

# **Yapı ve Kredi Bankası A.Ş.**

**Publicly announced consolidated financial statements and  
related disclosures at December 31, 2017 together with  
auditor's audit report**

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



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

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.;

**A. Audit of the Consolidated Financial Statements**

**1. Opinion**

We have audited the accompanying consolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2017, consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key Audit Matters**

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



<b>Key Audit Matters</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p data-bbox="268 577 767 611"><b>Impairment of loans and receivables</b></p> <p data-bbox="268 656 804 1137">The Group has total provision for impairment of TL 10.449.669 thousands in respect to loans and receivables of TL 209.037.651 thousands which represent a significant portion of the Group’s total assets in its consolidated 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 consolidated financial statements as at 31 December 2017.</p> <p data-bbox="268 1182 804 1615">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.</p>	<p data-bbox="826 577 1465 1547">Within our audit procedures, we assessed and tested the design and operating effectiveness of controls applied by the Group 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.</p>



<b>Key Audit Matters</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p data-bbox="272 546 796 575"><b>Valuation of Pension Fund Obligations</b></p> <p data-bbox="272 600 796 712">The Group has booked provision amounting to TL 690.852 for Pension Fund Obligations in the accompanying consolidated financial statements as at 31 December 2017.</p> <p data-bbox="272 719 796 824">Explanations on Valuation of Pension Obligations are presented in the section five part 2.7 in the accompanying consolidated financial statements.</p> <p data-bbox="272 857 799 1429">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.</p> <p data-bbox="272 1458 751 1541">The Group's management uses external actuaries for the purpose of valuations of pension fund obligations.</p> <p data-bbox="272 1570 796 1816">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.</p>	<p data-bbox="828 546 1449 712">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Group 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.</p> <p data-bbox="828 741 1449 882">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.</p> <p data-bbox="828 911 1465 994">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.</p>



#### **4. Other Matters**

The consolidated financial statements of the Bank and its consolidated subsidiaries 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 Consolidated Financial Statements**

The Group management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **6. Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements.



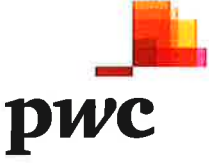
As part of an independent audit conducted in accordance with “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated 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 Group’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 Group 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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 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.

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

Halûk Yalçın, SMMM

Istanbul, 6 February 2018



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

## THE CONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDİ 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](http://www.yapikredi.com.tr)  
E-Mail : [financialreports@yapikredi.com.tr](mailto:financialreports@yapikredi.com.tr)

The consolidated 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
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.		

Although Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

The accompanying consolidated financial statements 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 reviewed 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 KIZLER  
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 : Umut HALLAÇ / International Reporting & Consolidation Manager  
Telephone Number : 0212 339 98 87  
Fax Number : 0212 339 61 05



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**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements as of December 31, 2017**

(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:

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements as of December 31, 2017**

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

**Board of Directors Members:**

<b>Name</b>	<b>Responsibility</b>
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
Niccolò UBERTALLI <sup>(1)</sup>	Deputy General Manager
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
A. Ümit TAFTALI	Member
F. Füsün 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:**

<b>Name</b>	<b>Responsibility</b>
Wolfgang SCHILK	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

**General Manager and Deputy General Manager:**

<b>Name</b>	<b>Responsibility</b>
Niccolò UBERTALLI <sup>(1)</sup>	Deputy General Manager

**Assistant General Managers:**

<b>Name</b>	<b>Responsibility</b>
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 <sup>(2)</sup>	Corporate Communication Management
Mert ÖNCÜ	Treasury Management
Mert YAZICIOĞLU <sup>(3)</sup>	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 <sup>(3)</sup>	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 Niccolò' 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 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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements as of December 31, 2017**

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

**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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Consolidated financial statements as of December 31, 2017 and December 31, 2016

(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)

