth of the Bank compared to the sector are analysed in detail by the Board of Directors.

5.6. Financial Benefits

As defined in our Financial Statements Chapter fifth footnote no: VII.b In 2017, TL 67,790 thousand (Group: TL 77,215 thousand) was paid to the senior management of the Bank. Senior management and other employees receive salaries and performance-based payments according to the principles in the Bank's Remuneration Policy. Performance-based payments are subject to achievement of the Bank's quantitative and qualitative targets as declared on the Remuneration Policy.

The remuneration policy for the Board of Directors and the senior management and employees was submitted to the review of the shareholders 3 weeks before the Annual Shareholders' Meeting held on March 28, 2017 through the Annual Shareholders' Meeting Disclosure Document and at the Bank's Head Office and branches, on the Bank's website at www.yapikredi.com.tr, at the KAP and the Electronic General Meeting System of the MKK and was approved at the Annual Shareholders' Meeting. The said policy as disclosed publicly through the Bank's website will be taken on the agenda of the Annual Shareholders' Meeting to be held on March 20, 2018 where the 2017 activities will be discussed and thus will be submitted to the opinion of the shareholders. Remunerations made to the Members of the Board of Directors and to senior managers are collectively and publicly disclosed in the footnotes of the financial statements in parallel with the general practice.

Members of the Board of Directors and senior management are allowed to utilise loans from the Bank within the guidelines specified on Article 50 of the Banking Law.

Transactions Carried Out with the Risk Group

Transactions with the risk group are carried out at arms-length and under market conditions in compliance with the Banking Law. In 2017, all related party transactions were undertaken within regulatory limits.

Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note VIII of the publicly announced Consolidated Financial Report as of 31 December 2017.

Affiliated Company Report

According to Article 199 of the Turkish Commercial Code No.6102, which came into effect in July 2012, Yapı Kredi's Board of Directors are liable to prepare a report regarding relations with the controlling company and its affiliated companies and to indicate the conclusion part of mentioned report in its annual report. Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note VIII of the publicly announced Consolidated Financial Report.

In the report prepared by Yapı Kredi's Board of Directors on 20 February 2018, it states; "It is concluded that in all transactions made by Yapı Kredi with the controlling company and the companies affiliated to the controlling company in 2017, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided and there is no measure taken or refrained from being taken, which may cause the company to suffer losses and that in this context, there is no transaction or measure which may require balancing."

Independence Declarations

Below is the independence declaration dated January 16, 2017 of Giovanna Villa, who has been appointed as Independent Board Member in the Annual General Assembly Meeting held in 2017.

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- I have not served as a board member at the Company's board of directors for more than six years in the last ten years;
- I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Giovanna VILLA

Below is the independence declaration dated January 16, 2017 of Adil Giray Öztoprak, who has been appointed as Independent Board Member in the Annual General Assembly Meeting held in 2017.

I hereby declare that I am candidate to serve as an "independent member" at the Board of Directors of Yapı ve Kredi Bankası A.Ş. (Company) in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- I have not been a shareholder (5% and above), worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- I am considered to be a resident of Turkey in accordance with the Income Tax Code (ITC) dated 31/12/1960 and number 193;
- I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company's activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- I can spare time for the Company's affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- I have not served as a board member at the Company's board of directors for more than six years in the last ten years;
- I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.

Adil Giray ÖZTOPRAK

YapıKredi

DECLERATION OF RESPONSIBILITY ACCORDING TO COMMUNIQUÉ ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKET NO. II-14.1 BULLET 9 ISSUED BY CAPITAL MARKETS BOARD OF TURKEY

In accordance with rescript of The Capital Markets Board (no II-14.1 bullet no:9), Yapi Kredi's annual report, covering dates between 01/01/2017 – 31/12/2017,

We have reviewed the annual report
The annual report does not encompass any untruthful data
The annual report does not lack any important information
The annual report truthfully reflects the Bank's financial and operational performance

Regards,

Gökhan ERÜN	**Adil G. ÖZTOPRAK**	**Massimo FRANCESE**
Murahhas Aza ve Genel Müdür	**Denetim Komitesi Üyesi**	**Genel Müdür Yardımcısı**

Part III

Financial Information and Risk Management

Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems

Internal Auditing

The Internal Audit Department is responsible for executing Yapı Kredi's internal audit activities with 154 staff (139 Bank Internal Audit and 15 Subsidiaries Internal Audit staff) and directly reports to the Board of Directors via the Audit Committee.

Yapı Kredi's internal audit approach includes regular/spot branch, process, investigation and follow-up audits. The risks detected during audits are submitted to the Top Management via audit reports. In addition, the effectiveness and adequacy of management procedures and business processes are evaluated from a risk perspective. In 2017, the Internal Audit Team carried out all audits in line with the annual audit plan and even exceeded the plan in some areas. In total, 60 process audits were performed, of which 51 were Head Office process audits (exceeding the annual target by 2 audits) and 9 were Central Subsidiary process audits. Additionally, 66 domestic and international subsidiary process audits (exceeding the annual target by 4 audits) were performed. Moreover, 591 regular/spot branch audits (exceeding the annual target by 14 audits), 86 follow-up branch audits, 63 Bank (45 issued + 18 ongoing) and 6 subsidiary investigations/inquiries were completed. Also, 69 audits of outsourced services companies were completed.

The Annual Audit Certification Program, launched in 2010 in order to train auditors, continued in 2017 in collaboration with Boğaziçi University and the Turkish Institute of Internal Auditors (TIDE).

In Yapı Kredi, regular branch and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors and shareholders for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with Top Management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

In 2017, the execution of the Management Assertion study requested by the Banking Regulation and Supervision Agency (BRSA) continued. In this context, banking processes and general IT controls were performed by the Internal Audit in addition to outsourced services companies' on-site audits within the Management Assertion framework. Test results are reviewed by the Audit Committee and presented to the Board of Directors.

Internal Control

Internal Control activities are carried out by 104 (the bank's total staff being 84 at the end of 2017) employees under the governance of the Audit Committee.

Control activities are performed in branches and/or at the Head Office at specified intervals within the scope of BRSA, international control standards and practices, and internal risk evaluations. Findings are reported to the related departments in a timely manner to ensure that necessary improvements are made and the process is followed until completion.

Periodic reports related to Internal Control activities, results and related actions are presented to the Audit Committee and senior management.

Comprehensive career training programs and certification programs are undertaken continuously in collaboration with various universities and the Turkish Institute of Internal Auditors (TIDE).

In 2017, on-site audits were performed in 414 branches including follow-up controls. At the same time, remote controls were performed at both the Head Office and branches. Additionally, internal control activities continued for 9 subsidiaries in 2017.

Risk Management

Yapı Kredi's risk management activities are carried out in line with international legislation by 112 employees under the Audit Committee's governance with an objective to measure, monitor, report and mitigate on an individual and consolidated basis the risks to which the Bank may be exposed. Risk Management is divided into three sub-departments: credit, operational and market risk.

In 2017, the Credit Policy Directive, which reflects the Bank's strategy in regards to asset quality, effective risk management and compliance with legal practices, was updated. Additionally:

- A pre-application was submitted for calculating the amount based on the credit risk using the internal ratings-based approach (IRB), and an official application was submitted upon BRSA's approval on the pre-application. And the BRSA initiated the evaluation process.
- Regular upgrade/enhancement projects for the rating/scoring systems continued. Validation activities were performed in parallel to modeling activities.

- IFRS9 - PD, EAD and LGD models have been completed for our bank and put into practice in 2018.
- The monitoring environment for ensuring the data quality of model inputs and outputs was established.
- Regular underwriting and monitoring strategy upgrades were performed.

Operational and Reputational Risk

Yapı Kredi's main objective in operational risk is to identify, measure and mitigate operational and reputational risks at the Bank and subsidiary level. Policies are reviewed on a yearly basis, updated if necessary, and submitted to the Board of Directors for approval. Operational and reputational risk also coordinates the Bank's compliance to the Basel-II advanced measurement approach. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new product risk assessment is carried out and a risk map of information technologies is prepared. Activities in operational risk, reputational risk and business continuity are submitted to the Board of Directors on a quarterly basis via the Audit Committee.

Market Risk

Market risk management activities at Yapı Kredi focus on analyzing and managing the effects and risks on the Bank's balance sheet arising from volatility in prices, interest rates and currency in financial markets and measuring and managing the effects of these fluctuations on the Bank's liquidity position. Market risk management activities also comprise preparation of market risk reports for regulatory authorities and adaptation of advanced measurement techniques under the framework of Basel-II and Basel-III to the Bank. Risk measurements, utilizing advanced techniques and daily, weekly, monthly and/or quarterly limit-risk controls are performed and various scenario analysis and stress tests are applied with respect to relevant metrics. Calculations and analyses are communicated to relevant business units, senior management and the Board of Directors with adequate frequency.

Risk Management Policies

Yapı Kredi's risk management policies entail the full commitment of all employees. In compliance with this directive, any breach of limit or policy is reported to management and the Executive Committee in a timely manner.

Credit Risk

The Credit Policy Directive, which reflects the general framework of the Bank's lending operations, is updated annually and becomes operational following approval by the Board of Directors. The Credit Policy Directive in effect is based on improving asset quality, supporting effective risk management and complying 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 policy 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:

- Effective implementation of the Credit Policy Directive to reinforce the common risk management approach across the organization
- Steering of the loan portfolio toward less risky sectors
- Avoidance of excessive concentration in Group exposures while strictly obeying statutory limits
- Focusing on customers with better credit ratings
- Avoiding transactions bearing high credit and reputational risk
- Managing country risk by prudent application of established strategies, policies and practices
- Undertaking preventative actions against new defaults in consumer and SME loans
- Timely updates to senior management about all developments in the credit risk area to ensure effective credit risk management
- Redesign of limit management strategies in retail loans
- Ensuring sustainability in collections
- Managing credit process harmonization among legal entities
- Performing credit stress tests
- Participating in credit risk regulatory processes

Additionally, the Credit Risk Mitigation Guideline was approved by the Board of Directors as part of secured lending with clear roles and responsibilities in collateral management life cycle, and rules were set out for the soundness, legal enforceability and realization of appraisable collateral in compliance with Basel II IRB requirements.

The General Lending Guideline was drawn up and approved by the Board of Directors. This guideline represents an extension to the Credit Policy with additional guidance and explanations in regard to the lending rules and principles for Corporate, Commercial, SME and Private Individual customers and products in the light of Basel II IRB requirements.

Operational and Reputational Risk

The operational risk management policy drawn up and published in 2017 cover group-wide principles and standards regarding responsibilities of the operational risk unit and managerial structure, strategy, policy and investments for the control and management of operational and information technologies risk, and the frequency, content and recipients of operational and information risk reports. The Business Continuity Management Policy was formed to minimize risks that might endanger the continuity of the Bank's activities and ensure recovery of critical services/products in the desired time span in case of disruption. This Business Continuity Management Policy is regularly updated and approved by the Board of Directors.

Moreover, the Reputational Risk Management Policy that went into effect in 2013 to define the set of principles and procedures to control, measure and mitigate reputational risks was revised in March 2017 in the light of legal and internal standards. The reputational risk control system for establishing and sustaining effective reputational risk management, measuring, monitoring and reporting activities involved in defining, preventing reputational risks and restoring the bank's reputation as well as identifying sensitive sectors and risky areas in conformity with credit policies and international standards are the focal points of the policy.

Market Risk

Yapı Kredi, within the market risk framework, monitors the limits defined by risk management policies, measures the effect of fluctuations in interest rates, foreign exchange rates and equity prices on the Bank's trading portfolio, and reports the results to senior management. Market risk also sets risk appetite limits for the banking portfolio in addition to managing interest rate sensitivity on the balance sheet and monitoring the compliance of risk exposures within pre-defined limits. In addition to checking the compliance between the bank's risk indicators and the risk appetite, management also involves setting up the strategies the bank will pursue in the future in the face of possible conditions of stress and formulating action plans that facilitate establishing a risk perspective.

Derivative transactions are also monitored in addition to market risk within the scope of counter-party credit risk. These types of transactions are subject to market risk and consequently to credit risk due to fluctuations of prices in financial markets that lead to reciprocal burdens on both parties to the transaction. These risks at the Bank are measured on the basis of each counter-party within the total risk appetite limits of the Bank, using the most updated computing methods accepted by international authorities, with the results being reported at various intervals.

In terms of liquidity risk management at the Bank, in line with the risk appetite framework, short- and medium/long-term liquidity risk measurements are performed and reported and liquidity risk tracking is executed by comparing these measurements with comprehensive internal limits. Moreover, the liquidity situation of the Bank is kept sustainable through periodic liquidity stress tests. In addition, the regulatory liquidity analyses that are reported to BRSA periodically at both the solo and consolidated levels ensure the Bank's compliance with regulations. Liquidity risk reports are communicated to relevant business units, senior management and the Board of Directors with adequate frequency.

Expectations, limits and risks exposed are defined in detail and in line with market risk policies in the budget process every year, revised in line with market rick policies. Market risk policies include the risk limits set forth according to the budget and the measurement methods utilized. Functions and authorization of related units and committees are also described in the policies and the Executive Committee plays an active role in the market risk management process.

2017 Financial Review

Based on Banking Regulation and Supervision Agency (BRSA) consolidated financial results dated 31 December 2017, Yapı Kredi recorded a net income of TL 3,614 million and a return on average tangible equity of 13.6%. In the same period, the total asset size increased by 18% annually to TL 320 billion. Throughout the year, Yapı Kredi further enhanced its contribution to the financing of the Turkish economy. Accordingly, total cash and non-cash loan volume increased by 14% to TL 279 billion and the Bank maintained its third position among private banks in Turkey.

In 2017, total cash loans reached TL 199.9 billion with 13% annual growth. Accordingly, Yapı Kredi's market share in total cash loans realized at 9.5%. In cash loans, solid growth was achieved in high value generating areas; commercial loans with an annual growth of 14% and consumer loans with an annual growth of 11%. Leadership in credit cards was also maintained in 2017. During the same period, total deposits grew by 10% reaching TL 173.4 billion. Specifically, continuing the growth in individual and time deposits, Yapı Kredi increased its market share by 20 basis points in both products. The Bank's market share in total deposits realized at 10.0%, in the same period. In parallel with Yapı Kredi's customer-oriented approach, share of loans in total assets increased to 62%, one of the highest levels in the sector, while share of securities in total assets was at 12%, one of the lowest in the sector.

In terms of liquidity, the Bank's loans-to-deposit ratio including TL bonds increased by 2 percentage points compared to 2016 to 112%, due to higher growth in loans than deposits. In 2017, Yapı Kredi also focused on funding diversification and raised an approximate total of USD 5 billion through syndications, securitizations, bond issuances and other financial instruments.

In terms of revenue generation, the Bank's core revenues increased by 11% year-over-year reaching TL 13,779 million, thanks to strong growth in net interest income and fee revenues. On the other hand, costs increased by 7% annually (excluding pension fund provision) thanks to disciplined cost approach. Cost-to-income ratio improved 197 basis points to 42% as of end 2017 versus previous yearend. In the same period, cumulative net interest margin widened 10 basis points to 3.5% despite increase in deposit costs.

In 2017, in addition to the ongoing internal efforts at the Bank, positive macro environment helped NPL inflows decelerate, resulting in 40 basis points decline in NPL ratio which stood at 4.4%. In terms of capital, Yapı Kredi's bank-only capital adequacy ratio improved28 basis points reaching to 14.5% thanks to ongoing internal capital generation and effective capital management.

In 2017, total administrative fines enforced on the Bank by the regulatory and supervisory authorities were TL 1,229 thousand.

Five Year Summary Financials

	2013	2014	2015	2016	2017
Total Assets	160,310	194,959	235,268	271,135	320,066
Cash + Non-Cash Loans	137,524	174,291	210,133	244,940	278,725
Loans	99,436	125,534	152,489	176,486	199,874
Deposits	88,482	107,631	130,025	157,088	173,384
Shareholders' Equity	18,286	20,214	23,086	26,121	30,102
Net Income/(Loss)	2,375 [1]	2,056	1,909	2,933	3,614
Capital Adequacy Ratio (Group)	15.3%	14.4%	12.9%	13.2%	13.4%
Capital Adequacy Ratio (Bank)	16.0%	15.0%	13.8%	14.2%	14.5%
Number of Branches (Group)	988	1,042	1,043	974	897
Number of Branches (Bank)	949	1,003	1,000	936	866
Number of Employees (Group)	16,682	18,534	19,345	19,419	18,839
Number of Employees (Bank)	15,683	17,457	18,262	18,366	17,944

(1) 2013 net income excludes TL 1,284 billion capital gain from the sale of Yapı Kredi Insurance.

Credit Ratings

Yapı Kredi's credit ratings which are given by international credit rating agencies Fitch, Moody's and Standard & Poor's are listed below. Ratings given by Fitch represent investment grade.

Fitch	Rating	Outlook
Long Term Foreign Currency	BBB-	Stable
Long Term Local Currency	BBB-	Stable
Short Term Foreign Currency	F3	
Short Term Local Currency	F3	
Viability Rating	bb+	
Support Rating	2	
National Long Term	AAA(tur)	Stable
Senior Unsecured Debt	BBB-	

Standard & Poor's	Rating	Outlook
Long Term Foreign Currency	BB	Negative
Long Term Local Currency	BB	Negative
Short Term Foreign Currency	B	
Short Term Local Currency	B	
National Long Term	trAA-	
National Short Term	trA-1	
Senior Unsecured Debt	BB	

Moody's	Rating	Outlook
Long Term Foreign Currency Deposit	Ba2	Negative
Long Term Local Currency Deposit	Ba1	Negative
Short Term Foreign Currency Deposit	Not Prime	
Short Term Local Currency Deposit	Not Prime	
National Scale Rating	Aa1.tr	
Senior Unsecured Debt	Ba1	Negative

Note: Ratings are update as of February 20, 2018

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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.

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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

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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
4. Information on the individual and corporate shareholders having control shares of the Bank
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3. Explanations and notes related to off-balance sheet accounts
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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)

	Liabilities	Note (Section Five)	Current Period (31/12/2017) TL	FC	Total	Prior Period (31/12/2016) 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

		Note (Section Five)	Current Period (31/12/2017) TP	FC	Total	Prior Period (31/12/2016) 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 stateme	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.

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.

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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 basi

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"))

		Carrying values of items in accordance with TAS				
Prior 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	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: Remaining maturity of claims under 3 months	Claims on banks and intermediary institutions: Remaining maturity of claims over 3 months	Claims on corporates
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	Prior Period
		Risk Weighted Asset	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 which**	**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 which**	**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

	EUR	USD	OTHER FC[4]	Total
Current Period				
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.

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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 59% 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

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

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.

	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 under close monitoring		
	Loans and other receivables (Total)	of which, terms & conditions are changed		Loans and other receivables (Total)	of which, terms & conditions are changed	
		Payment plan extensions	Other		Payment plan extensions	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 under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	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 2015 – 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.

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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.

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BAĞIMSIZ DENETÇİ RAPORU

Yapı ve Kredi Bankası A.Ş. Yönetim Kurulu'na:

A. Konsolide Finansal Tabloların Bağımsız Denetimi

1. Görüş

Yapı ve Kredi Bankası A.Ş.'nin ("Banka") ve konsolidasyona tabi ortaklıklarının (hep birlikte "Grup" olarak anılacaktır) 31 Aralık 2017 tarihli konsolide bilançosu ile aynı tarihte sona eren hesap dönemine ait; konsolide gelir tablosu, konsolide özkaynaklarda muhasebeleştirilen gelir gider kalemlerine ilişkin tablo, konsolide özkaynak değişim tablosu ve konsolide nakit akış tablosu ile önemli muhasebe politikalarının özeti de dâhil olmak üzere konsolide finansal tablo dipnotlarından oluşan konsolide finansal tablolarını denetlemiş bulunuyoruz.

Görüşümüze göre, ilişikteki konsolide finansal tablolar Grup'un 31 Aralık 2017 tarihi itibarıyla konsolide finansal durumunu ve aynı tarihte sona eren hesap dönemine ait konsolide finansal performansını ve konsolide nakit akışlarını 1 Kasım 2006 tarihli ve 26333 sayılı Resmi Gazete'de yayımlanan "Bankaların Muhasebe Uygulamalarına ve Belgelerin Saklanmasına İlişkin Usul ve Esaslar Hakkında Yönetmelik" ve Bankacılık Düzenleme ve Denetleme Kurumu ("BDDK") tarafından bankaların hesap ve kayıt düzenine ilişkin yayımlanan diğer düzenlemeler ile BDDK genelge ve açıklamaları ve bunlar ile düzenlenmeyen konularda Türkiye Muhasebe Standartları hükümlerini içeren; "BDDK Muhasebe ve Finansal Raporlama Mevzuatı'na" uygun olarak tüm önemli yönleriyle gerçeğe uygun bir biçimde sunmaktadır.

2. Görüşün Dayanağı

Yaptığımız bağımsız denetim, BDDK tarafından 2 Nisan 2015 tarihli 29314 sayılı Resmi Gazete' de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu ("KGK") tarafından yayımlanan Türkiye Denetim Standartları'nın bir parçası olan Bağımsız Denetim Standartları'na ("BDS") uygun olarak yürütülmüştür. Bu standartlar kapsamındaki sorumluluklarımız, raporumuzun "Bağımsız Denetçinin Konsolide Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları" bölümünde ayrıntılı bir şekilde açıklanmıştır. KGK tarafından yayımlanan Bağımsız Denetçiler için Etik Kurallar ("Etik Kurallar") ile konsolide finansal tabloların bağımsız denetimiyle ilgili mevzuatta yer alan etik hükümlere uygun olarak Grup'tan bağımsız olduğumuzu beyan ederiz. Etik Kurallar ve mevzuat kapsamındaki etiğe ilişkin diğer sorumluluklar da tarafımızca yerine getirilmiştir. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.

3. Kilit Denetim Konuları

Kilit denetim konuları, mesleki muhakememize göre cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konulardır. Kilit denetim konuları, bir bütün olarak konsolide finansal tabloların bağımsız denetimi çerçevesinde ve konsolide finansal tablolara ilişkin görüşümüzün oluşturulmasında ele alınmış olup, bu konular hakkında ayrı bir görüş bildirmiyoruz.

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

Kilit Denetim Konuları	*Kilit Denetim Konuları için Uygulanan Denetim Prosedürleri*
Krediler ve alacakların değer düşüklüğü Grup'un 31 Aralık 2017 tarihli konsolide finansal tablolarında aktifinde önemli bir paya sahip olan toplam 209.037.651 bin TL kredi ve alacaklar ve bunlara ilişkin ayrılmış olan toplam 10.449.669 bin TL değer düşüş karşılığı bulunmaktadır. Krediler ve alacaklar ile ilgili tesis edilen değer düşüklüğü karşılığına ilişkin açıklama ve dipnotlar 31 Aralık 2017 tarihi itibariyle düzenlenmiş olan ilişikteki konsolide finansal tabloların Üçüncü Bölüm 7, Dördüncü Bölüm 2, Beşinci Bölüm 1.7 ve Beşinci Bölüm 2.7 numaralı dipnotlarında yer almaktadır. Denetimimiz esnasında bu alana odaklanmamızın nedeni; mevcut olan kredi ve alacakların büyüklüğü, söz konusu kredi ve alacakların mevzuata uygun olarak niteliklerine göre sınıflandırılması ve bunlara ilişkin değer düşüş karşılıklarının belirlenmesinin önemidir. Kredilerin temerrüt halinin doğru ve zamanında belirlenmesi ve yönetim tarafından yapılan diğer yargı ve tahminler bilançoda taşınan değer düşüş karşılık tutarını önemli derecede etkileyeceğinden, söz konusu alan tarafımızca kilit denetim konusu olarak ele alınmıştır.	Bu çerçevede gerçekleştirdiğimiz denetim çalışmaları dahilinde krediler ve alacakların değer düşüklüğüne uğradığının tespiti ve değer düşüklüğü hesaplamalarının ilgili mevzuat çerçevesinde doğru olarak gerçekleştirilmesine ilişkin önemli gördüğümüz Grup'un uygulamakta olduğu kontrollerin tasarım ve faaliyet etkinliklerini değerlendirdik ve test ettik. Gerçekleştirmiş olduğumuz denetim dahilinde, kredilerin değer düşüklüğüne uğrayıp uğramadığının tespiti ve alacağın değer düşüklüğü karşılığının zamanında ve mevzuata uygun olarak tesis edilip edilmediğini saptamak için kredi ve alacaklardan seçtiğimiz bir örneklem kümesini test ederek kredi inceleme süreci gerçekleştirdik. Ayrıca değer düşüklüğüne uğramış kredi ve alacaklar olarak sınıflandırılan varlıklara ilişkin tesis edilen özel karşılıkların ilgili mevzuata istinaden doğru olarak hesaplandığını test ettik. Özel karşılık hesaplamasına dahil edilen teminatların ilgili mevzuatta belirtilen teminat grubunda sınıflandırıldığını ve rayiç değerleriyle dikkate alınarak doğru teminat değerleme oranlarıyla çarpıldıklarını örneklem kümesi belirleyerek test ettik. Mevzuat tarafından belirlenen kriterler çerçevesinde genel karşılık hesaplamasına tabi portföy için tesis edilen karşılıkların ilgili hükümlere ve BDDK tarafından yapılan diğer bildirimlere uygunluğunu kontrol ettik. Grup yönetimi ile yapılan görüşmeler çerçevesinde değer düşüklüğü hesaplamalarına baz teşkil eden temel varsayım ve diğer yargıların makul olup olmadığını değerlendirdik.

Kilit Denetim Konuları	*Kilit Denetim Konuları için Uygulanan Denetim Prosedürleri*
Emekli Sandığı Yükümlülüklerinin Değerlemesi Emekli Sandığı Yükümlülüklerine ilişkin olarak 31 Aralık 2017 tarihi itibariyle düzenlenmiş olan ilişikteki konsolide finansal tablolarda 690.852 bin TL karşılık ayrılmıştır. Söz konusu karşılığa ilişkin açıklamalar ilişikteki finansal tabloların Beşinci Bölüm 2.7 no'lu Dipnot'unda yer almaktadır. Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı ("Sandık") 506 Sayılı Kanunun Geçici 20. maddesi çerçevesinde kurulmuş bir sandık olup iştirakçileri Sosyal Güvenlik Kurumu'na ("SGK") devredilecek sandıklar kapsamına girmektedir. Devir tarihini belirlemede Bakanlar Kurulu yetkili kılınmıştır. Sandığın toplam yükümlülükleri, devredilecek faydalar ve Sandığın sorumluluğunda kalacak ilave faydalar için ayrı ayrı yöntem ve varsayımlar kullanılarak hesaplanmaktadır. Emekli Sandığı yükümlülüklerinin değerlemeleri ve uygun varsayımların seçiminde, önemli yargı ve teknik uzmanlık gerektirir. Sandık yükümlülüklerinin değerlemesi, emekli sandığı yükümlülük hesaplamalarında kullanılan devir edilebilir sosyal faydalar, iskonto oranları, maaş artışları, ekonomik ve demografik beklentiler gibi varsayım ve tahminlerdeki belirsizlikleri içermektedir. Grup yönetimi söz konusu değerlemelerin yapılması amacıyla harici bir aktüerya firmasının hizmetlerinden faydalanmaktadır. Denetimimiz esnasında; Emekli Sandığı yükümlülük hesaplamalarında kullanılan yukarıda da bahsedilen temel varsayım ve tahminler, devir tarihindeki belirsizlik ve teknik faiz oranın kanun ile belirlenmiş olması ile bu varsayımlardaki olası farklılaşmaların emekli sandığı yükümlülüğü üzerinde önemli etkileri dikkate alınarak bu alan kilit denetim konusu olarak belirlenmiştir.	Gerçekleştirdiğimiz denetim çalışmaları dahilinde, Emekli Sandığı yükümlülüklerinin hesaplamalarında kullanılan ve Grup yönetimi tarafından harici aktüerya firmasına sağlanan, çalışan verilerinin doğruluğunu bir örneklem kümesi seçerek test ettik. Ayrıca Emekli Sandığı bilançosunda yer alan varlıkların mevcudiyeti ve değerlerini test ettik. Hesaplamada kullanılan aktüeryal varsayımlarda, dönem içerisinde çalışanlara sağlanan faydalarda, plan varlıkları ve yükümlülüklerinde ve değerlemeler ile ilgili düzenlemelerde önemli değişiklik olup olmadığı değerlendirilerek önemli değişimleri test ettik. Harici aktüerler tarafından yükümlülüğün hesaplanmasında kullanılan varsayım ve değerlemelerin makul olup olmadığını aktüer uzmanlarımız vasıtasıyla değerlendirdik.

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4. **Diğer Husus**

Banka ve konsolidasyona tabi ortaklıklarının 31 Aralık 2016 tarihi itibarıyla düzenlenmiş konsolide finansal tablolarının bağımsız denetimi başka bir bağımsız denetim firması tarafından yapılmış, söz konusu bağımsız denetim firması tarafından hazırlanan 2 Şubat 2017 tarihli bağımsız denetim raporunda olumlu görüş bildirilmiştir.

5. **Yönetimin ve Üst Yönetimden Sorumlu Olanların Konsolide Finansal Tablolara İlişkin Sorumlulukları**

Grup yönetimi; konsolide finansal tabloların BDDK Muhasebe ve Finansal Raporlama Mevzuatı'na uygun olarak hazırlanmasından, gerçeğe uygun bir biçimde sunumundan ve hata veya hile kaynaklı önemli yanlışlık içermeyecek şekilde hazırlanması için gerekli gördüğü iç kontrolden sorumludur.

Konsolide finansal tabloları hazırlarken yönetim; Grup'un sürekliliğini devam ettirme kabiliyetinin değerlendirilmesinden, gerektiğinde süreklilikle ilgili hususları açıklamaktan ve Grup'u tasfiye etme ya da ticari faaliyeti sona erdirme niyeti ya da mecburiyeti bulunmadığı sürece işletmenin sürekliliği esasını kullanmaktan sorumludur.

Üst yönetimden sorumlu olanlar, Grup'un finansal raporlama sürecinin gözetiminden sorumludur.

6. **Bağımsız Denetçinin Konsolide Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları**

Bir bağımsız denetimde, biz bağımsız denetçilerin sorumlulukları şunlardır:

Amacımız, bir bütün olarak finansal tabloların hata veya hile kaynaklı önemli yanlışlık içerip içermediğine ilişkin makul güvence elde etmek ve görüşümüzü içeren bir bağımsız denetçi raporu düzenlemektir. BDDK tarafından 2 Nisan 2015 tarihli 29314 sayılı Resmi Gazete' de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve BDS'lere uygun olarak yürütülen bir bağımsız denetim sonucunda verilen makul güvence; yüksek bir güvence seviyesidir ancak, var olan önemli bir yanlışlığın her zaman tespit edileceğini garanti etmez. Yanlışlıklar hata veya hile kaynaklı olabilir. Yanlışlıkların, tek başına veya toplu olarak, finansal tablo kullanıcılarının bu konsolide tablolara istinaden alacakları ekonomik kararları etkilemesi makul ölçüde bekleniyorsa bu yanlışlıklar önemli olarak kabul edilir.

BDDK tarafından 2 Nisan 2015 tarihli 29314 sayılı Resmi Gazete' de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve BDS'lere uygun olarak yürütülen bağımsız denetimin gereği olarak, bağımsız denetim boyunca mesleki muhakememizi kullanmakta ve mesleki şüpheciliğimizi sürdürmekteyiz. Tarafımızca ayrıca:

- Konsolide finansal tablolardaki hata veya hile kaynaklı "önemli yanlışlık" riskleri belirlenmekte ve değerlendirilmekte; bu risklere karşılık veren denetim prosedürleri tasarlanmakta ve uygulanmakta ve görüşümüze dayanak teşkil edecek yeterli ve uygun denetim kanıtı elde edilmektedir. Hile; muvazaa, sahtekârlık, kasıtlı ihmal, gerçeğe aykırı beyan veya iç kontrol ihlali fiillerini içerebildiğinden, hile kaynaklı önemli bir yanlışlığı tespit edememe riski, hata kaynaklı önemli bir yanlışlığı tespit edememe riskinden yüksektir.
- Grup'un iç kontrolünün etkinliğine ilişkin bir görüş bildirmek amacıyla değil ama duruma uygun denetim prosedürlerini tasarlamak amacıyla denetimle ilgili iç kontrol değerlendirilmektedir.
- Yönetim tarafından kullanılan muhasebe politikalarının uygunluğu ile yapılan muhasebe tahminleri ile ilgili açıklamaların makul olup olmadığı değerlendirilmektedir.
- Elde edilen denetim kanıtlarına dayanarak Grup'un sürekliliğini devam ettirme kabiliyetine ilişkin ciddi şüphe oluşturabilecek olay veya şartlarla ilgili önemli bir belirsizliğin mevcut olup olmadığı hakkında ve yönetimin işletmenin sürekliliği esasının kullanılmasının uygunluğu hakkında sonuca varılmaktadır. Önemli bir belirsizliğin mevcut olduğu sonucuna varmamız hâlinde, raporumuzda, finansal tablolardaki ilgili açıklamalara dikkat çekmemiz ya da bu açıklamaların yetersiz olması durumunda olumlu görüş dışında bir görüş vermemiz gerekmektedir. Vardığımız sonuçlar,bağımsız denetçi raporu tarihine kadar elde edilen denetim kanıtlarına dayanmaktadır. Bununla birlikte, gelecekteki olay veya şartlar Grup'un sürekliliğini sona erdirebilir.
- Konsolide finansal tabloların açıklamaları dâhil olmak üzere, genel sunumu, yapısı ve içeriği ile bu tabloların, temelini oluşturan işlem ve olayları gerçeğe uygun sunumu sağlayacak şekilde yansıtıp yansıtmadığı değerlendirilmektedir
- Konsolide finansal tablolar hakkında görüş vermek amacıyla, Grup içerisindeki işletmelere veya faaliyet bölümlerine ilişkin finansal bilgiler hakkında yeterli ve uygun denetim kanıtı elde edilmektedir. Grup denetiminin yönlendirilmesinden, gözetiminden ve yürütülmesinden sorumluyuz. Verdiğimiz denetim görüşünden de tek başımıza sorumluyuz.

Diğer hususların yanı sıra, denetim sırasında tespit ettiğimiz önemli iç kontrol eksiklikleri dâhil olmak üzere, bağımsız denetimin planlanan kapsamı ve zamanlaması ile önemli denetim bulgularını üst yönetimden sorumlu olanlara bildirmekteyiz.

Bağımsızlığa ilişkin etik hükümlere uygunluk sağladığımızı üst yönetimden sorumlu olanlara bildirmiş bulunmaktayız. Ayrıca bağımsızlık üzerinde etkisi olduğu düşünülebilecek tüm ilişkiler ve diğer hususlar ile varsa, ilgili önlemleri üst yönetimden sorumlu olanlara iletmiş bulunmaktayız.

Üst yönetimden sorumlu olanlara bildirilen konular arasından, cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konuları yani kilit denetim konularını belirlemekteyiz. Mevzuatın konunun kamuya açıklanmasına izin vermediği durumlarda veya konuyu kamuya açıklamanın doğuracağı olumsuz sonuçların, kamuya açıklamanın doğuracağı kamu yararını aşacağının makul şekilde beklendiği oldukça istisnai durumlarda, ilgili hususun bağımsız denetçi raporumuzda bildirilmemesine karar verebiliriz

B. Mevzuattan Kaynaklanan Diğer Yükümlülükler

1. 6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 402. Maddesi'nin dördüncü fıkrası uyarınca, Banka'nın 1 Ocak - 31 Aralık 2017 hesap döneminde defter tutma düzeninin, kanun ile Banka esas sözleşmesinin finansal raporlamaya ilişkin hükümlerine uygun olmadığına dair önemli bir hususa rastlanmamıştır.
2. TTK'nın 402. Maddesi'nin dördüncü fıkrası uyarınca, Yönetim Kurulu tarafımıza denetim kapsamında istenen açıklamaları yapmış ve istenen belgeleri vermiştir.

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

Halûk Yalçın, SMMM
Sorumlu Denetçi

İstanbul, 6 Şubat 2018

YapıKredi

YAPI VE KREDİ BANKASI A.Ş.'NİN
31 ARALIK 2017 TARİHİ İTİBARIYLA HAZIRLANAN YIL SONU
KONSOLİDE FİNANSAL RAPORU

Yönetim Merkezi Adresi	: Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telefon:	: 0212 339 70 00
Faks:	: 0212 339 60 00
Web Sitesi Adresi:	: www.yapikredi.com.tr
E-Posta :	: financialreports@yapikredi.com.tr

Bankacılık Düzenleme ve Denetleme Kurumu tarafından düzenlenen Bankalarca Kamuya Açıklanacak Finansal Tablolar ile Bunlara İlişkin Açıklama ve Dipnotlar Hakkında Tebliğe göre hazırlanan yıl sonu konsolide finansal rapor aşağıda yer alan bölümlerden oluşmaktadır.

- **ANA ORTAKLIK BANKA HAKKINDA GENEL BİLGİLER**
- **ANA ORTAKLIK BANKANIN KONSOLİDE FİNANSAL TABLOLARI**
- **İLGİLİ DÖNEMDE UYGULANAN MUHASEBE POLİTİKALARINA İLİŞKİN AÇIKLAMALAR**
- **KONSOLİDASYON KAPSAMINDAKİ GRUBUN MALİ BÜNYESİNE VE RİSK YÖNETİMİNE İLİŞKİN BİLGİLER**
- **KONSOLİDE FİNANSAL TABLOLARA İLİŞKİN AÇIKLAMA VE DİPNOTLAR**
- **DİĞER AÇIKLAMALAR**
- **BAĞIMSIZ DENETİM RAPORU**

Bu finansal rapor çerçevesinde finansal tabloları konsolide edilen bağlı ortaklıklarımız, iştiraklerimiz ve birlikte kontrol edilen ortaklıklarımız aşağıdadır.

Bağlı ortaklıklar	İştirakler	Birlikte kontrol edilen ortaklıklar
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
2. Yapı Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.	
3. Yapı Kredi Yatırım Menkul Değerler A.Ş.		
4. Yapı Kredi Portföy Yönetimi A.Ş.		
5. Yapı Kredi Holding B.V.		
6. Yapı Kredi Bank Nederland N.V.		
7. Stichting Custody Services YKB		
8. Yapı Kredi Bank Azerbaijan CJSC		
9. Yapı Kredi Bank Malta Ltd		

Ayrıca Bankamızın bağlı ortaklığı olmamakla birlikte %100 kontrol gücüne sahip olduğu "Yapılandırılmış İşletme" (the Structured Entity) olan Yapı Kredi Diversified Payment Rights Finance Company de konsolidasyona dahil edilmiştir.

Bu raporda yer alan konsolide finansal tablolar ile bunlara ilişkin açıklama ve dipnotlar Bankaların Muhasebe Uygulamalarına ve Belgelerin Saklanmasına İlişkin Usul ve Esaslar Hakkında Yönetmelik, Türkiye Muhasebe Standartları, Türkiye Finansal Raporlama Standartları, bunlara ilişkin ek ve yorumlar ile Bankamız kayıtlarına uygun olarak, aksi belirtilmediği müddetçe **bin Türk Lirası** cinsinden hazırlanmış olup, bağımsız denetime tabi tutulmuş ve ilişikte sunulmuştur.

Y. Ali KOÇ **Yönetim Kurulu Başkanı**	**Niccolò UBERTALLI** **Murahhas Üye ve Genel Müdür Vekili**	**Massimo FRANCESE** **Genel Müdür Yardımcısı**	**B. Seda İKİZLER** **Finansal Raporlama ve Muhasebe Grup Direktörü**

Wolfgang SCHILK **Denetim Komitesi Başkanı**	**Adil G. ÖZTOPRAK** **Denetim Komitesi Üyesi**

Bu finansal rapor ile ilgili olarak soruların iletilebileceği yetkili personele ilişkin bilgiler :

Ad-Soyad / Ünvan	: Umut HALLAÇ / Uluslararası Raporlama ve Konsolidasyon Müdürü
Tel No	: 0212 339 98 87
Faks No	: 0212 339 61 05

Koç UniCredit

Ticaret Unvanı: Yapı ve Kredi Bankası A.Ş. Web Adresi: yapikredi.com.tr
Telefon: (0212) 339 70 00 Faks: (0212) 339 60 00
İşletmenin Merkezi: Yapı Kredi Plaza D Blok 34330 Levent İstanbul
Ticaret Sicil Numarası: 32736 Mersis No: 0937002089200741

Section one – General information

Section two - Consolidated financial statements

Section three – Accounting policies

Section four- Financial Position and Risk Management

Section five - Explanations and notes related to consolidated financial statements

Section six – Other explanations and Notes

Section seven – Explanations on the independent auditor's repor

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

Section One - General Information

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

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), 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. Explanation about the Parent 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 Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of September 30, 2017, almost 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 organisation 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.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Leasing")	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi NV")	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

After the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

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 September 30, 2017 the Parent 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)	Deputy General Manager
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(1)	Deputy General Manager

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 Financial Affairs 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 Asset Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Patrick Josef SCHMITT	Risk Management
Yakup DOĞAN	Alternative Distribution Channels Management
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 Parent 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 Parent Bank’s activities and service types:

The Parent Bank’s activities summarized in the article 3 of the articles of association are as follows:

The Parent 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 Parent 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 Parent Bank has 17.944 employees (December 31, 2016 - 18.366 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the “Group” in these consolidated financial statements. As of December 31, 2017 the Group has 18.839 employees (December 31, 2016 - 19.419 employees).