Assets	Note (Section Five)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. Cash and balances with Central Bank</b>	<b>1.1</b>	<b>7.595.701</b>	<b>34.856.269</b>	<b>42.451.970</b>	<b>9.051.439</b>	<b>24.031.856</b>	<b>33.083.295</b>
<b>II. Financial assets at fair value through profit or (loss) (net)</b>	<b>1.2</b>	<b>3.681.893</b>	<b>548.187</b>	<b>4.230.080</b>	<b>2.629.996</b>	<b>410.834</b>	<b>3.040.830</b>
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		3.609.726	517.791	4.127.517	2.604.473	393.009	2.997.482
2.1.4 Other marketable securities	1.3	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		-	-	-	-	-	-
<b>III. Banks</b>	<b>1.4</b>	<b>81.883</b>	<b>4.755.329</b>	<b>4.837.212</b>	<b>43.137</b>	<b>3.405.829</b>	<b>3.448.966</b>
<b>IV. Money markets</b>		<b>4.215</b>	<b>812.790</b>	<b>817.005</b>	<b>252</b>	<b>-</b>	<b>252</b>
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
<b>V. Financial assets available-for-sale (net)</b>	<b>1.5,6</b>	<b>21.300.288</b>	<b>3.196.236</b>	<b>24.496.524</b>	<b>15.239.585</b>	<b>3.146.524</b>	<b>18.386.109</b>
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
<b>VI. Loans and receivables</b>	<b>1.7</b>	<b>128.114.248</b>	<b>73.884.539</b>	<b>201.998.787</b>	<b>107.994.217</b>	<b>70.670.205</b>	<b>178.664.422</b>
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)
<b>VII. Factoring receivables</b>		<b>1.812.219</b>	<b>2.030.948</b>	<b>3.843.167</b>	<b>1.240.811</b>	<b>1.653.468</b>	<b>2.894.279</b>
<b>VIII. Held-to-maturity investments (net)</b>	<b>1.8</b>	<b>6.771.736</b>	<b>7.425.330</b>	<b>14.197.066</b>	<b>4.831.667</b>	<b>6.757.223</b>	<b>11.588.890</b>
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
<b>IX. Investments in associates (net)</b>	<b>1.9</b>	<b>247.144</b>	<b>529.384</b>	<b>776.528</b>	<b>231.974</b>	<b>437.143</b>	<b>669.117</b>
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
<b>X. Subsidiaries (net)</b>	<b>1.10</b>	<b>7.300</b>	<b>-</b>	<b>7.300</b>	<b>7.300</b>	<b>-</b>	<b>7.300</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	7.300	-	7.300
<b>XI. Joint ventures (net)</b>	<b>1.11</b>	<b>18.386</b>	<b>-</b>	<b>18.386</b>	<b>18.114</b>	<b>-</b>	<b>18.114</b>
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		-	-	-	-	-	-
<b>XII. Lease receivables</b>	<b>1.12</b>	<b>2.181.856</b>	<b>8.129.868</b>	<b>10.311.724</b>	<b>1.720.318</b>	<b>6.584.168</b>	<b>8.304.486</b>
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)
<b>XIII. Derivative financial assets held for hedging</b>	<b>1.13</b>	<b>1.587.942</b>	<b>168.669</b>	<b>1.756.611</b>	<b>1.096.608</b>	<b>113.104</b>	<b>1.209.712</b>
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		-	-	-	-	-	-
<b>XIV. Property and equipment (net)</b>	<b>1.14</b>	<b>2.596.539</b>	<b>15.310</b>	<b>2.611.849</b>	<b>2.678.356</b>	<b>34.691</b>	<b>2.713.047</b>
<b>XV. Intangible assets (net)</b>	<b>1.15</b>	<b>1.663.441</b>	<b>18.785</b>	<b>1.682.226</b>	<b>1.549.798</b>	<b>17.066</b>	<b>1.566.864</b>
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
<b>XVI. Investment property (net)</b>	<b>1.16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. Tax asset</b>		<b>68.080</b>	<b>-</b>	<b>68.080</b>	<b>178.240</b>	<b>1.151</b>	<b>179.391</b>
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
<b>XVIII. Assets held for resale and related to discontinued operations (net)</b>	<b>1.18</b>	<b>204.048</b>	<b>5.806</b>	<b>209.854</b>	<b>161.854</b>	<b>4.329</b>	<b>166.183</b>
18.1 Held for sale purposes		204.048	5.806	209.854	161.854	4.329	166.183
18.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIX. Other assets</b>	<b>1.19</b>	<b>2.467.613</b>	<b>3.284.136</b>	<b>5.751.749</b>	<b>2.104.336</b>	<b>3.088.997</b>	<b>5.193.333</b>
<b>Total assets</b>		<b>180.404.532</b>	<b>139.661.586</b>	<b>320.066.118</b>	<b>150.778.002</b>	<b>120.356.588</b>	<b>271.134.590</b>