The accompanying consolidated 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 of the Preparation Consolidated Financial Statements 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 accompanying 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., 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 of 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 - Consolidated financial statements

1. Consolidated 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**	**34.856.269**	**42.451.970**	**9.051.439**	**24.031.856**	**33.083.295**
II.	**Financial assets at fair value through profit or (loss) (net)**	**1.2**	**3.681.893**	**548.187**	**4.230.080**	**2.629.996**	**410.834**	**3.040.830**
2.1	Trading financial assets		3.681.893	548.187	4.230.080	2.629.996	410.834	3.040.830
2.1.1	Government debt securities		26.584	30.396	56.980	18.888	17.825	36.713
2.1.2	Share certificates		38.442	-	38.442	6.635	-	6.635
2.1.3	Derivative financial assets held for trading	1.3	3.609.726	517.791	4.127.517	2.604.473	393.009	2.997.482
2.1.4	Other marketable securities		7.141	-	7.141	-	-	-
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**	**81.883**	**4.755.329**	**4.837.212**	**43.137**	**3.405.829**	**3.448.966**
IV.	**Money markets**		**4.215**	**812.790**	**817.005**	**252**	**-**	**252**
4.1	Interbank money market placements		-	812.790	812.790	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		4.097	-	4.097	-	-	-
4.3	Receivables from reverse repurchase agreements		118	-	118	252	-	252
V.	**Financial assets available-for-sale (net)**	**1.5,6**	**21.300.288**	**3.196.236**	**24.496.524**	**15.239.585**	**3.146.524**	**18.386.109**
5.1	Share certificates		61.114	96.693	157.807	44.258	62.485	106.743
5.2	Government debt securities		20.856.199	1.631.451	22.487.650	14.431.742	1.620.631	16.052.373
5.3	Other marketable securities		382.975	1.468.092	1.851.067	763.585	1.463.408	2.226.993
VI.	**Loans and receivables**	**1.7**	**128.114.248**	**73.884.539**	**201.998.787**	**107.994.217**	**70.670.205**	**178.664.422**
6.1	Loans and receivables		126.036.381	73.837.686	199.874.067	105.876.257	70.609.580	176.485.837
6.1.1	Loans to bank’s risk group		1.696.954	970.762	2.667.716	1.608.647	993.427	2.602.074
6.1.2	Government debt securities		-	-	-	-	-	-
6.1.3	Other		124.339.427	72.866.924	197.206.351	104.267.610	69.616.153	173.883.763
6.2	Loans under follow-up		9.024.397	139.187	9.163.584	8.706.143	143.024	8.849.167
6.3	Specific provisions (-)		(6.946.530)	(92.334)	(7.038.864)	(6.588.183)	(82.399)	(6.670.582)
VII.	**Factoring receivables**		**1.812.219**	**2.030.948**	**3.843.167**	**1.240.811**	**1.653.468**	**2.894.279**
VIII.	**Held-to-maturity investments (net)**	**1.8**	**6.771.736**	**7.425.330**	**14.197.066**	**4.831.667**	**6.757.223**	**11.588.890**
8.1	Government debt securities		6.771.736	6.574.845	13.346.581	4.831.667	5.957.387	10.789.054
8.2	Other marketable securities		-	850.485	850.485	-	799.836	799.836
IX.	**Investments in associates (net)**	**1.9**	**247.144**	**529.384**	**776.528**	**231.974**	**437.143**	**669.117**
9.1	Consolidated based on equity method		242.641	529.384	772.025	227.471	437.143	664.614
9.2	Unconsolidated		4.503	-	4.503	4.503	-	4.503
9.2.1	Investments in financial associates		-	-	-	-	-	-
9.2.2	Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X.	**Subsidiaries (net)**	**1.10**	**7.300**	**-**	**7.300**	**7.300**	**-**	**7.300**
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
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		18.386	-	18.386	18.114	-	18.114
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial joint ventures		-	-	-	-	-	-
11.2.2	Non-financial joint ventures		-	-	-	-	-	-
XII.	**Lease receivables**	**1.12**	**2.181.856**	**8.129.868**	**10.311.724**	**1.720.318**	**6.584.168**	**8.304.486**
12.1	Financial lease receivables		2.767.260	9.419.554	12.186.814	2.229.318	7.604.773	9.834.091
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		(585.404)	(1.289.686)	(1.875.090)	(509.000)	(1.020.605)	(1.529.605)
XIII.	**Derivative financial assets held for hedging**	**1.13**	**1.587.942**	**168.669**	**1.756.611**	**1.096.608**	**113.104**	**1.209.712**
13.1	Fair value hedge		67.028	1.188	68.216	246.295	-	246.295
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**	**2.596.539**	**15.310**	**2.611.849**	**2.678.356**	**34.691**	**2.713.047**
XV.	**Intangible assets (net)**	**1.15**	**1.663.441**	**18.785**	**1.682.226**	**1.549.798**	**17.066**	**1.566.864**
15.1	Goodwill		979.493	-	979.493	979.493	-	979.493
15.2	Other		683.948	18.785	702.733	570.305	17.066	587.371
XVI.	**Investment property (net)**	**1.16**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**Tax asset**		**68.080**	**-**	**68.080**	**178.240**	**1.151**	**179.391**
17.1	Current tax asset		14.766	-	14.766	97.812	1.151	98.963
17.2	Deferred tax asset	1.17	53.314	-	53.314	80.428	-	80.428
XVIII.	**Assets held for resale and related to discontinued operations (net)**	**1.18**	**204.048**	**5.806**	**209.854**	**161.854**	**4.329**	**166.183**
18.1	Held for sale purposes		204.048	5.806	209.854	161.854	4.329	166.183
18.2	Related to discontinued operations		-	-	-	-	-	-
XIX.	**Other assets**	**1.19**	**2.467.613**	**3.284.136**	**5.751.749**	**2.104.336**	**3.088.997**	**5.193.333**
	Total assets		**180.404.532**	**139.661.586**	**320.066.118**	**150.778.002**	**120.356.588**	**271.134.590**

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

1. Consolidated 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**	**75.881.343**	**97.502.290**	**173.383.633**	**84.238.259**	**72.849.936**	**157.088.195**
1.1	Deposits of the Bank's risk group		7.462.541	16.486.429	23.948.970	7.602.155	12.201.241	19.803.396
1.2	Other		68.418.802	81.015.861	149.434.663	76.636.104	60.648.695	137.284.799
II.	**Derivative financial liabilities held for trading**	**2.2**	**3.537.677**	**283.028**	**3.820.705**	**2.188.935**	**389.744**	**2.578.679**
III.	**Funds borrowed**	**2.3**	**2.292.830**	**40.057.223**	**42.350.053**	**1.367.430**	**29.141.344**	**30.508.774**
IV.	**Money markets**		**15.433.064**	**623.076**	**16.056.140**	**7.225.341**	**1.979.688**	**9.205.029**
4.1	Funds from interbank money market		3.703.931	-	3.703.931	-	-	-
4.2	Funds from Istanbul stock exchange money market		2.925.828	-	2.925.828	2.931.228	-	2.931.228
4.3	Funds provided under repurchase agreements		8.803.305	623.076	9.426.381	4.294.113	1.979.688	6.273.801
V.	**Marketable securities issued (net)**	**2.3**	**4.796.710**	**18.481.161**	**23.277.871**	**3.990.883**	**14.089.584**	**18.080.467**
5.1	Bills		1.212.509	107.682	1.320.191	1.399.791	86.665	1.486.456
5.2	Asset backed securities		-	8.278.912	8.278.912	-	6.564.507	6.564.507
5.3	Bonds		3.584.201	10.094.567	13.678.768	2.591.092	7.438.412	10.029.504
VI.	**Funds**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**Miscellaneous payables**		**10.462.397**	**2.291.832**	**12.754.229**	**9.152.217**	**2.010.570**	**11.162.787**
VIII.	**Other liabilities**	**2.4**	**1.386.759**	**555.067**	**1.941.826**	**1.590.918**	**365.486**	**1.956.404**
IX.	**Factoring payables**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**Lease payables**	**2.5**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred lease expenses (-)		-	-	-	-	-	-
XI.	**Derivative financial liabilities held for hedging**	**2.6**	**300.335**	**12.443**	**312.778**	**66.263**	**23.033**	**89.296**
11.1	Fair value hedge		205.148	63	205.211	49.949	508	50.457
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**	**4.137.465**	**1.345.038**	**5.482.503**	**3.359.679**	**1.334.393**	**4.694.072**
12.1	General loan loss provision		2.162.793	1.248.012	3.410.805	1.884.546	1.225.025	3.109.571
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee rights		581.606	2.773	584.379	298.496	2.825	301.321
12.4	Insurance technical provisions (net)		-	-	-	-	-	-
12.5	Other provisions		1.393.066	94.253	1.487.319	1.176.637	106.543	1.283.180
XIII.	**Tax liability**	**2.8**	**846.595**	**19.155**	**865.750**	**566.362**	**15.479**	**581.841**
13.1	Current tax liability		628.470	12.002	640.472	308.752	4.838	313.590
13.2	Deferred tax liability		218.125	7.153	225.278	257.610	10.641	268.251
XIV.	**Liabilities for property and equipment held for sale and related to discontinued operations (net)**		**-**	**-**	**-**	**-**	**-**	**-**
14.1	Held for sale		-	-	-	-	-	-
14.2	Related to discontinued operations		-	-	-	-	-	-
XV.	**Subordinated loans**	**2.9**	**-**	**9.718.804**	**9.718.804**	**-**	**9.067.893**	**9.067.893**
XVI.	**Shareholders' equity**	**2.10**	**29.873.141**	**228.685**	**30.101.826**	**26.103.038**	**18.115**	**26.121.153**
16.1	Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2	Capital reserves		2.574.496	228.685	2.803.181	2.643.512	18.115	2.661.627
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		(445.780)	60.864	(384.916)	(377.643)	(86.111)	(463.754)
16.2.4	Property and equipment revaluation differences		1.373.713	7.315	1.381.028	1.462.750	6.947	1.469.697
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		5.667	-	5.667	4.561	-	4.561
16.2.8	Hedging funds (effective portion)		(42.581)	160.506	117.925	(191.241)	97.279	(93.962)
16.2.9	Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		1.139.596	-	1.139.596	1.201.204	-	1.201.204
16.3	Profit reserves		17.697.018	-	17.697.018	14.539.224	-	14.539.224
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		1.152.585	-	1.152.585	781.536	-	781.536
16.4	Income or (loss)		5.254.035	-	5.254.035	4.572.749	-	4.572.749
16.4.1	Prior years’ income or (loss)		1.639.954	-	1.639.954	1.639.954	-	1.639.954
16.4.2	Current year income or (loss)		3.614.081	-	3.614.081	2.932.795	-	2.932.795
16.5	Minority interest		541	-	541	502	-	502
	Total liabilities and shareholders’ equity		**148.948.316**	**171.117.802**	**320.066.118**	**139.849.325**	**131.285.265**	**271.134.590**

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

2. Consolidated off-balance sheet commitments

				Current Period (31/12/2017)			Prior Period (31/12/2016)	
		Note (Section Five)	TL	FC	Total	TL	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**296.244.062**	**392.441.545**	**688.685.607**	**161.396.771**	**244.133.727**	**405.530.498**
I.	**Guarantees and warranties**	**3.1.2,3**	**26.495.214**	**52.356.201**	**78.851.415**	**21.614.582**	**46.839.902**	**68.454.484**
1.1	Letters of guarantee		26.441.208	33.858.543	60.299.751	21.568.691	31.223.540	52.792.231
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	101.473	22.370.279	18.500.031	153.948	18.653.979
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	11.507.886	11.527.886	11.407	9.181.763	9.193.170
1.3.1	Documentary letters of credit		20.000	11.507.373	11.527.373	11.407	9.181.763	9.193.170
1.3.2	Other letters of credit		-	513	513	-	-	-
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**	**92.506.787**	**185.987.660**	**53.181.915**	**25.742.342**	**78.924.257**
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	50.485.084	51.945.599	438.429	12.078.423	12.516.852
2.2.1	Revocable loan granting commitments		1.460.515	50.417.185	51.877.700	438.429	12.018.342	12.456.771
2.2.2	Other revocable commitments		-	67.899	67.899	-	60.081	60.081
III.	**Derivative financial instruments**	**3.2.3**	**176.267.975**	**247.578.557**	**423.846.532**	**86.600.274**	**171.551.483**	**258.151.757**
3.1	Derivative financial instruments for hedging purposes		42.981.037	30.901.265	73.882.302	29.395.251	23.277.181	52.672.432
3.1.1	Transactions for fair value hedge		491.387	2.804.166	3.295.553	668.301	1.990.110	2.658.411
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		133.286.938	216.677.292	349.964.230	57.205.023	148.274.302	205.479.325
3.2.1	Forward foreign currency buy/sell transactions		11.622.183	15.192.560	26.814.743	5.932.158	9.341.391	15.273.549
3.2.1.1	Forward foreign currency transactions-buy		4.545.311	8.808.854	13.354.165	2.094.166	5.487.983	7.582.149
3.2.1.2	Forward foreign currency transactions-sell		7.076.872	6.383.706	13.460.578	3.837.992	3.853.408	7.691.400
3.2.2	Swap transactions related to foreign currency and interest rates		105.854.508	169.948.833	275.803.341	39.936.351	112.739.983	152.676.334
3.2.2.1	Foreign currency swap-buy		21.536.219	88.609.675	110.145.894	14.973.712	37.775.189	52.748.901
3.2.2.2	Foreign currency swap-sell		79.188.289	32.339.368	111.527.657	20.422.639	31.924.736	52.347.375
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)**		**644.580.477**	**284.931.511**	**929.511.988**	**515.979.417**	**262.734.842**	**778.714.259**
IV.	**Items held in custody**		**359.521.535**	**192.501.757**	**552.023.292**	**271.381.629**	**182.248.974**	**453.630.603**
4.1	Customer fund and portfolio balances		-	-	-	-	-	-
4.2	Investment securities held in custody		337.338.561	191.854.708	529.193.269	250.948.565	181.437.884	432.386.449
4.3	Checks received for collection		17.339.675	93.109	17.432.784	15.840.681	148.728	15.989.409
4.4	Commercial notes received for collection		4.785.155	494.096	5.279.251	4.547.836	615.063	5.162.899
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**	**91.536.890**	**362.689.629**	**240.607.924**	**78.233.779**	**318.841.703**
5.1	Marketable securities		193.385	418	193.803	179.680	390	180.070
5.2	Guarantee notes		930.316	272.363	1.202.679	1.000.765	285.982	1.286.747
5.3	Commodity		23.010	-	23.010	25.813	56.719	82.532
5.4	Warrants		-	-	-	-	-	-
5.5	Properties		119.604.456	71.034.836	190.639.292	104.128.522	67.662.780	171.791.302
5.6	Other pledged items		150.401.572	20.222.475	170.624.047	135.273.144	10.221.643	145.494.787
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**	**2.252.089**	**6.241.953**
	Total off-balance sheet commitments (A+B)		**940.824.539**	**677.373.056**	**1.618.197.595**	**677.376.188**	**506.868.569**	**1.184.244.757**

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

3. Consolidated 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**	**22.985.702**	**19.109.871**
1.1	Interest on loans	4.1.1	18.020.957	15.684.097
1.2	Interest received from reserve deposits		233.964	118.632
1.3	Interest received from banks	4.1.2	330.887	174.287
1.4	Interest received from money market transactions		23.368	21.539
1.5	Interest received from marketable securities portfolio	4.1.3	3.436.507	2.400.058
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		2.446.401	1.671.117
1.5.4	Held to maturity investments		986.701	723.639
1.6	Financial lease income		661.126	517.228
1.7	Other interest income		278.893	194.030
II.	**Interest expense**	**4.2**	**(13.250.685)**	**(10.889.187)**
2.1	Interest on deposits	4.2.4	(9.638.329)	(7.867.050)
2.2	Interest on funds borrowed	4.2.1	(1.498.314)	(1.066.754)
2.3	Interest expense on money market transactions		(824.556)	(956.350)
2.4	Interest on securities issued	4.2.3	(1.232.656)	(968.296)
2.5	Other interest expenses		(56.830)	(30.737)
III.	**Net interest income (I + II)**		**9.735.017**	**8.220.684**
IV.	**Net fees and commissions income**		**3.315.309**	**2.972.884**
4.1	Fees and commissions received		4.250.423	3.732.653
4.1.1	Non-cash loans		565.000	476.738
4.1.2	Other	4.12	3.685.423	3.255.915
4.2	Fees and commissions paid		(935.114)	(759.769)
4.2.1	Non-cash loans		(21.767)	(11.597)
4.2.2	Other		(913.347)	(748.172)
V.	**Dividend income**	**4.3**	**10.726**	**6.173**
VI.	**Trading gain/(loss) (net)**	**4.4**	**(512.878)**	**187.323**
6.1	Trading gains/(losses) on securities		56.327	17.548
6.2	Derivative financial transactions gains/(losses)	4.5	(1.004.260)	(55.683)
6.3	Foreign exchange gains/(losses)		435.055	225.458
VII.	**Other operating income**	**4.6**	**1.143.615**	**550.841**
VIII.	**Total operating income / loss (III+IV+V+VI+VII)**		**13.691.789**	**11.937.905**
IX.	**Provision for impairment of loans and other receivables (-)**	**4.7**	**(3.358.109)**	**(2.955.042)**
X.	**Other operating expenses (-)**	**4.8**	**(5.819.966)**	**(5.315.318)**
XI.	**Net operating income/(loss) (VIII-IX-X)**		**4.513.714**	**3.667.545**
XII.	**Excess amount recorded as income after merger**		**-**	**-**
XIII.	**Income/(loss) from investments accounted based on equity method**		**87.612**	**85.361**
XIV.	**Income/(loss) on net monetary position**		**-**	**-**
XV.	**Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)**	**4.9**	**4.601.326**	**3.752.906**
XVI.	**Tax provision for continuing operations (±)**	**4.10**	**(987.168)**	**(820.046)**
16.1	Current tax provision		(1.100.842)	(658.037)
16.2	Deferred tax provision		113.674	(162.009)
XVII.	**Net profit/loss from continuing operations (XV±XVI)**		**3.614.158**	**2.932.860**
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**	**3.614.158**	**2.932.860**
23.1	Group's profit/loss		3.614.081	2.932.795
23.2	Minority interest profit/losses (-)		77	65
	Earnings/(loss) per share (in TL full)		0,0083	0,0067

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

4. Consolidated 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**	**90.585**	**(247.255)**
II.	**Property and equipment revaluation differences**	**(1.973)**	**-**
III.	**Intangible assets revaluation differences**	**-**	**-**
IV.	**Currency translation differences for foreign currency transactions**	**371.732**	**373.826**
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**	**(259.938)**	**2.257**
IX.	**Deferred tax on valuation differences**	**(102.793)**	**27.513**
X.	**Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)**	**366.553**	**101.928**
XI.	**Current year profit/loss**	**3.614.158**	**2.932.860**
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	39.180	236.391
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	3.302.191	2.740.876
XII.	**Total income/loss accounted for the period (X+XI)**	**3.980.711**	**3.034.788**

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

5. Consolidated statement of changes in shareholders' equity

	Prior Period December 30, 2016	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves[1]	Status reserves	Extraordinary reserves[1]	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)[1]	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
I.	**Period opening balance**		4.347.051	-	543.881	-	751.512	-	11.148.251	1.648.170	1.908.683	1.595.010	(284.912)	1.467.728	4.503	(43.949)	-	23.085.928	474	23.086.402
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	1.648.170	1.908.683	1.595.010	(284.912)	1.467.728	4.503	(43.949)		23.085.928	474	23.086.402
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	**Increase/decrease due to the merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	(220.989)	-	-	-	-	(220.989)	-	(220.989)
VI.	**Hedging transactions funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	(43.531)	-	(43.531)	-	(43.531)
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	117.667	-	117.667	-	117.667
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(161.198)	-	(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	-	58
X.	**Foreign exchange differences**		-	-	-	-	-	-	-	326.932	-	-	42.147	1.969	-	(6.482)	-	364.566	-	364.566
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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**		-	-	-	-	-	-	-	5.018	-	(3.194)	-	-	-	-	-	1.824	-	1.824
XIX.	**Current year income or loss**		-	-	-	-	-	-	-	-	2.932.795	-	-	-	-	-	-	2.932.795	65	2.932.860
XX.	**Profit distribution**		-	-	-	-	93.027	-	1.764.898	2.620	(1.908.683)	48.138	-	-	-	-	-	-	(37)	(37)
20.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37)	(37)
20.2	Transfers to reserves		-	-	-	-	93.027	-	1.764.898	2.620	(1.908.683)	48.138	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	**Transactions with minority**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (III+IV+V+…..+VIII+XIX+XX)		4.347.051	-	543.881	-	844.539	-	12.913.149	1.982.740	2.932.795	1.639.954	(463.754)	1.469.697	4.561	(93.962)	-	26.120.651	502	26.121.153

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

5. Consolidated 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[1]	Status reserves	Extraordinary reserves[1]	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)[1]	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
I.	**Prior period-end balance**		**4.347.051**	**-**	**543.881**	**-**	**844.539**	**-**	**12.913.149**	**1.982.740**	**2.932.795**	**1.639.954**	**(463.754)**	**1.469.697**	**4.561**	**(93.962)**		**26.120.651**	**502**	**26.121.153**
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	**Increase/decrease due to the merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**81.976**	-	-	-	-	**81.976**	-	**81.976**
IV.	**Hedging transactions funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**205.690**	-	**205.690**	-	**205.690**
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	451.344	-	451.344	-	451.344
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(245.654)	-	(245.654)	-	(245.654)
V.	**Property and equipment revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	**(88.744)**	-	-	-	**(88.744)**	-	**(88.744)**
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares from investments in associates, subsidiaries and joint ventures**		-	-	-	-	-	-	-	-	-	-	-	-	**1.106**	-	-	**1.106**	-	**1.106**
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	**367.576**	-	-	**(3.138)**	**75**	-	**6.197**	-	**370.709**	-	**370.710**
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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**		-	-	-	-	-	-	-	**(204.185)**	-	-	-	-	-	-	-	**(204.185)**	-	**(204.185)**
XVII.	**Current year income or loss**		-	-	-	-	-	-	-	-	**3.614.081**	-	-	-	-	-	-	**3.614.081**	**77**	**3.614.158**
XVIII.	**Profit distribution**		-	-	-	-	**24.871**	-	**2.761.874**	**146.050**	**(2.932.795)**	-	-	-	-	-	-	-	**(38)**	**(38)**
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38)	(38)
18.2	Transfers to reserves		-	-	-	-	24.871	-	2.761.874	146.050	(2.932.795)	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	**Transactions with minority**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (I+II+III+……+XVII+XVIII)		**4.347.051**	**-**	**543.881**	**-**	**869.410**	**-**	**15.675.023**	**2.292.181**	**3.614.081**	**1.639.954**	**(384.916)**	**1.381.028**	**5.667**	**117.925**	**-**	**30.101.285**	**541**	**30.101.826**

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

6. Consolidated statement of cash flows

		Note (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		1.495.927	1.221.892
1.1.1	Interest received		20.688.452	17.727.998
1.1.2	Interest paid		(13.148.825)	(10.633.451)
1.1.3	Dividend received		10.726	6.173
1.1.4	Fees and commissions received		4.250.423	3.732.653
1.1.5	Other income		(735.688)	(444.011)
1.1.6	Collections from previously written-off loans and other receivables		1.427.699	1.061.802
1.1.7	Payments to personnel and service suppliers		(4.728.890)	(4.386.305)
1.1.8	Taxes paid		(1.310.502)	(1.017.605)
1.1.9	Other	6.3	(4.957.468)	(4.825.362)
1.2	Changes in operating assets and liabilities		4.071.561	(600.134)
1.2.1	Net (increase)/decrease in trading securities		(58.923)	30.515
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in banks		(3.688.408)	130.418
1.2.4	Net (increase)/decrease in loans		(26.556.689)	(28.715.594)
1.2.5	Net (increase)/decrease in other assets		(733.197)	(1.713.355)
1.2.6	Net increase /(decrease) in bank deposits		1.261.383	3.051.996
1.2.7	Net increase /(decrease) in other deposits		15.038.286	23.801.981
1.2.8	Net increase /(decrease) in funds borrowed		16.631.691	(2.804)
1.2.9	Net increase /(decrease) in payables		-	-
1.2.10	Net increase /(decrease) in other liabilities	6.3	2.177.418	2.816.709
I.	**Net cash flows from banking operations**		**5.567.488**	**621.758**
B.	**Cash flows from investing activities**			
II.	**Net cash flows from investing activities**		**(6.419.690)**	**2.444.468**
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		(420.323)	(395.261)
2.4	Disposals of property and equipment		65.035	94.580
2.5	Purchase of investments available-for-sale		(16.011.211)	(14.336.340)
2.6	Sale of investments available-for -sale		11.581.249	18.501.225
2.7	Purchase of investment securities		(3.231.152)	(1.703.125)
2.8	Sale of investment securities		1.381.405	283.389
2.9	Other		-	-
C.	**Cash flows from financing activities**			
III.	**Net cash flows from financing activities**		**7.151.974**	**1.453.047**
3.1	Cash obtained from funds borrowed and securities issued		23.390.945	10.594.690
3.2	Cash used for repayment of funds borrowed and securities issued		(16.238.933)	(9.141.606)
3.3	Issued capital instruments		-	-
3.4	Dividends paid		(38)	(37)
3.5	Payments for finance leases		-	-
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**	**6.3**	**1.585.494**	**1.357.079**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**7.885.266**	**5.876.352**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**15.959.012**	**10.082.660**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**23.844.278**	**15.959.012**

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

7. Profit distribution statement[(1),(2)]

		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	-	-
1.1	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) Profit Distribution Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(2) 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 and participation shares (have been set as 50% for real estate properties as of December 5, 2017) and will not be distributed and kept under a special fund.

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Parent 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 consolidated 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 financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated 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, trading derivative financial liabilities, hedging derivative financial assets/liabilities, art objects, paintings and buildings 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 consolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Group 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 analysis carried out, it is considered that all requirements of TAS 39 will be maintained 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 Parent 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 Parent 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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 Group 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 Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign 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 Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group 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 Parent Bank exchange rates prevailing at the balance sheet date gains and losses arising from such valuations are recognised 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. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Hedging funds" in equity.

The Group, classifies 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

3. Information on consolidation principles:

2.1. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated November 8, 2006 and "TFRS 10-Consolidated Financial Statements"

2.1.1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) December 31, 2017	Direct and indirect rates (%) December 31, 2017
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company (1)	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

Yapı Kredi Invest LLC, which is owned by Yapı Kredi Azerbaijan, a subsidiary of the Parent Bank, was liquidated on December 21, 2017.

It is resolved on October 25, 2017 by the Bank's Board of Directors to sell our Group's 100% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.300.000.000 and to sign the Share Purchase Agreement with Expobank LLC regarding this issue.

2.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2017	Direct and indirect rates % December 31, 2017
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

2.1.3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2017	Direct and indirect rates % December 31, 2017
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

2.1.4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "TAS 27 - Individual Financial Statements" in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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

The Group's derivative transactions mostly include foreign currency 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 re-measured 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 of 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 Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group 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 transactions 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 the recognition of the hedged item.

The Parent 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 (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group'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 of the Parent Bank 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 Parent 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- Financial Instruments: Recognition and Measurement" 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 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 Parent Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

Market risks of these products are monitored using the Parent Bank's internal modeling 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, those currency exchange transactions 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 international financial reporting 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 counter party.

5. Explanations on interest income and expense:

Interest income and expenses are recognised in the income statement on an accrual basis by using the effective interest method periodically. The Group 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 Group 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 Group 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 Group. 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.

2.1. 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 the 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 4. of this section.

2.2. 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.

2.3. 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 is accounted for in foreign exchange gain/loss accounts.

The Parent 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 the Parent 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.

2.4. 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 can not 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 "Trading gains/(losses) on securities" according to the 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 Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise 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 Group 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 Group 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.

A discontinued operation is a part of the Group'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:

2.1. 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 recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, 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 recognised 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, 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 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.

2.2. Other intangible assets:

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 Group 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 Group 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 utilise 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 equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since 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%

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

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 recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised 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 Group performs financial and operational leasing in the capacity of the lessee and lessor.

2.1. Accounting of leasing operations according to lessee:

14.1.1 Financial lease

The Group 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 recognised. 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.

14.1.2 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.

2.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1 Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated December 24, 2013, numbered 28861. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Group also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not overdue or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Group sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

15. Explanations on provisions and contingent assets and liabilities:

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

Provisions are recognised when the Group 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 recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised 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:

2.1. Severance Pay

Obligations related to severance pay 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 Group 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 severance pay represents the present value of the estimated total liability for the future probable obligation of the Group 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.

***2.2.* Pension rights**

The Parent 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 23th 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 April 23, 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 Parent 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.

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

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

2.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Rights", the Group 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:

2.1. 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 deductable 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.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

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 (have been set as 50% for real estate properties as of December 5, 2017) 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.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2017 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%
Malta	35,00%

2.2. Deferred tax:

The Group 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 Group 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 utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with "TAS 12-Income Taxes". 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.

2.3. 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. Additional 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".

The Group classifies 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. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

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

Also, Group obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

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

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 of the Parent Bank 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 Group 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 period to the weighted average number of shares outstanding during the period concerned.

	Current Period	Prior Period
Net Income/(loss) 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 (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 (December 31, 2016 - no bonus shares were issued).

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 in line 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.

27. Legal mergers under common control:

As in "TFRS 3- Business Combinations" or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the "pooling of interests" method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as "the effect of legal mergers under common control".

POA has issued a policy decision in July, 2013 regarding "Accounting for business combinations Subject to Joint Control Group" which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

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

Section four - Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart 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 consolidated capital adequacy ratio of the Group is 13,37% (December 31, 2016 – 13,18%) and the Parent Bank is 14,49% (December 31, 2016 – 14,21%).

1.1. Information related to capital adequacy ratio:

	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	17.697.018		14.539.224	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	3.538.112		3.053.077	
Profit	5.254.035		4.572.749	
Net profit of the period	3.614.081		2.932.795	
Profit of the previous years	1.639.954		1.639.954	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	5.667		4.561	
Minority interest	541		502	
Common Equity Tier 1 capital before regulatory adjustments	**31.386.305**		**27.061.045**	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	91.324		19.189	
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	1.284.479		939.892	
Improvement costs for operating leasing	98.823		119.336	
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)	533.737	667.171	331.709	552.848
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	790.411		682.728	
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	**4.419.059**		**3.059.700**	
Common Equity Tier 1 capital (CET1)	**26.967.246**		**24.001.345**	

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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]
Preffered 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 (-)	329.333	-	612.936	
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)	**26.637.913**		**23.388.409**	
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	
Shares of Third Parties in Additional Tier I Capital	-		-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-		-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.130.251		2.886.021	
Tier 2 capital before regulatory adjustments	**9.706.596**		**9.424.937**	
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	**9.633.807**		**9.315.485**	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**36.132.636**		**32.484.365**	
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	3.885		13.811	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years [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 (-)				

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	36.132.636	32.484.365
Total Risk Weighted Assets	270.278.292	246.436.668
CAPITAL ADEQUACY RATIOS		

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

Common Equity Tier 1 Capital Adequacy Ratio (%)	9,98	9,74
Tier 1 Capital Adequacy Ratio (%)	9,86	9,49
Capital Adequacy Ratio (%)	13,37	13,18
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	2,017	1,012
a)Capital conservation buffer requirement (%)	1,250	0,625
b)Bank's specific countercyclical buffer requirement (%)	0,017	0,012
c)Systemically important Bank buffer	0,750	0,375
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 (%)	3,978	3,739
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)	1.780.093	1.218.309
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.410.805	3.109.571
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.130.251	2.886.021
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. Information on debt instruments included in the calculation of equity:

	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- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized 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
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 Year MidSwap+ 4,88% coupon)	5,5%	8,625% (5 Year MidSwap+ 7,40% 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:

Exposures subject to countercyclical capital buffer:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	212.659.795	-	**212.659.795**
Netherland	1.157.784	-	**1.157.784**
Malta	904.540	-	**904.540**
Switzerland	870.469		**870.469**
Italy	589.820		**589.820**
Azerbaijan	514.070	-	**514.070**
USA	382.305	-	**382.305**
Marshall Islands	332.035	-	**332.035**
England	331.616	-	**331.616**
Russia	314.677	-	**314.677**
Malesia	291.141	-	**291.141**
Luxembourg	263.873	-	**263.873**
Other	1.543.286	-	**1.543.286**
Total	**220.155.411**	-	**220.155.411**

2. **Explanations on consolidated credit risk:**

2.1 Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Bank is at a side. The Parent 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 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 Treasury Management employee who is authorised for transactions in the market are controlled 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 Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

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

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 Small and Medium Sized Entities (SME) and Corporate/Commercial customers during the underwriting process of the Parent 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.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial customers 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 Parent 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 Group 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	82.923.502	66.010.715
Conditional and unconditional receivables from regional or local governments	374	262
Conditional and unconditional receivables from administrative units and non-commercial enterprises	217.500	219.899
Conditional and unconditional receivables from multilateral development banks	141.224	88.297
Conditional and unconditional receivables from banks and brokerage houses	24.326.531	22.028.801
Conditional and unconditional receivables from corporates	158.407.369	147.310.367
Conditional and unconditional retail receivables	83.479.431	81.050.293
Conditional and unconditional receivables secured by mortgages	26.643.951	21.222.066
Past due receivables	2.336.173	2.127.564
Receivables defined as high risk category by the Regulator	190.332	189.277
Investments similar to collective investment funds	94.843	62.538
Share certificate investment	412.275	307.258
Other receivables	8.355.726	8.474.989
Total	**387.529.231**	**349.092.326**

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

2.2 The Parent 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 Group 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.

The Group's 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.

2.4 In terms of credit risk;

- The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 27% and 35%. (December 31, 2016- 27% and 35%).
- The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 62%. (December 31, 2016- 47% and 59%).
- The proportion of the Parent 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. (December 31, 2016- 33% and 42%).

2.5. The Group provided a general loan loss provision amounting to TL 3.410.805 (December 31, 2016 - TL 3.109.571).

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

2.6. 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	82.497.314	184	217.500	-	9.188.647	149.242.777	83.350.987	26.639.303	2.252.602	190.330	94.843	305.533	8.353.111	**362.333.131**
EU countries	241.268	190	-	136.943	12.477.459	3.987.884	6.154	2.291	8	2	-	-	2.615	**16.854.814**
OECD countries[(3)]	-	-	-	-	255.596	1.353.263	921	1.536	-	-	-	-	-	**1.611.316**
Off-shore banking regions	-	-	-	-	550.159	65.488	3.690	-	8.399	-	-	-	-	**627.736**
USA, Canada	-	-	-	4.281	1.482.764	1.732.765	5.946	353	85	-	-	94.806	-	**3.321.000**
Other countries	184.920	-	-	-	371.906	2.025.192	111.733	468	75.079	-	-	133	-	**2.769.431**
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	11.803	-	**11.803**
Undistributed Assets / Liabilities[(4)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**82.923.502**	**374**	**217.500**	**141.224**	**24.326.531**	**158.407.369**	**83.479.431**	**26.643.951**	**2.336.173**	**190.332**	**94.843**	**412.275**	**8.355.726**	**387.529.231**

	Risk Classifications[(1),(2)]													
	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Prior Period														
Domestic	61.683.736	167	532.833	-	7.673.052	130.109.131	77.494.558	15.397.161	2.095.589	206.855	-	39.870	9.369.493	**304.602.445**
EU countries	482.151	67	-	35.777	10.797.441	3.222.716	9.306	642	3.977	2	-	-	2.197	**14.554.276**
OECD countries[(3)]	-	-	-	-	287.625	1.041.137	1.572	100	-	-	-	-	-	**1.330.434**
Off-shore banking regions	-	-	-	-	900.262	150.019	5.280	-	8.689	-	-	-	-	**1.064.250**
USA, Canada	-	-	-	6.918	925.094	1.469.903	38.700	138	193	-	-	60.849	76	**2.501.871**
Other countries	194.620	-	12.625	-	480.123	2.132.349	116.770	625	82.286	1	-	119	225	**3.019.743**
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	11.803	682.728	**694.531**
Undistributed Assets / Liabilities[(4)]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**62.360.507**	**234**	**545.458**	**42.695**	**21.063.597**	**138.125.255**	**77.666.186**	**15.398.666**	**2.190.734**	**206.858**	**-**	**112.641**	**10.054.719**	**327.767.550**

(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 credit risk mitigation.

(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
7-Conditional and unconditional receivables from corporates
8-Conditional and unconditional retail receivables
9-Conditional and unconditional receivables secured by mortgages
9- Past due receivables
10- Receivables defined as high risk category by the Regulator
11- Investments similar to collective investment funds
12-Share certificate investment
13-Other receivables

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

2.7. 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	**-**	**-**	**35.191**	**-**	**-**	**4.739.025**	**3.240.988**	**748.411**	**173.185**	**6.792**	**-**	**-**	**-**	**5.541.547**	**3.402.045**	**8.943.592**
Farming and raising livestock	-	-	34.775	-	-	3.550.230	2.230.032	542.870	132.727	4.326	-	-	-	3.876.625	2.618.335	6.494.960
Forestry	-	-	416	-	-	951.999	982.146	199.083	36.125	2.309	-	-	-	1.593.940	578.138	2.172.078
Fishing	-	-	-	-	-	236.796	28.810	6.458	4.333	157	-	-	-	70.982	205.572	276.554
Manufacturing	**-**	**20**	**59.107**	**-**	**37.589**	**84.076.172**	**17.459.509**	**5.927.237**	**959.216**	**53.113**	**-**	**3.597**	**-**	**44.998.089**	**63.577.471**	**108.575.560**
Mining	-	-	49	-	-	2.500.153	471.640	199.666	298.694	1.365	-	-	-	1.797.667	1.673.900	3.471.567
Production	-	-	4.924	-	-	48.836.215	16.633.176	5.425.375	621.009	49.014	-	3.597	-	37.617.855	33.955.455	71.573.310
Electric, gas and water	-	20	54.134	-	37.589	32.739.804	354.693	302.196	39.513	2.734	-	-	-	5.582.567	27.948.116	33.530.683
Construction	**-**	**2**	**83**	**-**	**2.965**	**23.386.234**	**7.505.450**	**5.964.886**	**282.283**	**50.701**	**-**	**-**	**-**	**16.867.594**	**20.325.010**	**37.192.604**
Services	**82.923.502**	**296**	**119.231**	**141.224**	**22.264.266**	**42.204.861**	**9.770.318**	**6.840.442**	**468.605**	**30.201**	**94.843**	**353.437**	**5.221.547**	**83.638.661**	**86.794.112**	**170.432.773**
Wholesale and retail trade	-	1	452	-	9.546	7.069.159	4.480.858	1.067.887	194.048	14.960	-	-	-	9.110.103	3.726.808	12.836.911
Hotel, food and beverage services	-	-	18.970	-	-	5.606.431	1.186.881	2.016.486	99.423	3.353	-	-	-	2.422.876	6.508.668	8.931.544
Transportation and telecommunication	-	-	13	-	-	7.948.739	1.922.050	448.283	85.572	5.799	-	5.000	-	3.485.868	6.929.588	10.415.456
Financial institutions	82.923.502	190	226	141.224	22.254.720	6.632.740	192.412	2.322.145	24.798	285	94.843	104.492	5.221.547	56.921.447	62.991.677	119.913.124
Real estate and renting services	-	-	-	-	-	389.020	36.711	4.280	1.147	42	-	-	-	282.647	148.553	431.200
Employment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	2.735	-	-	203.027	132.900	39.222	3.300	346	-	-	-	333.436	48.094	381.530
Health and social services	-	105	96.835	-	-	14.355.745	1.818.506	942.139	60.317	5.416	-	243.945	-	11.082.284	6.440.724	17.523.008
Other	**-**	**56**	**3.888**	**-**	**2.021.711**	**4.001.077**	**45.503.166**	**7.162.975**	**452.884**	**49.525**	**-**	**55.241**	**3.134.179**	**60.097.081**	**2.287.621**	**62.384.702**
Total	**82.923.502**	**374**	**217.500**	**141.224**	**24.326.531**	**158.407.369**	**83.479.431**	**26.643.951**	**2.336.173**	**190.332**	**94.843**	**412.275**	**8.355.726**	**211.142.972**	**176.386.259**	**387.529.231**

(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 credit risk mitigation.

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- Investments similar to collective investment funds
12-Share certificate investment
13-Other receivables

2.8. Risk profile according to remaining maturities:

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

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	30.090.546	720.285	103.905	1.606.520	50.400.758	82.922.014
Conditional and unconditional receivables from regional or local governments	-	184	-	-	190	374
Conditional and unconditional receivables from administrative units and non-commercial enterprises	56.942	13.485	48.106	27.823	71.012	217.368
Conditional and unconditional receivables from multilateral development banks	-	1.364	3.275	84.855	51.730	141.224
Conditional and unconditional receivables from banks and brokerage houses	4.980.172	2.986.007	1.561.005	1.656.707	10.730.018	21.913.909
Conditional and unconditional receivables from corporates	18.559.134	11.966.611	12.724.991	19.023.996	96.070.890	158.345.622
Conditional and unconditional retail receivables	24.763.851	9.504.272	4.112.334	6.787.135	36.092.506	81.260.098
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	74.232	190.332
Investments similar to collective investment funds	-	94.843	-	-	-	94.843
Share certificate investment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	**79.061.658**	**25.892.597**	**19.715.606**	**30.831.734**	**216.127.739**	**371.629.334**

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

2.9. 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	75.718.863	11.941.114	10.748.133	28.857.976	83.479.431	175.628.126	1.155.588	387.529.231	2.839.095
2	Total exposure after credit risk mitigation	76.671.562	9.317.590	10.748.132	28.743.197	76.833.338	168.293.976	910.350	371.518.145	2.839.095

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

2.10. 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 December 31, 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 December 31, 2017

Sectors / Counterparties	Loans			
	Impaired Loans	Past due	General Provisions	Specific Provisions
Agricultural	**600.787**	**221.871**	**4.340**	**356.802**
Farming and raising livestock	564.020	210.144	4.121	332.691
Forestry	24.157	7.515	140	15.599
Fishing	12.610	4.212	79	8.512
Manufacturing	**2.488.324**	**1.586.455**	**32.948**	**1.584.193**
Mining	430.984	150.549	2.750	222.757
Production	1.886.572	1.353.266	28.250	1.210.136
Electric, gas and water	170.768	82.640	1.948	151.300
Construction	**1.317.783**	**715.546**	**14.706**	**786.657**
Services	**1.664.014**	**957.314**	**20.398**	**1.016.411**
Wholesale and retail trade	1.169.870	587.207	13.437	693.732
Hotel, food and beverage services	121.809	153.803	3.522	45.734
Transportation and telecommunication	174.979	126.116	1.831	133.814
Financial institutions	93.074	13.507	234	71.764
Real estate and renting services	17.772	10.333	198	14.696
Self-employment services	-	-	-	-
Education services	17.740	11.648	216	9.632
Health and social services	68.770	54.700	960	47.039
Other	**4.488.149**	**2.431.995**	**172.574**	**3.754.203**
Total	**10.559.057**	**5.913.181**	**244.966**	**7.498.266**

2.11. Information about value adjustments and changes in the loan impairment:

The Group 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 Group 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	6.670.582	2.672.831	(672.091)	(1.632.458)	7.038.864
2	General provisions	3.109.571	304.164	-	(2.930)	3.410.805

[1] The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

3. Explanations on Consolidation Based 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 Group 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 Group is based on strong risk management techniques of İSEDES (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 Group 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 the Parent 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.

İSEDES 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 Parent 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 Parent 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 Parent 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)**	**242.416.648**	**227.412.008**	**19.393.332**
2	Of which standardised approach (SA)	242.416.648	227.412.008	19.393.332
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**7.955.474**	**3.469.703**	**636.438**
5	Of which standardised approach for counterparty credit risk (SA-CCR)	7.955.474	3.469.703	636.438
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**	**1.790.287**	**1.216.950**	**143.223**
17	Of which standardised approach (SA)	1.790.287	1.216.950	143.223
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational risk**	**18.068.782**	**14.338.007**	**1.445.503**
20	Of which Basic Indicator Approach	18.068.782	14.338.007	1.445.503
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**	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**270.278.292**	**246.436.668**	**21.622.264**

(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	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Central Bank	42.451.970	42.451.970	42.451.970	-	-	-	-
Trading Financial Assets	4.212.134	4.230.080	38.442	4.127.517	-	2.468.386	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	5.653.475	4.837.212	4.837.212	-	-	-	-
Money Market Placements	252	817.005	817.005	-	-	-	-
Financial Assets Available-for-Sale (net)	24.316.146	24.496.524	24.274.349	6.937.612	-	58.062	164.113
Loans and Receivables	201.011.539	201.998.787	201.859.837	-	-	-	139.084
Factoring Receivables	3.833.040	3.843.167	3.843.167	-	-	-	-
Held-to-maturity investments (net)	14.197.066	14.197.066	14.197.066	2.740.515	-	-	-
Investment in Associates (net)	772.078	776.528	4.503	-	-	-	772.025
Investment in Subsidiaries (net)	-	7.300	7.300	-	-	-	-
Investment in Joint ventures (net)	18.649	18.386	-	-	-	-	18.386
Lease Receivables	10.260.804	10.311.724	10.311.724	-	-	-	-
Derivative Financial Assets Held For Hedging	1.756.611	1.756.611	-	1.756.611	-	-	-
Property And Equipment (Net)	1.206.103	2.611.849	2.513.026	-	-	-	98.823
Intangible Assets (Net)	1.726.387	1.682.226	35.562	-	-	-	1.646.664
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	339.565	68.080	68.080	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	209.854	209.854	209.854	-	-	-	-
Other Assets	5.560.140	5.751.749	5.751.749	-	-	-	-
TOTAL ASSETS	**317.525.813**	**320.066.118**	**311.220.846**	**15.562.255**	**-**	**2.526.448**	**2.839.095**
Liabilities							
Deposits	182.810.013	173.383.633	-	-	-		173.383.633
Derivative Financial Liabilities Held for Trading	3.820.705	3.820.705	-	3.820.705	-	2.166.204	-
Funds Borrowed	41.967.491	42.350.053	-	-	-	-	42.350.053
Money Markets	6.625.828	16.056.140	-	9.426.381	-	-	6.629.759
Marketable Securities Issued	23.475.608	23.277.871	-	-	-	-	23.277.871
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	15.412.298	12.754.229	-	-	-	-	12.754.229
Other Liabilities	-	1.941.826	-	-	-	-	1.941.826
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	312.778	312.778	-	312.778	-	-	-
Provisions	2.325.726	5.482.503	-	-	-	-	5.482.503
Tax Liability	272.220	865.750	-	-	-	-	865.750
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	9.718.804	9.718.804	-	-	-	-	9.718.804
Shareholder's Equity	30.784.342	30.101.826	-	-	-	-	30.101.826
TOTAL LIABILITIES	**317.525.813**	**320.066.118**	**-**	**13.559.864**	**-**	**2.166.204**	**306.506.254**