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Consolidated financial statements as of December 31, 2017 and December 31, 2016

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

#### 1. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. Deposits</b>	<b>2.1</b>	<b>75.881.343</b>	<b>97.502.290</b>	<b>173.383.633</b>	<b>84.238.259</b>	<b>72.849.936</b>	<b>157.088.195</b>
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
<b>II. Derivative financial liabilities held for trading</b>	<b>2.2</b>	<b>3.537.677</b>	<b>283.028</b>	<b>3.820.705</b>	<b>2.188.935</b>	<b>389.744</b>	<b>2.578.679</b>
<b>III. Funds borrowed</b>	<b>2.3</b>	<b>2.292.830</b>	<b>40.057.223</b>	<b>42.350.053</b>	<b>1.367.430</b>	<b>29.141.344</b>	<b>30.508.774</b>
<b>IV. Money markets</b>		<b>15.433.064</b>	<b>623.076</b>	<b>16.056.140</b>	<b>7.225.341</b>	<b>1.979.688</b>	<b>9.205.029</b>
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
<b>V. Marketable securities issued (net)</b>	<b>2.3</b>	<b>4.796.710</b>	<b>18.481.161</b>	<b>23.277.871</b>	<b>3.990.883</b>	<b>14.089.584</b>	<b>18.080.467</b>
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
<b>VI. Funds</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. Miscellaneous payables</b>		<b>10.462.397</b>	<b>2.291.832</b>	<b>12.754.229</b>	<b>9.152.217</b>	<b>2.010.570</b>	<b>11.162.787</b>
<b>VIII. Other liabilities</b>	<b>2.4</b>	<b>1.386.759</b>	<b>555.067</b>	<b>1.941.826</b>	<b>1.590.918</b>	<b>365.486</b>	<b>1.956.404</b>
<b>IX. Factoring payables</b>		-	-	-	-	-	-
<b>X. Lease payables</b>	<b>2.5</b>	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
<b>XI. Derivative financial liabilities held for hedging</b>	<b>2.6</b>	<b>300.335</b>	<b>12.443</b>	<b>312.778</b>	<b>66.263</b>	<b>23.033</b>	<b>89.296</b>
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		-	-	-	-	-	-
<b>XII. Provisions</b>	<b>2.7</b>	<b>4.137.465</b>	<b>1.345.038</b>	<b>5.482.503</b>	<b>3.359.679</b>	<b>1.334.393</b>	<b>4.694.072</b>
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
<b>XIII. Tax liability</b>	<b>2.8</b>	<b>846.595</b>	<b>19.155</b>	<b>865.750</b>	<b>566.362</b>	<b>15.479</b>	<b>581.841</b>
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
<b>XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)</b>		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
<b>XV. Subordinated loans</b>	<b>2.9</b>	-	<b>9.718.804</b>	<b>9.718.804</b>	-	<b>9.067.893</b>	<b>9,067.893</b>
<b>XVI. Shareholders' equity</b>	<b>2.10</b>	<b>29.873.141</b>	<b>228.685</b>	<b>30.101.826</b>	<b>26.103.038</b>	<b>18.115</b>	<b>26.121.153</b>
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
<b>Total liabilities and shareholders' equity</b>		<b>148.948.316</b>	<b>171.117.802</b>	<b>320.066.118</b>	<b>139.849.325</b>	<b>131.285.265</b>	<b>271.134.590</b>

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



(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Consolidated financial statements as of December 31, 2017 and December 31, 2016