(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 in consolidated Financial statements prepared as per TAS but in compliance with the communiqué “Preparation of Consolidated Financial	Carrying values of items in accordance with TAS: Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Central Bank	33.083.295	33.083.295	33.083.295	-	-	-	-
Trading Financial Assets	3.030.138	3.040.830	6.635	2.997.482	-	2.057.895	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	3.448.966	3.448.966	3.448.966	-	-	-	-
Money Market Placements	252	252	252	-	-	-	-
Financial Assets Available-for-Sale (net)	18.217.306	18.386.109	18.234.359	3.651.723	-	42.298	109.452
Loans and Receivables	177.833.362	178.664.422	178.456.761	-	-	-	207.661
Factoring Receivables	2.884.152	2.894.279	2.894.279	-	-	-	-
Held-to-maturity investments (net)	11.588.890	11.588.890	11.588.890	2.990.209	-	-	-
Investment in Associates (net)	664.667	669.117	4.503	-	-	-	664.614
Investment in Subsidiaries (net)	-	7.300	7.300	-	-	-	-
Investment in Joint ventures (net)	18.114	18.114	-	-	-	-	18.114
Lease Receivables	8.263.337	8.304.486	8.304.486	-	-	-	-
Derivative Financial Assets Held For Hedging	1.209.712	1.209.712	-	1.209.712	-	-	-
Property And Equipment (Net)	1.267.706	2.713.047	2.593.711	-	-	-	119.336
Intangible Assets (Net)	1.610.950	1.566.864	34.523	-	-	-	1.532.341
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	94.246	179.391	179.391	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	166.183	166.183	154.315	-	-	-	11.868
Other Assets	5.151.657	5.193.333	5.193.333	-	-	-	-
TOTAL ASSETS	**268.532.933**	**271.134.590**	**264.184.999**	**10.849.126**	**-**	**2.100.193**	**2.663.386**
Liabilities							
Deposits	163.361.872	157.088.195	-	-	-	-	157.088.195
Derivative Financial Liabilities Held for Trading	2.578.679	2.578.679	-	2.578.679	-	2.042.589	-
Funds Borrowed	30.507.672	30.508.774	-	-	-	-	30.508.774
Money Markets	2.931.228	9.205.029	-	6.273.801	-	-	2.931.228
Marketable Securities Issued	17.907.451	18.080.467	-	-	-	-	18.080.467
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	13.662.703	11.162.787	-	-	-	-	11.162.787
Other Liabilities	-	1.956.404	-	-	-	-	1.956.404
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	89.296	89.296	-	89.296	-	-	-
Provisions	1.464.965	4.694.072	-	-	-	-	4.694.072
Tax Liability	41.684	581.841	-	-	-	-	581.841
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	9.067.893	9.067.893	-	-	-	-	9.067.893
Shareholder’s Equity	26.919.490	26.121.153	-	-	-	-	26.121.153
TOTAL LIABILITIES	**268.532.933**	**271.134.590**	**-**	**8.941.776**	**-**	**2.042.589**	**262.192.814**

(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	329.309.549	311.220.846	-	15.562.255	2.526.448
2	Liabilities carrying value amount under regulatory scope of consolidation	11.393.660	-	-	13.559.864	(2.166.204)
3	**Total net amount under regulatory scope of consolidation**	**340.703.209**	**311.220.846**	**-**	**29.122.119**	**360.244**
4	**Off-Balance Sheet Amounts**	**187.695.499**	**55.187.102**	**-**	**-**	**-**
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'a applications		-	-	-	1.430.043
9	Differences due to risk reduction		(1.547.393)	-	(19.966.072)	-
	Risk Amounts		**364.860.555**	**-**	**9.156.047**	**1.790.287**

	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	277.134.318	264.184.999	-	10.849.126	2.100.193
2	Liabilities carrying value amount under regulatory scope of consolidation	6.899.187	-	-	8.941.776	(2.042.589)
3	**Total net amount under regulatory scope of consolidation**	**284.033.505**	**264.184.999**	**-**	**19.790.902**	**57.604**
4	**Off-Balance Sheet Amounts**	**134.275.945**	**47.361.169**	**-**	**-**	**-**
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'a applications		-	-	-	1.159.346
9	Differences due to risk reduction		(1.502.215)	-	(13.024.296)	-
10	Other		-	-	-	-
	Risk Amounts		**310.043.953**	**-**	**6.766.606**	**1.216.950**

3.2.3 Disclosures regarding differences between exposures valued in accordance with TAS and risk exposures:

Main difference between amounts reported in financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of TAS in the framework of legal consolidation is that non-financial subsidiaries are not included in consolidation in scope of legal consolidation.

Group'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 Group 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 Group'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 regarding credit risk

3.3.1.1. General qualitative information regarding credit risk

Credit risk states risk and losses resulting from a situation in which the Group cannot fulfil its liability through not complying with the contract requirements of the opposite party. The Group determines a separate credit limit for each of the customers through taking legal legislation into account and internal rating system, financial analysis reports, sectoral concentration and credit policies, which are approved annually by the Board of Directors of the Parent Bank, into consideration for limit allocations. Limits, allocated by the Board of Directors of the Bank for each opposite bank are daily tracked by Treasury Management in treasury transactions such as forward exchanges with correspondent banks and domestic banks and it is also systemically controlled whether the positions taken daily by the officers of Treasury Management, who are authorized to make transactions on the market, are in the range of determined limits or not. Liquid collaterals are prioritized in credit allocations within the framework of sector opportunities. Long term projections of companies are centrally analyzed for long term credit allocations and credits provided for project financing and pricing of interest risk is made for the commitments in question in coordination with treasury management.

Separate internal rating systems are used for small and medium sized enterprises (SMEs) and corporate and commercial customers at the Bank. The rating system used for SME customers gives an opportunity to determine credit approval authorization levels. By this means, firms, having lower rating grades are directed to upper authorization levels while firms, having higher rating grades, are directed to lower authorization levels and risk based optimization is aimed in credit processes.

The Parent Bank uses score card to evaluate new applications for individual credits and credit card customers and management of application and limit management of current customers. Score card system is developed internally and updated and approved periodically.

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 customers's 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, maintainance 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, maintainance 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.

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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.

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 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.
İSEDES 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.

3.3.1.2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures	impairements	
1	Loans	9.615.028	213.897.773	10.551.862	212.960.939
2	Debt Securities	-	38.599.904	-	38.599.904
3	Off-balance sheet exposures	944.029	211.949.447	357.209	212.536.267
4	**Total**	**10.559.057**	**464.447.124**	**10.909.071**	**464.097.110**

		Gross carrying values of as per TAS		Allowances/	Net values
	Prior Period	Defaulted exposures	Non-defaulted exposures	impairements	
1	Loans	9.326.242	187.618.421	9.990.089	186.954.574
2	Debt Securities	-	29.904.969	-	29.904.969
3	Off-balance sheet exposures	875.166	133.986.723	351.475	134.510.414
4	**Total**	**10.201.408**	**351.510.113**	**10.341.564**	**351.369.957**

3.3.1.3 Changes in stock of defaulted loans and debt securities

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

		Current Period	Prior Period
1	**Defaulted loans and debt securities at end of the previous reporting period**	**10.201.408**	**7.200.623**
2	Loans and debt securities that have defaulted since the last reporting period	3.437.257	4.063.841
3	Returned to non-defaulted status	70.342	70.073
4	Amounts written off	1.628.561	703
5	Other changes	(1.380.705)	(992.280)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**10.559.057**	**10.201.408**

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:

	Current Period	Prior Period
Domestic	280.313.593	238.885.408
USA,Canada	3.149.500	3.561.419
European Union (EU) Countries	5.916.796	9.735.535
OECD Countries	1.488.369	1.863.598
Off-Shore Banking Regions	250	176.304
Other Countries	4.136.585	4.095.4017
Total	**295.005.093**	**258.317.671**

(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	**3.168.478**	**2.962.752**
Farming and raising livestock	2.525.036	2.609.585
Forestry	336.686	221.146
Fishing	306.756	132.021
Manufacturing	**115.031.974**	**100.750.466**
Mining and Quarrying	4.535.883	3.925.269
Production	78.056.190	67.295.006
Electricity, Gas, Water	32.439.901	29.530.191
Construction	**41.200.320**	**36.290.281**
Services	**60.479.727**	**52.036.484**
Wholesale and retail trade	18.431.897	15.198.907
Hotel, food and beverage services	8.541.323	8.144.363
Transportation and telecommunication	10.337.245	10.024.118
Financial institutions	10.318.858	8.199.103
Real estate and leasing services	4.710.404	3.098.347
Education services	320.700	284.806
Health and social services	7.819.300	7.086.840
Other	**75.124.594**	**66.277.688**
Total	**295.005.093**	**258.317.671**

(1) Breakdown of cash loans, non cash loans and non performing loans by sector is as in the above table.

3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities is 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- TL 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 overdue	1.387.366	2.228.140
61-90 days overdue	4.096.847	4.227.097
Total	**5.484.213**	**6.455.237**

(1) Overdue receivables represent over due of cash loans.

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	3.318.056	3.318.283
Loans restructured from Loans and other receivables under close monitoring	2.355.527	2.439.787
Loans restructured from Loans under legal follow-up	391.266	528.332
Total	**6.064.849**	**6.286.402**

3.3.2. Credit risk mitigation

3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Parent 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 Parent 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)

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.

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

Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Loans	165.645.053	47.315.886	33.738.112	8.868.731	8.124.409	-	-
Debt securities	38.599.904	-	-	-	-	-	-
TOTAL	**204.244.957**	**47.315.886**	**33.738.112**	**8.868.731**	**8.124.409**	**-**	**-**
Of which defaulted	1.361.586	894.319	319.730	68.444	50.471	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Loans	159.526.701	27.427.873	17.403.119	3.056.693	1.877.921	-	-
Debt securities	29.904.969	-	-	-	-	-	-
TOTAL	**189.431.670**	**27.427.873**	**17.403.119**	**3.056.693**	**1.877.921**	**-**	**-**
Of which defaulted	1.625.436	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.

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: Remaining maturity of claims under 3 months	Claims on banks and intermediary institutions: Remaining maturity of claims over 3 months	Claims on corporates
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%

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

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	76.160.602	755.191	85.666.700	769.675	10.325.812	%11,95
2	Exposures to regional governments or local authorities	-	920	-	184	37	%20,11
3	Exposures to public sector entities	172.745	101.193	171.502	43.281	83.212	%38,74
4	Exposures to multilateral development banks	135.158	10.544	135.158	6.066	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	11.541.797	4.243.618	11.738.223	2.025.271	6.226.348	%45,24
6	Exposures to institutions	116.001.002	127.899.646	110.748.564	38.809.920	148.252.893	%99,13
7	Exposures to corporates	70.962.560	52.044.227	64.544.947	12.279.976	57.618.695	%75,00
8	Retail exposures	10.609.461	291.189	10.609.461	138.631	3.761.832	%35,00
9	Exposures secured by residential property	14.990.741	1.304.289	14.990.741	849.540	7.920.140	%50,00
10	Exposures secured by commercial real estate	2.207.237	521.817	2.155.329	128.215	2.315.099	%101,38
11	Past-due loans	50.017	522.865	49.984	136.343	277.368	%148,86
12	Higher-risk categories by the Agency Board	94.843	-	94.843	-	47.101	%49,66
13	Investments in equities	412.275	-	412.275	-	412.275	%100,00
14	Other assets	8.355.726	-	8.355.726	-	5.222.937	%62,51
	TOTAL[1]	**311.694.164**	**187.695.499**	**309.673.453**	**55.187.102**	**242.463.749**	**%66,45**

	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	58.614.442	1.209.711	60.320.156	179.162	15.699.911	25,95%
2	Exposures to regional governments or local authorities	-	835	-	167	83	49,70%
3	Exposures to public sector entities	12.637	843	12.637	169	2.562	20,01%
4	Exposures to multilateral development banks	34.295	9.699	34.295	8.399	-	-
5	Conditional and unconditional receivables from banks and brokerage houses	11.991.618	4.676.769	12.155.767	2.370.188	7.263.065	50,00%
6	Exposures to institutions	102.370.823	76.973.898	99.334.633	32.942.689	132.277.439	100,00%
7	Exposures to corporates	66.469.387	46.373.320	66.361.492	11.073.987	58.076.609	75,00%
8	Retail exposures	7.006.484	394.981	7.006.484	193.567	2.520.018	35,00%
9	Exposures secured by residential property	7.743.934	719.839	7.743.934	454.681	4.099.307	50,00%
10	Exposures secured by commercial real estate	2.366.460	-	2.186.414	-	2.166.239	99,08%
11	Past-due loans	113.243	634.531	65.296	138.160	232.557	114,30%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Investments in equities	112.641	-	112.641	-	112.641	100,00%
14	Other assets	7.349.035	-	7.349.035	-	4.961.577	67,51%
	TOTAL[1]	**264.184.999**	**130.994.426**	**262.682.784**	**47.361.169**	**227.412.008**	**73,35%**

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

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

3.3.3.3. Standard Approach: Receivables by risk classes and risk weights

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	76.110.564	-	-	-	-	-	10.325.811	-	-	-	-	86.436.375
2	Exposures to regional governments or local authorities	-	-	184	-	-	-	-	-	-	-	-	184
3	Exposures to public sector entities	-	-	164.464	-	-	-	50.319	-	-	-	-	214.783
4	Exposures to multilateral development banks	141.224	-	-	-	-	-	-	-	-	-	-	141.224
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	6.278.011	-	5.029.475	-	2.456.008	-	-	-	-	13.763.494
6	Exposures to institutions	-	-	686.431	-	1.512.889	-	147.359.164	-	-	-	-	149.558.484
7	Exposures to corporates	-	-	-	-	-	76.824.923	-	-	-	-	-	76.824.923
8	Retail exposures	-	-	-	10.748.092	-	-	-	-	-	-	-	10.748.092
9	Exposures secured by residential property	-	-	-	-	15.840.281	-	-	-	-	-	-	15.840.281
10	Exposures secured by commercial real estate	-	-	-	-	664.043	-	892.351	727.150	-	-	-	2.283.544
11	Past-due loans	-	-	-	-	1.122	-	2.003	183.202	-	-	-	186.327
12	Higher-risk categories by the Agency Board	6.966	-	18.661	-	51.695	-	17.521	-	-	-	-	94.843
13	Investments in equities	-	-	-	-	-	-	412.275	-	-	-	-	412.275
14	Other assets	2.988.701	-	180.105	-	-	-	5.186.920	-	-	-	-	8.355.726
15	**Total**	**79.247.455**	**-**	**7.327.856**	**10.748.092**	**23.099.505**	**76.824.923**	**166.702.372**	**910.352**	**-**	**-**	**-**	**364.860.555**

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	29.232.770	-	7.638	-	31.121.054	-	137.856	-	-	-	-	60.499.318
2	Exposures to regional governments or local authorities	-	-	-	-	167	-	-	-	-	-	-	167
3	Exposures to public sector entities	-	-	12.806	-	-	-	-	-	-	-	-	12.806
4	Exposures to multilateral development banks	42.694	-	-	-	-	-	-	-	-	-	-	42.694
5	Conditional and unconditional receivables from banks and brokerage houses	-	-	1.778.179	-	11.680.694	-	1.067.082	-	-	-	-	14.525.955
6	Exposures to institutions	-	-	-	-	-	-	132.277.087	235	-	-	-	132.277.322
7	Exposures to corporates	-	-	-	-	-	77.435.479	-	-	-	-	-	77.435.479
8	Retail exposures	-	-	-	7.200.051	-	-	-	-	-	-	-	7.200.051
9	Exposures secured by residential property	-	-	-	-	8.198.615	-	-	-	-	-	-	8.198.615
10	Exposures secured by commercial real estate	-	-	-	-	719.279	-	788.205	678.930	-	-	-	2.186.414
11	Past-due loans	-	-	-	-	47.958	-	49.338	106.160	-	-	-	203.456
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Investments in equities	-	-	-	-	-	-	112.641	-	-	-	-	112.641
14	Other assets	2.302.499	-	106.201	-	-	-	4.940.335	-	-	-	-	7.349.035
15	**Total**	**31.577.963**	**-**	**1.904.824**	**7.200.051**	**51.767.767**	**77.435.479**	**139.372.544**	**785.325**	**-**	**-**	**-**	**310.043.953**

(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	Standart Approach-CCR	5.000.262	2.784.839	-	1,40	7.771.124	4.139.563
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					1.384.923	574.541
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
6	**Total**						**4.714.104**

(1) Effective expected positive exposure

	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	Standart Approach-CCR	4.007.844	2.038.466		1,40	6.203.294	3.016.388
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					563.312	198.919
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
6	**Total**						**3.215.307**

(1) Effective expected positive exposure

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

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 (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capi adequacy	9.156.047	3.137.756	6.203.294	254.396
4	**Total amount of CVA capital adequacy**	**9.156.047**	**3.137.756**	**6.203.294**	**254.396**

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 governments and central banks receivables	129.784	-	-	-	-	-	15.718	-	-	145.502
2	Local governments and municipalities receivables	-	-	190	-	-	-	-	-	-	190
3	Administrative and non commercial receivables	-	-	2	-	-	-	-	-	-	2
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.989.359	-	5.587.916	-	235.575	-	-	7.812.850
6	Corporate receivables	-	-	183	-	240	-	1.340.318	-	-	1.340.741
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	Investments in equities	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**129.784**	**-**	**1.989.734**	**42**	**5.643.692**	**8.413**	**1.591.611**	**-**	**-**	**9.363.276**

Prior Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk(1)
1	Central governments and central banks receivables	93.402	-	-	-	-	-	-	-	-	93.402
2	Local governments and municipalities receivables	-	-	-	-	67	-	-	-	-	67
3	Administrative and non commercial receivables	-	-	66.057	-	-	-	-	-	-	66.057
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.654.763	-	3.642.896	-	175.960	-	-	5.473.619
6	Corporate receivables	-	-	-	-	-	-	1.112.009	-	-	1.112.009
7	Retail receivables	-	-	-	-	-	21.452	-	-	-	21.452
8	Mortgage receivables	-	-	-	-	-	-	-	-	-	-
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**93.402**	**-**	**1.720.820**	**-**	**3.642.963**	**21.452**	**1.287.969**	**-**	**-**	**6.766.606**

(1) Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

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

3.4.5. Composition of collateral for CCR exposure

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Current Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-Local Currency	816	-	-	-	8.788.764	-
2	Cash - Foreign Currency	4.606	-	-	-	480.327	-
3	Domestic sovereign debts	-	-	-	-	-	9.678.127
8	Other collateral	8.555	-	-	-	-	-
9	**Total**	**13.977**	**-**	**-**	**-**	**9.269.091**	**9.678.127**

		Collaterals for Derivatives				Collaterals or Other Transactions	
	Prior Period	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-Local Currency	-	-	-	-	4.275.290	-
2	Cash - Foreign Currency	-	-	-	-	1.275.541	-
3	Domestic sovereign debts	-	-	-	-	-	5.467.967
8	Other collateral	-	-	-	-	-	520.369
9	**Total**	**-**	**-**	**-**	**-**	**5.550.831**	**5.988.336**

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	207.229	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	-	-	-	-
11	**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 consolidated 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 Group 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 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 Group 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 Group 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 Group 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 Group; 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.

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

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.

3.6.2. Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
	Outright products		
1	Interest rate risk (general and specific)	1.307.097	772.399
2	Equity risk (general and specific)	76.925	42.738
3	Foreign exchange risk	182.581	389.338
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	223.684	12.475
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**1.790.287**	**1.216.950**

3.7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2015, 2014 and 2013 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 18.068.782 (December 31, 2016 - TL 14.338.007) and the amount of the related capital requirement is TL 1.445.503 (December 31, 2016 - TL 1.147.041).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	7.988.285	9.455.891	11.465.876	9.636.684	15,00%	1.445.503
Amount subject to operational risk (Total*12,5)						**18.068.782**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	5.496.635	7.988.285	9.455.891	7.646.937	15,00%	1.147.041
Amount subject to operational risk (Total*12,5)						**14.338.007**

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

3.8. Interest rate risk arising from banking accounts:

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.

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)	-	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) %**

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

4. Explanations on consolidated currency risk:

The difference between the Group'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 Group 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 10.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five 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**

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

Information on currency risk of the Group:

	EUR	USD	Other FC[4]	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	11.061.491	18.596.857	5.197.921	34.856.269
Banks	2.340.149	2.317.496	97.684	4.755.329
Financial assets at fair value through profit or loss	135.653	412.456	78	548.187
Money market placements	812.790	-	-	812.790
Available-for-sale financial assets	737.775	2.385.954	72.507	3.196.236
Loans [1]	36.743.317	41.796.399	1.240.688	79.780.404
Investments in associates, subsidiaries and joint ventures	-	-	529.384	529.384
Held-to-maturity investments	1.131.782	6.293.547	1	7.425.330
Hedging derivative financial assets	49.028	119.641	-	168.669
Tangible assets	2.272	-	13.038	15.310
Intangible assets[6]	-	-	-	-
Other assets [2]	9.104.715	3.639.904	525.223	13.269.842
Total assets	**62.118.972**	**75.562.254**	**7.676.524**	**145.357.750**
Liabilities				
Bank deposits	1.264.439	4.989.680	79.547	6.333.666
Foreign currency deposits	31.308.283	57.090.475	2.769.866	91.168.624
Funds from money market	518.357	104.719	-	623.076
Funds borrowed from other financial institutions	22.978.476	16.836.574	242.173	40.057.223
Marketable securities issued	1.100.496	17.283.996	96.669	18.481.161
Miscellaneous payables	1.928.664	344.309	18.859	2.291.832
Hedging derivative financial liabilities	12.443	-	-	12.443
Other liabilities[3]	312.278	10.341.812	16.217	10.670.307
Total liabilities	**59.423.436**	**106.991.565**	**3.223.331**	**169.638.332**
Net on balance sheet position	**2.695.536**	**(31.429.311)**	**4.453.193**	**(24.280.582)**
Net off balance sheet position[5]	**(2.502.851)**	**31.509.469**	**(3.782.174)**	**25.224.444**
Financial derivative assets	13.280.501	92.012.170	2.872.164	108.164.835
Financial derivative liabilities	15.783.352	60.502.701	6.654.338	82.940.391
Net position	**192.685**	**80.158**	**671.019**	**943.862**
Non-cash loans	**23.039.874**	**25.396.253**	**3.920.074**	**52.356.201**
Prior period				
Total assets	50.111.003	68.569.191	7.268.551	125.948.745
Total liabilities	46.840.925	80.029.739	3.168.636	130.039.300
Net on-balance sheet position	**3.270.078**	**(11.460.548)**	**4.099.915**	**(4.090.555)**
Net off-balance sheet position	**(3.142.494)**	**11.314.635**	**(3.490.796)**	**4.681.345**
Financial derivative assets	13.835.834	37.672.799	1.773.627	53.282.260
Financial derivative liabilities	16.978.328	26.358.164	5.264.423	48.600.915
Net position	**127.584**	**(145.913)**	**609.119**	**590.790**
Non-cash loans	**18.594.521**	**24.690.691**	**3.554.690**	**46.839.902**

(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 180.916 (December 31, 2016 - TL 124.540).
(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 also includes gold balance.
(5) Forward transactions classified as commitments are also included.
(6) In accordance with the principles of the "Regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis" foreign currency intangible assets amounted TL 18.785 is not considered in the calculation.

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

Currency risk sensitivity analysis (1):

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

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

Change in currency exchange rates (1)	Current Period Profit/loss effect (2)	Prior Period Profit/loss effect (1)
(+) %15	(78.072)	(55.076)
(-) %15	78.072	55.076

(1) Represents the balances of the Parent Bank.
(2) Excluding tax effect.

5. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, 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 Parent Bank utilizes TL/FC 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(1)	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	24.310.693	-	-	-	-	18.141.277	**42.451.970**
Banks	2.228.405	962.918	378.192	-	-	1.267.697	**4.837.212**
Financial assets at fair value through profit/loss	1.288.265	1.446.905	732.989	456.707	266.772	38.442	**4.230.080**
Money market placements	817.005	-	-	-	-	-	**817.005**
Available-for-sale financial assets	2.919.646	4.497.489	6.552.573	7.178.172	3.095.993	252.651	**24.496.524**
Loans	35.840.806	28.636.612	64.250.098	59.321.829	11.824.722	2.124.720	**201.998.787**
Held-to-maturity investments	1.274.198	1.617.022	2.551.131	1.166.133	7.588.582	-	**14.197.066**
Other assets	2.576.869	2.563.465	3.170.180	7.116.493	947.801	10.662.666	**27.037.474**
Total assets	**71.255.887**	**39.724.411**	**77.635.163**	**75.239.334**	**23.723.870**	**32.487.453**	**320.066.118**
Liabilities							
Bank deposits	7.323.732	918.218	374.006	180.657	-	636.676	**9.433.289**
Other deposits	100.218.389	21.934.939	8.864.874	1.495.220	168.085	31.268.837	**163.950.344**
Funds from money market	14.863.333	1.023.972	168.835	-	-	-	**16.056.140**
Miscellaneous payables	-	-	-	-	-	12.754.229	**12.754.229**
Marketable securities issued	1.020.721	9.701.148	3.222.011	7.399.208	1.934.783	-	**23.277.871**
Funds borrowed from other financial institutions	11.723.277	10.596.151	11.324.147	6.843.545	1.862.933	-	**42.350.053**
Other liabilities	1.191.465	860.765	982.538	4.694.916	6.131.340	38.383.168	**52.244.192**
Total liabilities	**136.340.917**	**45.035.193**	**24.936.411**	**20.613.546**	**10.097.141**	**83.042.910**	**320.066.118**
Balance sheet long position	**-**	**-**	**52.698.752**	**54.625.788**	**13.626.729**	**-**	**120.951.269**
Balance sheet short position	**(65.085.030)**	**(5.310.782)**	**-**	**-**	**-**	**(50.555.457)**	**(120.951.269)**
Off-balance sheet long position	12.080.130	24.294.289	-	-	-	-	36.374.419
Off-balance sheet short position	-	-	(3.383.971)	(27.300.898)	(7.175.587)	-	(37.860.456)
Total position	**(53.004.900)**	**18.983.507)**	**49.314.781**	**27.324.890**	**6.451.142**	**(50.555.457)**	**(1.486.037)**

(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[1]	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	18.716.507	-	55.603	-	-	14.311.185	**33.083.295**
Banks	1.288.116	621.003	202.417	1.083	-	1.336.347	**3.448.966**
Financial assets at fair value through profit/loss	1.084.075	799.785	431.598	429.746	288.991	6.635	**3.040.830**
Money market placements	252	-	-	-	-	-	**252**
Available-for-sale financial assets	2.391.170	4.113.076	5.798.470	3.475.043	2.404.967	203.383	**18.386.109**
Loans	28.880.789	31.619.615	54.549.782	40.263.114	21.172.537	2.178.585	**178.664.422**
Held-to-maturity investments	11.601	868.075	1.505.914	1.645.515	7.557.785	-	**11.588.890**
Other assets	3.196.759	1.871.657	2.091.349	5.027.780	766.035	9.968.246	**22.921.826**
Total assets	**55.569.269**	**39.893.211**	**64.635.133**	**50.842.281**	**32.190.315**	**28.004.381**	**271.134.590**
Liabilities							
Bank deposits	6.263.450	598.498	696.516	-	-	613.650	**8.172.114**
Other deposits	87.315.238	25.054.236	8.862.812	981.506	133.683	26.568.606	**148.916.081**
Funds from money market	6.699.947	915.685	1.502.348	87.049	-	-	**9.205.029**
Miscellaneous payables	-	-	-	-	-	11.162.787	**11.162.787**
Marketable securities issued	598.290	10.802.731	1.112.075	5.530.026	37.345	-	**18.080.467**
Funds borrowed from other financial institutions	7.530.570	10.149.293	10.240.290	1.853.121	735.500	-	**30.508.774**
Other liabilities	604.694	348.832	597.932	905.572	9.272.345	33.359.963	**45.089.338**
Total liabilities	**109.012.189**	**47.869.275**	**23.011.973**	**9.357.274**	**10.178.873**	**71.705.006**	**271.134.590**
Balance sheet long position	**-**	**-**	**41.623.160**	**41.485.007**	**22.011.442**	**-**	**105.119.609**
Balance sheet short position	**(53.442.920)**	**(7.976.064)**	**-**	**-**	**-**	**(43.700.625)**	**(105.119.609)**
Off-balance sheet long position	9.992.141	17.275.624	-	-	-	-	27.267.765
Off-balance sheet short position	-	-	(2.350.770)	(16.392.589)	(8.159.895)	-	(26.903.254)
Total position	**(43.450.779)**	**9.299.560**	**39.272.390**	**25.092.418**	**13.851.547**	**(43.700.625)**	**364.511**

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

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

5.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group 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	1,92	1,61	-	12,36
Financial assets at fair value through profit/loss	2,59	5,36	-	12,32
Money market placements	-	-	-	14,03
Available-for-sale financial assets	4,02	5,32	-	13,05
Loans	4,33	6,43	4,98	14,15
Held-to-maturity investments	1,67	5,35	-	13,35
Liabilities (1)				
Bank deposits	0,96	1,66	-	13,00
Other deposits	1,59	3,41	1,66	13,42
Funds from money market	0,47	2,85	-	13,01
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,77	4,66	-	14,00
Funds borrowed from other financial institutions	1,51	3,07	2,64	8,16

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

Prior Period	EURO	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	1,36	0,45	-	11,14
Financial assets at fair value through profit/loss	3,06	3,69	-	9,92
Money market placements	-	-	-	11,00
Available-for-sale financial assets	4,31	5,46	-	9,59
Loans	4,16	5,90	4,97	13,17
Held-to-maturity investments	2,97	5,40	-	9,46
Liabilities (1)				
Bank deposits	0,85	1,65	-	11,12
Other deposits	1,55	2,87	1,41	10,74
Funds from money market	0,21	1,18	-	8,50
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,14	4,45	0,35	8,00
Funds borrowed from other financial institutions	1,24	2,38	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 consolidated 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 Parent Bank functions 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Group mainly consist of deposits which constitute 56% of total liabilities of the Bank (31 December 2016 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent 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 Parent 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.

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

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 Parent 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.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.
Simple arithmetic average calculated for the last three months liquidity coverage ratio by using the amounts calculated based on weekly simple arithmetic averages

	Unweighted Amounts		**Weighted Amounts**	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			53.021.956	33.801.377
Cash Outflows				
Retail and Small Business Customers Deposits	89.425.852	38.790.605	7.996.187	3.879.021
Stable deposits	20.127.975	770	1.066.399	38
Less stable deposits	69.297.877	38.789.835	6.929.788	3.878.983
Unsecured Funding other than Retail and Small Business Customers Deposits	73.090.818	39.353.588	42.257.373	20.681.500
Operational deposits	-	-	-	-
Non-Operational deposits	54.744.574	34.700.478	26.379.618	16.041.016
Other Unsecured funding	18.346.244	4.653.110	15.877.755	4.640.484
Secured funding			99.619	75.988
Other Cash Outflows	2.738.736	16.955.309	2.738.736	16.955.309
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.738.736	16.955.309	2.738.736	16.955.309
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	101.640.533	74.133.944	5.082.027	3.706.697
Other irrevocable or conditionally revocable commitments	68.214.017	9.586.970	5.056.909	650.347
Total Cash Outflows			**63.230.851**	**45.948.862**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.919.538	10.698.139	19.026.494	8.885.738
Other contractual cash inflows	1.465.832	23.273.539	1.465.832	23.273.539
Total Cash Inflows	**29.385.370**	**33.971.678**	**20.492.326**	**32.159.277**
			Capped Amounts	
Total High Quality Liquid Assets			**53.021.956**	**33.801.377**
Total Net Cash Outflows			**42.678.526**	**13.789.585**
Liquidity Coverage Ratio (%)			**124,24**	**245,12**

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.

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

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

	Unweighted Amounts[1]		Weighted Amounts[1]	
Previous Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			37.422.117	20.923.220
Cash Outflows				
Retail and Small Business Customers Deposits	69.078.398	25.675.920	6.010.001	2.567.559
Stable deposits	17.956.777	674	897.839	34
Less stable deposits	51.121.621	25.675.246	5.112.162	2.567.525
Unsecured Funding other than Retail and Small Business Customers Deposits	68.566.219	31.903.268	40.520.630	17.233.336
Operational deposits	-	-	-	-
Non-Operational deposits	55.217.263	26.946.414	29.254.331	12.276.482
Other Unsecured funding	13.348.956	4.956.854	11.266.299	4.956.854
Secured funding	-	-	-	-
Other Cash Outflows	10.764.663	9.704.586	10.764.265	9.704.188
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	10.764.095	9.704.018	10.764.095	9.704.018
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	568	568	170	170
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	58.439.430	37.172.450	2.921.972	1.858.623
Other irrevocable or conditionally revocable commitments	58.288.542	9.963.887	4.197.779	653.655
Total Cash Outflows			**64.414.647**	**32.017.361**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	25.406.848	8.283.971	17.043.616	6.327.234
Other Contractual Cash Inflows	9.585.283	7.961.171	9.585.283	7.961.171
Total Cash Inflows	**34.992.131**	**16.245.142**	**26.628.899**	**14.288.405**
			Capped Amounts	
Total High Quality Liquid Assets			**37.422.117**	**20.923.220**
Total Net Cash Outflows			**37.785.748**	**17.728.956**
Liquidity Coverage Ratio (%)			**99,04**	**118,02**

(1) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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

	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	13.640.787	28.811.183	-	-	-	-	-	42.451.970
Banks	1.267.697	2.228.405	962.918	378.192	-	-	-	4.837.212
Financial assets at fair value through profit or loss	7.141	983.278	1.067.485	823.168	855.721	454.845	38.442	4.230.080
Money market placements	-	817.005	-	-	-	-	-	817.005
Available-for-sale financial assets	94.843	164.561	260.871	1.028.099	15.221.486	7.568.857	157.807	24.496.524
Loans	-	33.417.588	21.179.691	51.143.509	74.021.733	20.111.546	2.124.720	201.998.787
Held-to-maturity Investments	-	111.352	131.365	989.683	2.343.668	10.620.998	-	14.197.066
Other assets(1)	2.952.110	1.802.771	2.317.737	3.504.800	7.715.018	961.725	7.783.313	27.037.474
Total assets	**17.962.578**	**68.336.143**	**25.920.067**	**57.867.451**	**100.157.626**	**39.717.971**	**10.104.282**	**320.066.118**
Liabilities								-
Bank deposits	636.676	7.323.732	918.218	374.006	180.657	-	-	9.433.289
Other deposits	31.268.837	100.218.389	21.934.939	8.864.874	1.495.220	168.085	-	163.950.344
Funds borrowed from other financial institutions	-	3.131.308	3.660.847	20.864.391	11.924.181	2.769.326	-	42.350.053
Funds from money market	-	14.894.101	993.204	168.835	-	-	-	16.056.140
Marketable securities issued	-	1.020.721	1.775.670	3.740.808	11.443.584	5.297.088	-	23.277.871
Miscellaneous payables	1.190.929	10.894.593	233.631	179.854	-	-	255.222	12.754.229
Other liabilities(2)	1.789.109	950.966	1.544.430	1.237.616	5.519.065	6.425.397	34.777.609	52.244.192
Total liabilities	**34.885.551**	**138.433.810**	**31.060.939**	**35.430.384**	**30.562.707**	**14.659.896**	**35.032.831**	**320.066.118**
Net liquidity gap	**(16.922.973)**	**(70.097.667)**	**(5.140.872)**	**22.437.067**	**69.594.919**	**25.058.075**	**(24.928.549)**	**-**
Net Off-Balance Sheet Position	**-**	**(39.758)**	**(695.253)**	**(757.568)**	**238.808**	**(232.266)**	**-**	**(1.486.037)**
Derivative Financial Assets	-	55.513.608	40.938.729	39.537.030	52.729.207	22.461.674	-	211.180.248
Derivative Financial Liabilities	-	55.553.366	41.633.982	40.294.598	52.490.399	22.693.940	-	212.666.285
Non-Cash Loans	**-**	**2.723.038**	**8.573.550**	**28.219.034**	**11.357.744**	**4.504.619**	**23.473.430**	**78.851.415**

Prior Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified (1)(2)	Total
Total assets	14.834.126	52.856.245	23.929.783	45.701.003	63.388.556	60.489.759	9.935.118	271.134.590
Total liabilities	30.240.996	112.451.032	34.292.751	32.198.260	15.869.132	15.625.796	30.456.623	271.134.590
Liquidity gap	**(15.406.870)**	**(59.594.787)**	**(10.362.968)**	**13.502.743**	**47.519.424**	**44.863.963**	**(20.521.505)**	**-**
Net Off-Balance Sheet Position	**-**	**(64.060)**	**143.170**	**315.222**	**307.331**	**(307.266)**	**-**	**394.397**
Derivative Financial Assets	-	34.979.429	16.618.726	19.487.152	38.499.350	19.688.420	-	129.273.077
Derivative Financial Liabilities	-	35.043.489	16.475.556	19.171.930	38.192.019	19.995.686	-	128.878.680
Non-Cash Loans	**-**	**2.484.004**	**8.277.071**	**19.733.514**	**11.905.355**	**4.248.532**	**21.806.008**	**68.454.484**

(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	140.182.673	22.457.141	9.462.133	1.385.188	1.614.526	175.101.661
Funds borrowed from other financial Institutions	3.189.053	4.151.957	22.121.615	17.626.315	8.276.882	55.365.822
Funds from money market	14.910.780	1.005.980	168.835	-	-	16.085.595
Subordinated loans	-	141.647	446.133	6.090.660	6.524.937	13.203.377
Marketable securities issued	1.078.651	1.510.477	3.791.898	17.183.426	2.110.435	25.674.887
Total	**159.361.157**	**29.267.202**	**35.990.614**	**42.285.589**	**18.526.780**	**285.431.342**

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

Prior Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	121.503.298	25.967.821	9.778.772	986.930	133.707	158.370.528
Funds borrowed from other financial Institutions	1.582.766	2.812.256	20.122.521	7.814.443	2.654.499	34.986.485
Funds from money market	6.718.374	922.314	1.515.507	87.049	-	9.243.244
Subordinated loans	-	131.831	416.029	2.163.955	10.147.038	12.858.853
Marketable securities issued	634.449	4.311.511	1.345.780	7.433.015	5.300.698	19.025.453
Total	**130.438.887**	**34.145.733**	**33.178.609**	**18.485.392**	**18.235.942**	**234.484.563**

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

8. Explanations on consolidated 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.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

		Current Period[2]	Prior Period[2]
1	Total assets in the consolidated financial statements prepared in accordance with TAS[1],[2]	309.328.383	258.250.351
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.100.914	2.357.502
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	3.950.590	2.628.564
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(6.787.912)	(7.113.205)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(27.545.631)	(10.420.733)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.164.440)	2.026.297
7	Total Risks	521.671.690	397.021.015

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.
(2) The arithmetic average of the last 3 months in the related periods.

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

		Current Period[(1)]	Prior Period[(1)]
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	304.383.598	257.109.769
2	(Asset amounts deducted in determining Tier 1 capital)	(3.890.154)	(3.091.864)
3	Total on-Balance sheet exposures	**300.493.444**	**254.017.905**
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	2.392.792	1.114.120
5	Potential credit risk of derivative financial instruments and credit derivatives	3.950.590	2.628.564
6	Total derivative financial instruments and credit derivatives exposure	**6.343.382**	**3.742.684**
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	211.588	535.578
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	**211.588**	**535.578**
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	242.168.907	149.145.581
11	(Adjustments for conversion to credit equivalent amounts)	(27.545.631)	(10.420.733)
12	Total risk of off-balance sheet items	**214.623.276**	**138.724.848**
	Capital and total exposure		
13	Tier 1 capital	26.481.586	23.244.302
14	Total exposures	521.671.690	397.021.015
	Leverage ratio		
15	**Leverage ratio (%)**	**5,08%**	**5,85%**

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

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

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. 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	**246.346.594**	**212.088.639**	**253.474.789**	**218.383.722**
Due from money market	817.005	252	817.005	252
Banks	4.837.212	3.448.966	4.839.937	3.450.260
Available-for-sale financial assets	24.496.524	18.386.109	24.496.524	18.386.109
Held-to-maturity investments	14.197.066	11.588.890	14.109.664	10.981.828
Loans	201.998.787	178.664.422	209.211.659	185.565.273
Financial liabilities	**261.484.590**	**225.908.116**	**261.538.853**	**225.863.146**
Bank deposits	9.433.289	8.172.114	9.445.379	8.186.147
Other deposits	163.950.344	148.916.081	164.229.229	149.132.775
Funds borrowed from other financial institutions	42.350.053	30.508.774	41.953.431	30.074.417
Subordinated loans	9.718.804	9.067.893	9.821.399	9.170.193
Marketable securities issued	23.277.871	18.080.467	23.331.523	18.136.827
Miscellaneous payables	12.754.229	11.162.787	12.757.892	11.162.787

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.

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

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

According to these classification principles stated, the Group'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)	**102.563**	**4.127.517**	**-**	**4.230.080**
Government debt securities	56.980	-	-	56.980
Share certificates	38.442	-	-	38.442
Trading derivative financial assets	-	4.127.517	-	4.127.517
Other marketable securities	7.141	-	-	7.141
Available-for-sale financial assets	**22.582.493**	**1.906.416**	**-**	**24.488.909**
Government debt securities	22.487.650	-	-	22.487.650
Other marketable securities(1)	94.843	1.906.416	-	2.001.259
Hedging derivative financial assets	**-**	**1.756.611**	**-**	**1.756.611**
Total assets	**22.685.056**	**7.790.544**	**-**	**30.475.600**
Trading derivative financial liabilities	-	3.820.705	-	3.820.705
Marketable securities issued(2)	-	4.929.709	-	4.929.709
Hedging derivative financial liabilities	-	312.778	-	312.778
Total liabilities	**-**	**9.063.192**	**-**	**9.063.192**

Prior Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or (loss)	**43.348**	**2.997.482**	**-**	**3.040.830**
Government debt securities	36.713	-	-	36.713
Share certificates	6.635	-	-	6.635
Trading derivative financial assets	-	2.997.482	-	2.997.482
Other marketable securities	-	-	-	-
Available-for-sale financial assets	**16.166.933**	**2.211.406**	**-**	**18.378.339**
Government debt securities	16.052.373	-	-	16.052.373
Other marketable securities(1)	114.560	2.211.406	-	2.325.966
Hedging derivative financial assets	**-**	**1.209.712**	**-**	**1.209.712**
Total assets	**16.210.281**	**6.418.600**	**-**	**22.628.881**
Trading derivative financial liabilities	-	2.578.679	-	2.578.679
Marketable securities issued(2)	-	4.111.709	-	4.111.709
Hedging derivative financial liabilities	-	89.296	-	89.296
Total liabilities	**-**	**6.779.684**	**-**	**6.779.684**

(1) As of December 31, 2017, non-listed share certificates accounted at cost in accordance with TAS 39 amounting to TL 7.615 is not included. (31 December 2016 – 7.770 TL).
(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.

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

10. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2017:
- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency 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 swap (CFH)	35.070.052	1.688.395	107.567	24.782.722	963.417	38.839
Cross currency interest rate swap (FVH)	1.615.006	68.216	205.211	1.208.283	246.295	50.457
Total	**36.685.058**	**1.756.611**	**312.778**	**25.991.005**	**1.209.712**	**89.296**

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 37.197.244 (December 31, 2016 - TL 26.681.427) the total notional of derivative financial assets amounting to TL 69.830.733 (December 31, 2016 - TL 52.672.432) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail 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[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

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

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**(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 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.

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 Parent 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 and cross currency 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 and repos	Cash flow risk due to the changes in the interest rates	1.688.395	107.567	836.691	457.541

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

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 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 Parent 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 and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) 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.

Hedge From Foreign Net Investment Risk

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group'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 (December 31, 2016 - EUR 386 million).

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

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

12. Explanations on consolidated operating segments:

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

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

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) 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.

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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 Group'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. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury managemet's results, operations of supporting business units and other unallocated transactions.