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

## 2. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A. Off-balance sheet commitments (I+II+III)</b>		<b>296.244.062</b>	<b>392.441.545</b>	<b>688.685.607</b>	<b>161.396.771</b>	<b>244.133.727</b>	<b>405.530.498</b>
<b>I. Guarantees and warranties</b>	<b>3.1,2,3</b>	<b>26.495.214</b>	<b>52.356.201</b>	<b>78.851.415</b>	<b>21.614.582</b>	<b>46.839.902</b>	<b>68.454.484</b>
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
<b>II. Commitments</b>	<b>3.1,1</b>	<b>93.480.873</b>	<b>92.506.787</b>	<b>185.987.660</b>	<b>53.181.915</b>	<b>25.742.342</b>	<b>78.924.257</b>
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
<b>III. Derivative financial instruments</b>	<b>3.2,3</b>	<b>176.267.975</b>	<b>247.578.557</b>	<b>423.846.532</b>	<b>86.600.274</b>	<b>171.551.483</b>	<b>258.151.757</b>
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>B. Custody and pledges received (IV+V+VI)</b>		<b>644.580.477</b>	<b>284.931.511</b>	<b>929.511.988</b>	<b>515.979.417</b>	<b>262.734.842</b>	<b>778.714.259</b>
<b>IV. Items held in custody</b>		<b>359.521.535</b>	<b>192.501.757</b>	<b>552.023.292</b>	<b>271.381.629</b>	<b>182.248.974</b>	<b>453.630.603</b>
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		-	-	-	-	-	-
<b>V. Pledges received</b>		<b>271.152.739</b>	<b>91.536.890</b>	<b>362.689.629</b>	<b>240.607.924</b>	<b>78.233.779</b>	<b>318.841.703</b>
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
<b>VI. Accepted independent guarantees and warranties</b>		<b>13.906.203</b>	<b>892.864</b>	<b>14.799.067</b>	<b>3.989.864</b>	<b>2.252.089</b>	<b>6.241.953</b>
<b>Total off-balance sheet commitments (A+B)</b>		<b>940.824.539</b>	<b>677.373.056</b>	<b>1.618.197.595</b>	<b>677.376.188</b>	<b>506.868.569</b>	<b>1.184.244.757</b>

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Consolidated financial statements as of December 31, 2017 and 2016

(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)
<b>I. Interest income</b>	<b>4.1</b>	<b>22.985.702</b>	<b>19.109.871</b>
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
<b>II. Interest expense</b>	<b>4.2</b>	<b>(13.250.685)</b>	<b>(10.889.187)</b>
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)
<b>III. Net interest income (I + II)</b>		<b>9.735.017</b>	<b>8.220.684</b>
<b>IV. Net fees and commissions income</b>		<b>3.315.309</b>	<b>2.972.884</b>
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	4.1.2	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)
<b>V. Dividend income</b>	<b>4.3</b>	<b>10.726</b>	<b>6.173</b>
<b>VI. Trading gain/(loss) (net)</b>	<b>4.4</b>	<b>(512.878)</b>	<b>187.323</b>
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
<b>VII. Other operating income</b>	<b>4.6</b>	<b>1.143.615</b>	<b>550.841</b>
<b>VIII. Total operating income / loss (III+IV+V+VI+VII)</b>		<b>13.691.789</b>	<b>11.937.905</b>
<b>IX. Provision for impairment of loans and other receivables (-)</b>	<b>4.7</b>	<b>(3.358.109)</b>	<b>(2.955.042)</b>
<b>X. Other operating expenses (-)</b>	<b>4.8</b>	<b>(5.819.966)</b>	<b>(5.315.318)</b>
<b>XI. Net operating income/(loss) (VIII-IX-X)</b>		<b>4.513.714</b>	<b>3.667.545</b>
<b>XII. Excess amount recorded as income after merger</b>		-	-
<b>XIII. Income/(loss) from investments accounted based on equity method</b>		<b>87.612</b>	<b>85.361</b>
<b>XIV. Income/(loss) on net monetary position</b>		-	-
<b>XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)</b>	<b>4.9</b>	<b>4.601.326</b>	<b>3.752.906</b>
<b>XVI. Tax provision for continuing operations (±)</b>	<b>4.10</b>	<b>(987.168)</b>	<b>(820.046)</b>
16.1 Current tax provision		(1.100.842)	(658.037)
16.2 Deferred tax provision		113.674	(162.009)
<b>XVII. Net profit/loss from continuing operations (XV±XVI)</b>		<b>3.614.158</b>	<b>2.932.860</b>
<b>XVIII. Income from discontinued operations</b>		-	-
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		-	-
<b>XIX. Expenses from discontinued operations (-)</b>		-	-
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		-	-
<b>XX. Profit /losses before taxes from discontinued operations (XVIII-XIX)</b>	<b>4.9</b>	-	-
<b>XXI. Tax provision for discontinued operations (±)</b>	<b>4.10</b>	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. Net profit/loss from discontinued operations (XX±XXI)</b>		-	-
<b>XXIII. Net profit/loss (XVII+XXII)</b>	<b>4.11</b>	<b>3.614.158</b>	<b>2.932.860</b>
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