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**	**Other foreign operations**	**Other domestic operations**	**Treasury, Asset-Liability Management and Other**	**Consolidation adjustments (1)**	**Total operations of the Group**
Operating revenue continuing	4.579.996	3.191.097	283.198	314.472	703.199	4.616.185	(7.084)	13.681.063
Operating expenses continuing	(4.482.210)	(1.105.333)	(111.165)	(132.915)	(278.224)	(3.075.445)	7.217	(9.178.075)
Net operating income continuing	**97.786**	**2.085.764**	**172.033**	**181.557**	**424.975**	**1.540.740**	**133**	**4.502.988**
Dividend income (2)	-	-	-	-	-	10.726	-	10.726
Income/Loss from Investments accounted based on equity method(2)	-	-	-	-	-	87.612	-	87.612
Profit before tax	**97.786**	**2.085.764**	**172.033**	**181.557**	**424.975**	**1.639.078**	**133**	**4.601.326**
Tax expense(2)	-	-	-	-	-	(987.168)	-	(987.168)
Net period income from continuing operations	**97.786**	**2.085.764**	**172.033**	**181.557**	**424.975**	**651.910**	**133**	**3.614.158**
Minority interest (-)	-	-	-	-	-	(77)	-	(77)
Group income/loss	**97.786**	**2.085.764**	**172.033**	**181.557**	**424.975**	**651.833**	**133**	**3.614.081**
Segment assets	79.970.978	102.108.817	205.198	10.313.957	20.087.720	110.165.690	(3.588.456)	319.263.904
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	802.214	-	802.214
Total assets	**79.970.978**	**102.108.817**	**205.198**	**10.313.957**	**20.087.720**	**110.967.904**	**(3.588.456)**	**320.066.118**
Segment liabilities	74.240.206	61.810.968	30.541.901	8.274.543	17.565.319	101.119.318	(3.587.963)	289.964.292
Shareholders' equity	-	-	-	-	-	30.101.826	-	30.101.826
Total liabilities	**74.240.206**	**61.810.968**	**30.541.901**	**8.274.543**	**17.565.319**	**131.221.144**	**(3.587.963)**	**320.066.118**

Prior Period (3)	**Retail banking**	**Corporate and commercial banking**	**Private banking and wealth management**	**Other foreign operations**	**Other domestic operations**	**Treasury, Asset-Liability Management and Other**	**Consolidation adjustments (1)**	**Total operations of the Group**
Operating revenue continuing	4.352.372	2.806.216	236.421	258.880	591.474	3.693.209	(6.840)	11.931.732
Operating expenses continuing	(4.331.137)	(1.020.631)	(102.516)	(123.775)	(233.340)	(2.465.801)	6.840	(8.270.360)
Net operating income continuing	**21.235**	**1.785.585**	**133.905**	**135.105**	**358.134**	**1.227.408**	**-**	**3.661.372**
Dividend income (2)	-	-	-	-	-	6.173	-	6.173
Income/Loss from Investments accounted based on equity method(2)	-	-	-	-	-	85.361	-	85.361
Profit before tax	**21.235**	**1.785.585**	**133.905**	**135.105**	**358.134**	**1.318.942**	**-**	**3.752.906**
Tax expense (2)	-	-	-	-	-	(820.046)	-	(820.046)
Net period income from continuing operations	**21.235**	**1.785.585**	**133.905**	**135.105**	**358.134**	**498.896**	**-**	**2.932.860**
Minority interest (-)	-	-	-	-	-	(65)	-	(65)
Group income/loss	**21.235**	**1.785.585**	**133.905**	**135.105**	**358.134**	**498.831**	**-**	**2.932.795**
Segment assets	71.341.470	88.591.658	156.652	9.257.004	16.852.514	88.036.974	(3.796.213)	270.440.059
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	694.531	-	694.531
Total assets	**71.341.470**	**88.591.658**	**156.652**	**9.257.004**	**16.852.514**	**88.731.505**	**(3.796.213)**	**271.134.590**
Segment liabilities	61.218.411	55.827.497	32.536.775	7.499.987	14.606.510	77.118.308	(3.794.051)	245.013.437
Shareholders' equity	-	-	-	-	-	26.121.153	-	26.121.153
Total liabilities	**61.218.411**	**55.827.497**	**32.536.775**	**7.499.987**	**14.606.510**	**103.239.461**	**(3.794.051)**	**271.134.590**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Related items expenses have not been distributed based on operating segments and have been 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 consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1 Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.563.328	998.685	1.451.290	1.247.992
The CBRT[1]	6.032.373	33.445.287	7.600.149	22.123.910
Other	-	412.297	-	659.954
Total	**7.595.701**	**34.856.269**	**9.051.439**	**24.031.856**

(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 Group 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 Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2016 - None).

1.3. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	398.063	474	341.551	52
Swap transactions	3.073.713	459.241	2.175.021	359.084
Futures transactions	-	-	-	-
Options	137.137	58.049	87.886	33.873
Other	813	27	15	-
Total	**3.609.726**	**517.791**	**2.604.473**	**393.009**

(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	68.359	1.834.979	42.324	1.721.272
Foreign[1]	13.524	2.920.350	813	1.684.557
Head quarters and branches abroad	-	-	-	-
Total	**81.883**	**4.755.329**	**43.137**	**3.405.829**

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 11.102 (December 31, 2016 –TL 21.364).

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU countries	1.372.016	892.103	-	-
USA, Canada	1.253.333	513.937	240.327	119.931
OECD countries [1]	32.322	48.566	-	-
Off-shore banking regions	355	305	-	-
Other	35.522	110.528	-	-
Total	**2.693.547**	**1.565.439**	**240.327**	**119.931**

(1) 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 amount to TL 4.502.947 (December 31, 2016 - TL 1.567.715) 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	24.476.615	18.381.399
Quoted on stock exchange	24.029.378	17.566.627
Not quoted[1]	447.237	814.772
Share certificates	203.244	152.061
Quoted on stock exchange	133	119
Not quoted[2]	203.111	151.942
Impairment provision (-)[3]	(278.059)	(243.990)
Other [4]	94.724	96.639
Total	**24.496.524**	**18.386.109**

(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.

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

1.7. Explanations on loans:

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

	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	**157.969**	**569**	**150.384**	**620**
Total	**181.198**	**1.359.399**	**256.104**	**1.159.181**

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:

	Standard loans and other receivables			Loans and other receivables under close monitoring		
Cash Loans	**Loans and other receivables (Total)**	**of which, terms & conditions are changed**		**Loans and other receivables (Total)**	**of which, terms & conditions are changed**	
		Payment plan extensions	**Other**		**Payment plan extensions**	**Other**
Non-specialialized loans	**194.356.160**	**3.490.562**	**-**	**5.517.907**	**2.208.273**	**182.392**
Loans given to enterprises	96.714.952	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	5.557.708	-	-	-	-	-
Consumer loans	33.559.109	858.502	-	967.131	242.710	19.259
Credit cards	23.999.186	635.674	-	356.255	132.009	11.301
Other[1]	26.815.888	269.020	-	2.057.597	740.355	4.679
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**194.356.160**	**3.490.562**	**-**	**5.517.907**	**2.208.273**	**182.392**

(1) Fair value differences of the hedged items 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)(5)(6)]	**Standard loans and other receivables**	**Loans and other receivables under close monitoring**
Extended by 1 or 2 times	3.219.976	2.031.777
Extended by 3,4 or 5 times	247.130	155.915
Extended by more than 5 times	23.456	20.581
Total	**3.490.562**	**2.208.273**

Number of modifications made to extend payment plan[(1)(2)(3)(4)(5)(6)]	**Standard loans and other receivables**	**Loans and other receivables under close monitoring**
0 - 6 Months	425.903	317.945
6 - 12 Months	191.170	96.740
1 - 2 Years	381.843	172.929
2 - 5 Years	1.473.562	1.310.674
5 Years and over	1.018.084	309.985
Total	**3.490.562**	**2.208.273**

(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.

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

1.7.3. Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	**Agreement conditions modified**	**Loans and other receivables**	**Agreement conditions modified**
Short-term loans and other receivables	**61.993.711**	**732.012**	**738.723**	**272.312**
Non-specialised loans	61.993.711	732.012	738.723	272.312
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	**128.871.885**	**2.758.552**	**2.388.520**	**2.118.352**
Non-specialised loans	128.871.885	2.758.552	2.388.520	2.118.352
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

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**	**Financial Leasing**	**Factoring**	**Total**
Standard loans	136.797.865	33.559.109	23.999.186	9.986.409	3.664.159	208.006.728
Watch list	4.194.521	967.131	356.255	202.260	170.878	5.891.045
Loans under legal follow-up	5.868.992	1.850.001	1.444.591	340.768	110.676	9.615.028
Specific provisions (-)	(4.371.011)	(1.470.045)	(1.197.808)	(217.713)	(102.546)	(7.359.123)
Total	**142.490.367**	**34.906.196**	**24.602.224**	**10.311.724**	**3.843.167**	**216.153.678**

Prior Period	**Corporate, commercial and other loans**	**Consumer loans**	**Credit cards**	**Financial Leasing**	**Factoring**	**Total**
Standard loans	118.792.011	29.912.146	21.780.057	7.966.725	2.709.393	181.160.332
Watch list	4.369.279	1.165.790	466.554	279.550	174.064	6.455.237
Loans under legal follow-up	5.018.769	2.181.464	1.648.934	335.655	141.420	9.326.242
Specific provisions (-)	(3.472.056)	(1.805.842)	(1.392.684)	(277.444)	(130.598)	(7.078.624)
Total	**124.708.003**	**31.453.558**	**22.502.861**	**8.304.486**	**2.894.279**	**189.863.187**

1.7.4.2 Fair value of collaterals:

Current Period	**Corporate, commercial and other loans**	**Consumer loans**	**Credit cards**	**Financial Leasing**	**Factoring**	**Total**
Watch List	8.283.959	988.733	-	336.250	-	9.608.942
Loans under legal follow-up[1]	1.157.265	94.729	-	341.611	-	1.593.605
Total	**9.441.224**	**1.083.462**	**-**	**677.861**	**-**	**11.202.547**

Prior Period	**Corporate, commercial and other loans**	**Consumer loans**	**Credit cards**	**Financial Leasing**	**Factoring**	**Total**
Watch List	8.309.903	998.699	-	279.550	-	9.588.152
Loans under legal follow-up[1]	1.173.649	100.758	-	335.655	-	1.610.062
Total	**9.483.552**	**1.099.457**	**-**	**615.205**	**-**	**11.198.214**

(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
Other	-	-	-
Consumer loans-FC indexed	**-**	**22.104**	**22.104**
Real estate loans	-	21.713	21.713
Automotive loans	-	-	-
Consumer loans	-	391	391
Other	-	-	-
Consumer loans-FC	**19.666**	**44.443**	**64.109**
Real estate loans	1.844	13.980	15.824
Automotive loans	104	785	889
Consumer loans	7.228	16.555	23.783
Other	10.490	13.123	23.613
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	**39.930**	**30.628**	**70.558**
With installments	24.809	30.628	55.437
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
Other	-	-	-
Personnel loans-FC indexed	**-**	**-**	**-**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	**153**	**475**	**628**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	153	475	628
Other	-	-	-
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	**707**	**126**	**833**
With installments	359	126	485
Without installments	348	-	348
Credit deposit account-TL (Real Person)[(1)]	**1.492.599**	**-**	**1.492.599**
Credit deposit account-FC (Real Person)	**131**	**-**	**131**
Total	**18.259.269**	**33.498.106**	**51.757.375**

(1) TL 1.966 of the credit deposit account belongs to the loans used by personnel.

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

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
Other	-	-	-
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
Other	-	-	-
Commercial installments loans-FC	**-**	**-**	**-**
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
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**
Credit deposit account-FC (legal person)	**-**	**-**	**-**
Total	**9.036.705**	**14.867.622**	**23.904.327**

1.7.7. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Public	1.781.807	1.759.966
Private	198.092.260	174.725.871
Total	**199.874.067**	**176.485.837**

1.7.8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	196.689.796	172.498.400
Foreign loans	3.184.271	3.987.437
Total	**199.874.067**	**176.485.837**

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	8.523	21.974
Indirect loans granted to associates and subsidiaries	-	-
Total	**8.523**	**21.974**

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

1.7.10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	120.985	167.995
Loans and other receivables with doubtful collectability	560.094	722.883
Uncollectible loans and other receivables	6.357.785	5.779.704
Total	**7.038.864**	**6.670.582**

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**3.472.056**	**1.805.842**	**1.392.684**	**6.670.582**
Allowance for impairment	1.490.630	682.900	508.361	2.681.891
Amount recovered during the period	(316.054)	(247.195)	(124.613)	(687.862)
Loans written off during the period as uncollectible[1]	(275.396)	(773.853)	(579.312)	(1.628.561)
Subsidiary sales	(5.852)	(859)	-	(6.711)
Exchange difference	5.627	3.210	688	9.525
December 31	**4.371.011**	**1.470.045**	**1.197.808**	**7.038.864**

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	**2.668.475**	**1.174.379**	**821.559**	**4.664.413**
Allowance for impairment	1.206.971	890.323	729.235	2.826.529
Amount recovered during the period	(408.573)	(259.335)	(158.390)	(826.298)
Loans written off during the period as uncollectible[1]	(125)	(574)	(4)	(703)
Exchange difference	5.308	1.049	284	6.641
December 31	**3.472.056**	**1.805.842**	**1.392.684**	**6.670.582**

(1) Includes sales effect of non performing loans.

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)	**10.942**	**56.141**	**217.233**
Restructured loans and other receivables	10.942	56.141	217.233
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	**21.222**	**101.075**	**406.035**
Restructured loans and other receivables	21.222	101.075	406.035
Rescheduled loans and other receivables	-	-	-

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

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 collectability	**Loans and other receivables with doubtful collectability**	**Uncollectible loans and other receivables**
Prior Period	**1.019.794**	**1.820.638**	**6.008.735**
Additions (+)	3.117.609	86.730	166.257
Transfers from other categories of non-performing loans (+)	-	2.995.168	3.029.953
Transfer to other categories of non-performing loans (-)	2.995.168	3.029.953	-
Collections (-)	260.070	329.993	837.636
FX valuation differences	(1.520)	1.025	9.613
Subsidiary sales			(9.037)
Write-offs (-)	-	-	1.628.561
Corporate and commercial loans	-	-	275.396
Consumer loans	-	-	773.853
Credit cards	-	-	579.312
Other	-	-	-
Current Period	**880.645**	**1.543.615**	**6.739.324**
Specific provision (-)	(120.985)	(560.094)	(6.357.785)
Net balance on balance sheet	**759.660**	**983.521**	**381.539**

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:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	**Loans and other receivables with doubtful collectability**	**Uncollectible loans and other receivables**
Current Period			
Period end balance	554	890	137.743
Specific provision (-)	(303)	(697)	(91.334)
Net balance on-balance sheet	**251**	**193**	**46.409**
Prior Period			
Period end balance	310	14.016	128.698
Specific provision (-)	(169)	(7.483)	(74.747)
Net balance on-balance sheet	**141**	**6.533**	**53.951**

(1) Foreign currency non-performing loans of the Parent Bank 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 collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (net)	**759.660**	**983.521**	**381.539**
Loans granted to real persons and corporate entities (gross)	880.645	1.543.615	6.626.153
Specific provision amount (-)	(120.985)	(560.094)	(6.244.614)
Loans granted to real persons and corporate entities (net)	759.660	983.521	381.539
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)	**851.799**	**1.097.755**	**229.031**
Loans granted to real persons and corporate entities (gross)	1.019.794	1.820.638	5.900.172
Specific provision amount (-)	(167.995)	(722.883)	(5.671.141)
Loans granted to real persons and corporate entities (Net)	851.799	1.097.755	229.031
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 7.759.071 (December 31, 2016 - TL 2.779.442). Held-to-maturity investments subject to repurchase agreements amount to TL 2.740.515 (December 31, 2016 - TL 2.990.209).

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

	Current Period	Prior Period
Government bond	13.346.581	10.789.054
Treasury bill	-	-
Other debt securities	850.485	799.836
Total	**14.197.066**	**11.588.890**

(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	14.574.865	11.887.527
Quoted on stock exchange	14.574.865	11.887.527
Not quoted	-	-
Impairment provision (-)[1]	(377.799)	(298.637)
Total	**14.197.066**	**11.588.890**

(1) Includes amortization 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	**11.588.890**	**7.108.809**
Foreign currency differences on monetary assets[1]	837.591	1.203.918
Purchases during year	3.231.152	1.703.125
Transfers[2]	-	1.960.740
Disposals through sales and redemptions	(1.381.405)	(283.389)
Impairment provision (-)[3]	(79.162)	(104.313)
Period end balance	**14.197.066**	**11.588.890**

(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 amortization 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)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu[1]	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş.[1]	Istanbul/Türkiye	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	Market Value
1	259.153	175.797	172.993	4.049	94	36.919	16.643	-
2	80.677	46.880	47.322	1.043	-	6.983	10.403	-

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

1.9.3 Consolidated investments in associates:

1.9.4 Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%)[1]
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	-	20,00

(1) The other shareholders represent the consolidated Group companies.

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

1.9.5. Main financial figures of the consolidated investments in associates in 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	Market Value
1	16.693.320	1.726.725	11.938	165.038	19.583	121.058	105.577	-
2	1.447.682	475.953	58.231	142.962	-	213.557	202.268	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**664.614**	**545.225**
Movements during the period	**107.411**	**119.389**
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	87.340	88.099
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries(1)	57.558	58.861
Impairment provision(2)	(37.487)	(27.571)
Balance at the end of the period	**772.025**	**664.614**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

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

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	529.384	437.143
Insurance companies	242.641	227.471
Total financial investments	**772.025**	**664.614**

1.9.8. Investments in associates quoted on stock exchange: None.

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

1.10. Information on 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.

1.10.1. Information on shareholders' equity of the significant 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.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and aquipment 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 information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2017.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

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.

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

1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	İstanbul/Türkiye	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99
3	Yapı Kredi Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00

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

	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	33.799	27.466	1.108	91	-	5.487	3.168	-
2	41.162	28.223	4.891	2.632	-	2.343	1.548	-
3	11.207	8.374	695	816	-	2.115	1.550	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2	Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5	Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
6	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
7	Yapı Kredi NV [1]	Amsterdam/Nederlands	67,24	100,00
8	Yapı Kredi Azerbaycan [2]	Bakü/Azerbaijan	99,80	100,00
9	Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation as the Bank has a control of 100%.

(1) Includes the balances for Stiching Custody Services YKB.

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

1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
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	714.442	270.772	2.407	20.896	358	3.992	320	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**4.225.724**	**3.614.436**
Movements during the period	**574.340**	**611.288**
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	529.252	431.423
Sales (1)	(247.343)	-
Transfers	-	-
Revaluation (decrease) / increase (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) Group has concluded the sale of 100% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.300.000.000.
(2) Includes the differences in the other comprehensive income of consolidated subsidiaries.
(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.

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

1.11. Information on joint ventures (net):

1.11.2. Unconsolidated joint ventures:

None.

1.11.3. Consolidated joint ventures:

1.11.3.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	xpense
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):

1.12.2. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	4.229.930	3.435.283	2.932.321	2.402.637
Between 1- 4 years	6.146.058	5.244.154	5.196.033	4.378.313
More than 4 years	1.810.826	1.632.287	1.705.737	1.523.536
Total	**12.186.814**	**10.311.724**	**9.834.091**	**8.304.486**

1.12.3. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Gross lease receivables	2.767.260	9.419.554	2.229.318	7.604.773
Unearned financial income from leases (-)	(585.404)	(1.289.686)	(509.000)	(1.020.605)
Amount of cancelled leases (-)	-	-	-	-
Total	**2.181.856**	**8.129.868**	**1.720.318**	**6.584.168**

1.13. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair value hedge(1)	67.028	1.188	246.295	-
Cash flow hedge(1)	1.520.914	167.481	850.313	113.104
Foreign net investment hedge	-	-	-	-
Total	**1.587.942**	**168.669**	**1.096.608**	**113.104**

(1) Explained in the note 10 of Section 4.

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

1.14. Information on on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	3.081.285	351.285	3.420	1.193.245	4.629.235
Accumulated depreciation (-)	(923.912)	(332.698)	(2.476)	(657.102)	(1.916.188)
Net book value	**2.157.373**	**18.587**	**944**	**536.143**	**2.713.047**
Current Period					
Net book value at beginning of the period	**2.157.373**	**18.587**	**944**	**536.143**	**2.713.047**
Additions[1]	24.012	1.098	72	135.405	160.587
Disposals (-), net	(8.042)	(4.273)	(95)	(8.474)	(20.884)
Reversal of impairment, net	-	2.955	-	732	3.687
Impairment (-)	-	-	-	-	-
Depreciation (-)	(47.913)	(9.395)	(359)	(170.451)	(228.118)
Foreign exchange differences,net	(140)	806	98	986	1.750
Subsidiary Sales	(16.798)	(719)	(135)	(568)	(18.220)
Net book value at end of the period	**2.108.492**	**9.059**	**525**	**493.773**	**2.611.849**
Cost at the end of the period	3.060.720	302.772	3.018	1.220.887	4.587.397
Accumulated depreciation at the period end (-)	(952.228)	(293.713)	(2.493)	(727.114)	(1.975.548)
December 31, 2015	**2.108.492**	**9.059**	**525**	**493.773**	**2.611.849**

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

1.15. 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	**1.566.864**	**1.508.428**
Additions	259.736	179.700
Disposals (-), net	(10.239)	(11.018)
Transfer	-	14.121
Impairment provision reversal	-	-
Depreciation (-)	(135.959)	(124.572)
Translation differences	1.824	205
Net book value at the end of the period	**1.682.226**	**1.566.864**

1.16. Information on other assets:

None. (December 31, 2016 - None).

1.17. Information on deferred tax asset:

There is a deferred tax asset amounting to TL 53.314 as of December 31, 2017 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2016 – None).