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

**Yapı ve Kredi Bankası A.Ş.**

**Consolidated financial statements as of December 31, 2017 and 2016**

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

**4. Consolidated statement of income and expense items accounted under shareholders' equity**

<b>Income and expense items accounted under shareholders' equity</b>		<b>Current Period (31/12/2017)</b>	<b>Prior Period (31/12/2016)</b>
<b>I.</b>	<b>Transfers to marketable securities valuation differences from financial assets available for sale</b>	<b>90.585</b>	<b>(247.255)</b>
<b>II.</b>	<b>Property and equipment revaluation differences</b>	<b>(1.973)</b>	<b>-</b>
<b>III.</b>	<b>Intangible assets revaluation differences</b>	<b>-</b>	<b>-</b>
<b>IV.</b>	<b>Currency translation differences for foreign currency transactions</b>	<b>371.732</b>	<b>373.826</b>
<b>V.</b>	<b>Profit/loss on cash flow hedges (effective part of the fair value changes)</b>	<b>590.799</b>	<b>147.084</b>
<b>VI.</b>	<b>Profit/loss on foreign net investment hedges(effective part of the fair value changes)</b>	<b>(321.859)</b>	<b>(201.497)</b>
<b>VII.</b>	<b>Effects of changes in accounting policy and adjustment of errors</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>Other income and expense items accounted under shareholders' equity according to TAS</b>	<b>(259.938)</b>	<b>2.257</b>
<b>IX.</b>	<b>Deferred tax on valuation differences</b>	<b>(102.793)</b>	<b>27.513</b>
<b>X.</b>	<b>Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)</b>	<b>366.553</b>	<b>101.928</b>
<b>XI.</b>	<b>Current year profit/loss</b>	<b>3.614.158</b>	<b>2.932.860</b>
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
<b>XII.</b>	<b>Total income/loss accounted for the period (X+XI)</b>	<b>3.980.711</b>	<b>3.034.788</b>

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Consolidated statement of changes in shareholders' equity as of December 31, 2016

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

#### 5. Consolidated statement of changes in shareholders' equity

Prior Period													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
December 30, 2016	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves <sup>(1)</sup>	Status reserves	Extraordinary reserves <sup>(1)</sup>	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) <sup>(1)</sup>	Marketable securities valuation difference							
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).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Consolidated statement of changes in shareholders' equity as of December 31, 2017

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

#### 5. Consolidated statement of changes in shareholders' equity

Current Period		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves <sup>(1)</sup>	Status reserves	Extraordinary reserves <sup>(2)</sup>	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) <sup>(2)</sup>	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
December 31, 2017	December 31, 2017																			
<b>I.</b>	<b>Prior period-end balance</b>		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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II.</b>	<b>Increase/decrease due to the merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Marketable securities valuation differences</b>		-	-	-	-	-	-	-	-	-	-	81.976	-	-	-	-	81.976	-	81.976
<b>IV.</b>	<b>Hedging transactions funds (effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	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)
<b>V.</b>	<b>Property and equipment revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	(88.744)	-	-	-	(88.744)	-	(88.744)
<b>VI.</b>	<b>Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Bonus shares from investments in associates, subsidiaries and joint ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	1.106	-	-	1.106	-	1.106
<b>VIII.</b>	<b>Foreign exchange differences</b>		-	-	-	-	-	-	-	367.576	-	-	(3.138)	75	-	6.197	-	370.709	-	370.710
<b>IX.</b>	<b>Changes due to the disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Changes due to the reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Effect of the changes in equity of investment in associates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Capital increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Share premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Paid in-capital inflation adjustment difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Other</b>		-	-	-	-	-	-	-	(204.185)	-	-	-	-	-	-	-	(204.185)	-	(204.185)
<b>XVII.</b>	<b>Current year income or loss</b>		-	-	-	-	-	-	-	-	3.614.081	-	-	-	-	-	-	3.614.081	77	3.614.158
<b>XVIII.</b>	<b>Profit distribution</b>		-	-	-	-	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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIX.</b>	<b>Transactions with minority</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period end balance</b>																				
<b>(I+II+III+.....+XVII+XVIII)</b>			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).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Notes to consolidated financial statements December 31, 2017 and 2016