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

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	**166.183**	**153.922**
Additions	154.214	98.410
Disposals (-), net	(111.432)	(81.544)
Impairment provision reversal	385	1.908
Impairment provision (-)	-	(416)
Depreciation (-)	-	(5.714)
Translation differences	504	(383)
Net book value at the end of the period	**209.854**	**166.183**
Cost at the end of the period	222.369	182.137
Accumulated depreciation at the end of the period (-)	(12.515)	(15.954)
Net book value at the end of the period	**209.854**	**166.183**

As of December 31, 2017, the Group 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 consolidated liabilities:

2.1 Information on deposits:

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

Current Period	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.797.877	4.385	2.355.997	35.134.409	1.472.504	190.818	150.872	967	46.107.829
Foreign currency deposits	15.860.217	78.894	15.894.425	42.352.407	5.158.608	6.940.090	3.624.464	-	89.909.105
Residents in Turkey	13.886.368	36.390	15.359.663	41.375.032	4.221.274	3.504.726	1.220.550	-	79.604.003
Residents abroad	1.973.849	42.504	534.762	977.375	937.334	3.435.364	2.403.914	-	10.305.102
Public sector deposits	250.278	-	3	5.876	3	453	10	-	256.623
Commercial deposits	7.499.106	-	7.865.606	7.794.055	637.070	448.428	301.136	-	24.545.401
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	636.676	71.704	5.266.839	2.599.859	374.986	483.220	5	-	9.433.289
The CBRT	-	-	4.061.881	-	-	-	-	-	4.061.881
Domestic banks	9.192	-	1.197.005	1.600.797	226.297	26.983	5	-	3.060.279
Foreign banks	158.991	71.704	7.953	999.062	148.689	456.237	-	-	1.842.636
Participation banks	468.493	-	-	-	-	-	-	-	468.493
Other	-	-	-	-	-	-	-	-	-
Total	**31.905.513**	**154.983**	**31.911.069**	**89.046.715**	**8.165.516**	**8.102.641**	**4.096.229**	**967**	**173.383.633**

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

Prior Period	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	6.145.162	2.534	1.392.165	31.602.890	1.555.624	209.889	174.943	485	41.083.692
Foreign currency deposits	12.804.821	36.207	9.292.694	36.447.490	3.899.045	4.665.206	2.289.801	-	69.435.264
Residents in Turkey	11.421.891	18.796	9.186.288	35.929.631	3.589.035	4.035.721	1.220.512	-	65.401.874
Residents abroad	1.382.930	17.411	106.406	517.859	310.010	629.485	1.069.289	-	4.033.390
Public sector deposits	230.784	-	35	3.797	16	180	59	-	234.871
Commercial deposits	6.795.962	-	4.835.125	17.433.057	2.765.952	1.302.572	333.090	-	33.465.758
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	613.650	42.914	5.559.697	971.004	275.121	670.239	39.489	-	8.172.114
The CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	1.931	-	5.329.588	392.639	117.925	19.278	4.170	-	5.865.531
Foreign banks	181.583	42.914	230.109	578.365	157.196	650.961	35.319	-	1.876.447
Participation banks	430.136	-	-	-	-	-	-	-	430.136
Other	-	-	-	-	-	-	-	-	-
Total	**27.182.256**	**81.655**	**21.205.536**	**89.168.558**	**9.301.063**	**7.303.153**	**2.845.489**	**485**	**157.088.195**

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:

Saving deposits[1]	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	23.637.528	21.149.862	22.558.092	20.005.450
Foreign currency savings deposit	9.714.974	7.420.214	27.176.316	21.307.662
Other deposits in the form of savings 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	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

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	164.319	202.939
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	132.393	154	194.823	-
Swap transactions[1]	3.260.570	219.426	1.914.258	343.058
Futures transactions	-	-	-	-
Options	144.714	63.177	79.854	45.617
Other	-	271	-	1.069
Total	**3.537.677**	**283.028**	**2.188.935**	**389.744**

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

2.3. Information on banks and other financial institutions:

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	1.751.398	1.155.868	985.663	1.387.972
From foreign banks, institutions and funds	541.432	38.441.203	381.767	26.963.200
Total	**2.292.830**	**40.057.223**	**1.367.430**	**29.141.344**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-term	1.720.619	1.444.438	732.279	2.896.348
Medium and long-term	572.211	38.612.785	635.151	26.244.996
Total	**2.292.830**	**40.057.223**	**1.367.430**	**29.141.344**

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bills	1.212.509	107.682	1.399.791	86.665
Asset backed securities	-	8.278.912	-	6.564.507
Bonds	3.584.201	10.094.567	2.591.092	7.438.412
Collateralized securities	-	-	*288.650*	-
Total	**4.796.710**	**18.481.161**	**3.990.883**	**14.089.584**

(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 expense). 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) The Group 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.

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

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:

None (December 31, 2016 - None).

2.5.2. Information on operational leasing agreements:

The Parent 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	205.148	63	49.949	508
Cash flow hedge	95.187	12.380	16.314	22.525
Foreign net investment hedge	-	-	-	-
Total	**300.335**	**12.443**	**66.263**	**23.033**

(1) Explained in Note 10. of Section 4.

2.7. Information on provisions:

2.7.1. Information on general provisions:

	Current Period	**Prior Period**
I. Provisions for first group loans and receivables	2.718.237	2.475.808
of which, Provision for Loans and Receivables with Extended Maturity	*179.587*	*184.180*
II. Provisions for second group loans and receivables	242.597	268.623
of which, Provision for Loans and Receivables with Extended Maturity	*81.325*	*92.159*
Provisions for non-cash loans	112.170	107.664
Other	337.801	257.476
Total	**3.410.805**	**3.109.571**

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 July 1, 2017 (July 1, 2016 - full TL 4.426,16) has been taken into consideration in calculating the reserve for employment termination benefits.

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

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**129.510**	**141.388**
Changes during the period	53.918	30.757
Recognized in equity	259.779	(2.683)
Paid during the period	(41.923)	(40.431)
Foreign currency differences	(737)	479
Balance at the end of the period	**400.547**	**129.510**

In addition, the Group has accounted for unused vacation rights provision amounting to TL 183.832 as of December 31, 2017 (December 31, 2016 - TL 171.811).

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
Provisions on credit cards and promotion campaigns related to banking services	101.228	75.955
Provision on export commitment tax and funds liability	44.497	43.588
Other	361.599	345.114
Total	**1.337.319**	**1.183.180**

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**

2.7.5. Pension fund provision:

The Parent Bank provided provision amounting to TL 690.852 (December 31, 2015 – TL 568.006) for the technical deficit based on the report prepared by a registered actuary 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 (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**

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

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	%
Government bonds and treasury bills	574.905	34	831.034	60
Premises and equipment	723.510	43	233.858	17
Bank placements	261.258	4	223.150	16
Other	121.330	19	108.400	7
Total	**1.681.003**	**100**	**1.396.442**	**100**

2.8. Explanations on tax liability:

2.8.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	255.616	10.585
Taxation of Marketable Securities	147.382	108.253
Property Tax	3.301	2.872
Banking Insurance Transaction Tax ("BITT")	137.588	108.913
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	10.173	10.414
Other	46.121	37.975
Total	**600.181**	**279.012**

2.8.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	722	88
Social security premiums - employer	807	102
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	**40.291**	**34.578**

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

2.8.3. Information on deferred tax liability:

There is a deferred tax liability amounting to TL 225.278 as of December 31, 2017 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per "TAS 12-Income Taxes". (December 31, 2016 – TL 268.651).

	Current Period		Prior Period	
	Tax base	**Deferred tax**	**Tax base**	**Deferred tax**
Temporary differences	584.379	128.278	301.321	60.072
Derivative financial liabilities	690.852	151.987	568.006	113.601
Securities portfolio valuation differences	4.168.192	922.977	2.711.672	544.831
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	1.192.811	261.984	985.185	196.977
Total deferred tax asset	**7.247.614**	**1.599.730**	**5.256.146**	**1.053.473**
Derivative financial assets	(5.905.244)	(1.291.073)	(4.266.432)	(844.032)
Valuation difference of securities portfolio	(968.157)	(213.134)	(1.129.363)	(225.991)
Property, equipment and intangibles, net	(1.765.337)	(209.983)	(1.823.817)	(121.656)
Other	(265.087)	(57.504)	(258.901)	(49.617)
Total deferred tax liability	**(8.903.825)**	**(1.771.694)**	**(7.478.513)**	**(1.241.296)**
Deferred tax asset / (liability), net	**(1.656.211)**	**(171.964)**	**(2.222.367)**	**(187.823)**

(1) Includes deferred tax assets of TL 53.314 as of December 31, 2017. (December 31, TL 80.428

Deferred tax income amounting to TL 113.674 (December 31, 2016 - TL 162.009 loss) was recognized in profit and loss statement, whereas deferred tax expense amounting to TL 102.793 (December 31, 2016 - TL 27.513 gain) 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 the Note "Information on debt instruments included in the calculation of equity" in 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. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

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

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

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

None (December 31, 2016 - None).

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 Group'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 Parent Bank within several risk and legal limits.

2.11.7. Privileges on the corporate stock tors:

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	**-**	**-**	**-**	**-**
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Available for sale securities[1]	**(445.780)**	**60.864**	**(377.643)**	**(86.111)**
Valuation differences	(445.780)	60.864	(377.643)	(86.111)
Foreign currency differences	-	-	-	-
Total	**(445.780)**	**60.864**	**(377.643)**	**(86.111)**

(1) Includes current period foreign currency differences.

2.11.9. Information on minority interest:

	Current Period	Prior Period
Period opening balance	**502**	**474**
Current period income/(loss)	77	65
Dividends paid	(38)	(37)
Period ending balance	**541**	**502**

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

3.1 Information on off balance sheet commitments:

3.1.3 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**

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

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 Group set aside general provision for its non-cash loans amounting to TL 112.170 (December 31, 2016 - TL 107.664) 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 - TL 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	11.527.886	9.193.170
Other guarantees and collaterals	6.811.093	6.273.317
Total	**18.551.664**	**15.662.253**

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	37.507.430	33.508.036
Advance letter of guarantees	9.606.133	8.291.959
Letter of guarantees given to customs	2.351.305	2.100.488
Other letter of guarantees	8.561.418	5.831.159
Total	**60.299.751**	**52.792.231**

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	5.483.022
With original maturity of 1 year or less than 1 year	1.878.094	855.258
With original maturity of more than 1 year	6.174.626	4.627.764
Other non-cash loans	70.798.695	62.971.462
Total	**78.851.415**	**68.454.484**

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**	**0,70**	**268.785**	**1,24**	**264.445**	**0,56**
Farming and raising livestock	260.917	0,98	263.931	0,50	226.348	1,04	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**	**25.712.986**	**49,11**	**8.769.875**	**40,57**	**24.592.178**	**52,50**
Mining	518.035	1,96	738.453	1,41	413.574	1,91	673.019	1,44
Production	6.672.557	25,18	21.747.716	41,54	5.953.750	27,54	19.436.022	41,49
Electric, gas and water	3.661.544	13,82	3.226.817	6,16	2.402.551	11,12	4.483.137	9,57
Construction	**7.027.361**	**26,52**	**10.281.769**	**19,64**	**6.569.893**	**30,40**	**9.996.845**	**21,34**
Services	**7.772.719**	**29,34**	**15.789.010**	**30,16**	**5.704.088**	**26,39**	**11.961.363**	**25,54**
Wholesale and retail trade	2.652.661	10,01	3.976.751	7,60	2.231.326	10,32	3.091.503	6,60
Hotel, food and beverage services	194.117	0,73	999.922	1,91	176.337	0,82	707.443	1,51
Transportation and telecommunication	632.515	2,39	3.774.910	7,21	551.457	2,55	3.475.197	7,42
Financial institutions	3.183.656	12,02	2.387.436	4,56	1.964.705	9,09	2.516.743	5,37
Real estate and renting services	297.176	1,12	1.165.131	2,23	270.474	1,25	308.212	0,66
Employement	-	-	-	-	-	0,00	-	0,00
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	3.444.645	6,58	469.557	2,17	1.840.589	3,93
Other	**540.413**	**2,04**	**204.380**	**0,39**	**301.941**	**1,40**	**25.071**	**0,06**
Total	**26.495.214**	**100,00**	**52.356.201**	**100,00**	**21.614.582**	**100,00**	**46.839.902**	**100,00**

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

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

Current Period		**Group I**		**Group II**
	TL	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	26.216.356	33.693.469	224.852	165.074
Bank acceptances	-	209.151	-	3.534
Letters of credit	20.000	11.506.470	-	1.416
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.006	6.776.693	-	394
Total	**26.270.362**	**52.185.783**	**224.852**	**170.418**

Prior Period		**Group I**		**Group II**
	TL	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	20.992.683	30.942.686	576.008	280.854
Bank acceptances	-	195.766	-	-
Letters of credit	11.407	9.174.537	-	7.226
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.484	6.235.795	-	3.038
Total	**21.038.574**	**46.548.784**	**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	-	8.072.995	3.452.609	2.282	11.527.886
Letter of guarantee	22.859.931	11.426.328	20.933.980	5.079.512	60.299.751
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	**23.473.430**	**20.790.408**	**25.536.090**	**9.051.487**	**78.851.415**

Prior Period[(1)]	**Indefinite**	**Up to 1 year**	**1-5 years**	**Above 5 years**	**Total**
Letter of credit	-	6.654.515	2.532.433	6.222	9.193.170
Letter of guarantee	21.464.214	9.410.155	18.179.733	3.738.129	52.792.231
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**	**16.785.106**	**22.915.291**	**6.948.079**	**68.454.484**

(1) The distribution is based on the original maturities

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

3.2 Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	272.445.631	137.959.963
FC trading forward transactions	26.814.740	15.273.549
Trading swap transactions	221.673.553	105.096.276
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)	21.267.165	18.267.410
A. Total trading derivative transactions (I+II+III)	**349.964.230**	**205.479.325**
Types of hedging derivative transactions		
Transactions for fair value hedge	3.295.553	2.658.411
Cash flow hedges	70.586.749	50.014.021
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**73.882.302**	**52.672.432**
Total derivative transactions (A+B)	**423.846.532**	**258.151.757**

3.3 Information on credit derivatives and risk exposures:

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

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

3.4 Information on contingent liabilities and assets:

The Group has recorded a provision of TL 101.228 (December 31, 2016 – TL 75.955) for litigations against the Group and has accounted for it in accompanying consolidated the 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 any cash outflows for such claim.

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

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

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

4. Explanations and notes related to consolidated 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]	5.199.037	498.638	5.190.478	393.501
Medium/long-term loans[1]	8.468.756	3.755.210	6.988.914	3.026.361
Interest on loans under follow-up	99.316	-	84.707	136
Premiums received from resource utilisation support fund	-	-	-	-
Total	**13.767.109**	**4.253.848**	**12.264.099**	**3.419.998**

(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	166.180	1.260	141.846	1.470
From foreign banks	2.478	50.624	1.912	28.921
Headquarters and branches abroad	-	-	-	-
Total	**278.987**	**51.900**	**143.758**	**30.529**

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	2.288.022	158.379	1.491.281	179.836
From held-to-maturity investments	585.404	401.297	397.459	326.180
Total	**2.875.439**	**561.068**	**1.892.902**	**507.156**

4.1.4 Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	1.831	870

(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	193.442	1.095.254	85.214	822.618
The CBRT	-	5.010	-	59
Domestic banks	149.083	42.167	40.176	31.341
Foreign banks	44.359	1.048.077	45.038	791.218
Headquarters and branches abroad	-	-	-	-
Other institutions	-	209.618	-	158.922
Total[1]	**193.442**	**1.304.872**	**85.214**	**981.540**

(1) Includes fees and commissions related to borrowings.

4.2.2 Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	5.564	3.139

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	538.259	694.397	430.076	538.220
Total	**538.259**	**694.397**	**430.076**	**538.220**

4.2.4 Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	236	115.451	8.185	96	-	269	68	124.305	131.221
Saving deposit	-	143.493	3.991.809	180.562	18.733	15.610	-	4.350.207	3.516.763
Public sector deposit	-	95	1.880	71	38	2	-	2.086	6.311
Commercial deposit	31	522.834	1.750.183	160.826	119.179	44.224	-	2.597.277	2.489.950
Other deposit	-	20.793	571.261	95.272	25.852	39	-	713.217	563.409
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**267**	**802.666**	**6.323.318**	**436.827**	**163.802**	**60.144**	**68**	**7.787.092**	**6.707.654**
FC									
Foreign currency deposit	1.962	308.124	1.199.056	103.552	105.187	65.117	-	1.782.998	1.110.190
Bank deposit	811	26.035	25.474	2.245	9.339	1.107	-	65.011	46.927
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	765	1.930	149	296	88	-	3.228	2.279
Total	**2.773**	**334.924**	**1.226.460**	**105.946**	**114.822**	**66.312**	**-**	**1.851.237**	**1.159.396**
Grand total	**3.040**	**1.137.590**	**7.549.778**	**542.773**	**278.624**	**126.456**	**68**	**9.638.329**	**7.867.050**

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

4.3. Information on dividend income:

	Current Period	Prior Period
Available-for-sale financial assets	669	116
Other	10.057	6.057
Total	**10.726**	**6.173**

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

	Current Period	Prior Period
Gain	**44.688.040**	**30.213.163**
Gain from capital market transactions	94.564	147.000
Derivative financial transaction gains	16.534.312	10.458.432
Foreign exchange gains	28.059.164	19.607.731
Loss(-)	**(45.200.918)**	**(30.025.840)**
Loss from capital market transactions	(38.237)	(129.452)
Derivative financial transaction losses	(17.538.572)	(10.514.115)
Foreign exchange loss	(27.624.109)	(19.382.273)
Net gain/loss	**(512.878)**	**187.323**

4.5. Information on gain/loss from derivative financial transactions:

The net loss resulting from the foreign exchange differences related to derivative financial transactions is TL 288.168 (December 31, 2016 - TL 72.243 loss).

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	2.829.333	2.187.865
III. Group loans and receivables	117.483	72.354
IV. Group loans and receivables	65.891	250.310
V. Group loans and receivables	2.645.959	1.865.201
General provision expenses	304.164	494.714
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	43.056	52.963
Total	**3.358.109**	**2.955.042**

(1) Includes amortization 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	2.606.211	2.322.510
Reserve for employee termination benefits	13.868	9.413
Provision expense for pension fund	122.846	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	228.118	233.002
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	135.959	124.572
Impairment expenses of equity participations for which equity method is 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	1.929.859	1.823.002
Operational lease expenses	309.593	297.637
Repair and maintenance expenses	114.276	103.256
Advertising expenses	142.296	114.068
Other expense	1.363.694	1.308.041
Loss on sales of assets	6	19
Other	783.099	796.670
Total	**5.819.966**	**5.315.318**

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

Income before tax includes net interest income amounting to TL 9.735.017 (December 31, 2016 -TL 8.220.684), net fee and commission income amounting to TL 3.315.309 (December 31, 2016 - TL 2.972.884) and total other operating expense amounting 5.819.966 (December 31, 2016 - TL 5.315.318).

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

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

As of December 31, 2017, the Group has current tax income amounting to TL 1.100.842 (December 31, 2016 - TL 658.037) and deferred tax expense amounting to TL 113.674 (December 31, 2016 - TL 162.009 deferred tax expense).
As at December 31, 2017 the Group has no current and deffered tax income / (expense) related to discontinued operations (December 31, 2016 – None).

	Current Period	Prior Period
Profit before tax	4.601.326	3.752.906
Tax calculated at rate of 20%	937.339	750.581
Nondeductible expenses, discounts and other, net	49.829	69.465
Total	**987.168**	**820.046**

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

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

4.12. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	77	65

4.13. Other items in income statement:

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

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

5.1. Information on dividends:

Authorised body for profit distribution 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 Parent 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 Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group'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. (December 31, 2016 – EUR 386 million). The foreign exchange loss of TL 718.766 (December 31, 2016 – TL 473.112 loss). 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.

5.5 Information on share issue premium:

Explained in details in Note 19 of Section 3.

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

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

6.1 Information on cash and cash equivalent:

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	**12.245.083**	**8.260.909**
Cash and effectives	2.699.282	2.004.851
Demand deposits in banks	9.545.801	6.256.058
Cash equivalents	**3.713.929**	**1.821.751**
Interbank money market	252	284.706
Deposits in bank	3.713.677	1.537.045
Total cash and cash equivalents	**15.959.012**	**10.082.660**

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

	Current Period	Prior Period
Cash	**14.993.683**	**12.245.083**
Cash and effectives	2.562.013	2.699.282
Demand deposits in banks	12.431.670	9.545.801
Cash equivalents	**8.850.596**	**3.713.929**
Interbank money market	817.005	252
Deposits in bank	8.033.591	3.713.677
Total cash and cash equivalents	**23.844.279**	**15.959.012**

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

As of December 31, 2017, the Group's reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 34.653.676 (December 31, 2016 - TL 27.864.220).

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 4.957.468 (December 31, 2016 – TL 4.825.362 decrease) which is classified under "Operating profit before changes in operating assets and liabilities" includes 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 2.177.418 (December 31, 2016 - TL 2.816.709 increase) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables, subordinated loans 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 1.585.494 as of December 31, 2017 (December 31, 2016 - TL 1.357.079 increase).

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

7. Explanations and notes related to Group's risk group:

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

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

Current Period	**Associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Group**		**Other real and legal persons that have been included in the risk group**	
Group'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	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Balance at the end of the period	8.523	10.130	413.696	1.358.830	2.582.313	3.078.551
Interest and commission income received	**1.831**	**119**	**9.516**	**7.893**	**320.083**	**12.547**

Prior Period	**Associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Group**		**Other real and legal persons that have been included in the risk group**	
Group'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	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Balance at the end of the period	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Interest and commission income received(3)	**870**	**119**	**4.981**	**7.546**	**245.453**	**10.501**

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

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

Group'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	232.820	82.069	24.423.963	19.927.462	14.406.822	5.148.413
End of the period	27.440	232.820	33.489.119	24.423.963	18.301.565	14.406.822
Interest expense on deposits(3)	**5.564**	**3.139**	**1.458.814**	**1.107.376**	**779.396**	**556.428**

(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.

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

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

Group'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)]	-	-	8.532.884	1.455.484	1.104.683	146.778
End of the period [(3)]	-	-	4.585.782	8.532.884	4.263.455	1.104.683
Total profit / loss[(4)]	**134**	**(8.091)**	**(16.232)**	**(9.004)**	**(48.039)**	**(9.512)**
Transactions for hedging purposes[(2)]						
Beginning of the period[(3)]	-	-	-	-	-	-
End of the period[(3)]	-	-	1.375.186	-	-	-
Total profit / loss[(4)]	**-**	**-**	**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 "Financial instruments at fair value through profit or loss" or "Derivative financial instruments held for hedging" according to "TAS 39- Financial Instruments: Recognition and Measurement".
(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 Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 77.215 as of December 31, 2017 (December 31, 2016 - TL 56.454).

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

	Number	Number of Employees	Country of incorporation	Total assets	Statutory share capital
Domestic Branch	865	17.942			
Foreign Rep. Office	-	-	-		
Foreign Branch	1	2	Bahrain	15.998.901	-
Off-Shore Banking Region Branch[(1)]	-	-		-	-

(1)The values disclosed above are those of the Parent Bank.

9. Explanations and notes related to subsequent events :

None.

Section six - Other Explanations and Notes

1. Other explanations on Group's operations

None.

Section seven - Explanations on independent audit report

1. Explanations on independent auditor's report

The consolidated 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 February 6, 2018 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

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SWIFT Code:	YAPITRIS
Web Site:	http://www.yapikredi.com.tr
Branch Information:	Yapı Kredi's branch contact information is available on the Bank's website.
Social Media Information:	Yapı Kredi is active on social media via Facebook, I all those channels, the Bank is represented as Yapı Kredi.

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