(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)
<b>A. Cash flows from banking operations</b>			
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
<b>I. Net cash flows from banking operations</b>		<b>5.567.488</b>	<b>621.758</b>
<b>B. Cash flows from investing activities</b>			
<b>II. Net cash flows from investing activities</b>		<b>(6.419.690)</b>	<b>2.444.468</b>
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		-	-
<b>C. Cash flows from financing activities</b>			
<b>III. Net cash flows from financing activities</b>		<b>7.151.974</b>	<b>1.453.047</b>
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		-	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>	<b>6.3</b>	<b>1.585.494</b>	<b>1.357.079</b>
<b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>7.885.266</b>	<b>5.876.352</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>6.1</b>	<b>15.959.012</b>	<b>10.082.660</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>6.1</b>	<b>23.844.278</b>	<b>15.959.012</b>

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



(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Notes to consolidated financial statements December 31, 2017 and 2016

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

#### 7. Profit distribution statement<sup>(1),(2)</sup>

	Current Period	Prior Period
	(31/12/2017)	(31/12/2016)
<b>I. Distribution of current year income</b>		
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)
	-	-
<b>A. Net income for the year (1.1-1.2)</b>	<b>3.614.081</b>	<b>2.932.795</b>
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	24.871
1.5 Other statutory reserves (-)	-	-
<b>B. Net income available for distribution [(A+(1.3+1.4+1.5))]</b>	<b>3.614.081</b>	<b>2.907.924</b>
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
	-	-
<b>II. Distribution of reserves</b>	-	-
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 (-)	-	-
<b>III. Earnings per share</b>		
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 ( % )	-	-
<b>IV. Dividend per share</b>		
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.

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

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements December 31, 2017**

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

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**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, communiqué, 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

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**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements December 31, 2017**

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

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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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements December 31, 2017**

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

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**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:**

**3.1. 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"

**3.1.1. 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.

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## Yapı ve Kredi Bankası A.Ş.

### Notes to consolidated financial statements December 31, 2017

(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	Direct and
			rates (%) December 31, 2017	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 <sup>(1)</sup>	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.

#### 3.1.2. 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 %	Direct and
			December 31, 2017	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.	Istanbul/Turkey	Insurance	20,00	20,00

#### 3.1.3. 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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements December 31, 2017**

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

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

**3.1.4. 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.



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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.

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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.

**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 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.

**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.

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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 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 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.

**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 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.

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**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.

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**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 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.

**12.2. 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%
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**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:

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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 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.

**14.1. 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.

**14.2. 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 BRSB 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.

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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:**

**16.1. 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.

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**16.2. 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.



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**16.3. 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:**

**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.

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%

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**17.2. 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.

**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. 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.

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**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 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.

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Earnings per share (full TL)</b>	<b>0,0083</b>	<b>0,0067</b>

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.

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**25. Explanations on operating segments:**

Information about operating segments which are determined in line with "IFRS 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 "IFRS 3- Business Combinations" or in another standard in IFRS 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.

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#### 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 <sup>(1)</sup>	Prior Period	Amounts subject to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>				
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	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>31.386.305</b>		<b>27.061.045</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
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	-		-	
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>4.419.059</b>		<b>3.059.700</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>26.967.246</b>		<b>24.001.345</b>	

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ADDITIONAL TIER 1 CAPITAL	Amounts subject to treatment		Amounts subject to treatment before 1/1/2014 <sup>(1)</sup>
	Current Period	before 1/1/2014 <sup>(1)</sup>	
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)	-	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>			
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	-	-	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>			
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	-	-	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>			
<b>Total Additional Tier 1 capital</b>			
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>26.637.913</b>		<b>23.388.409</b>
<b>TIER 2 CAPITAL</b>			
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
<b>Tier 2 capital before regulatory adjustments</b>	<b>9.706.596</b>		<b>9.424.937</b>
<b>Tier 2 capital: regulatory adjustments</b>			
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	-	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>72.789</b>		<b>109.452</b>
<b>Total Tier 2 capital</b>	<b>9.633.807</b>		<b>9.315.485</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>36.132.636</b>		<b>32.484.365</b>
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>			
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 <sup>(2)</sup>	-	-	11.868
National specific regulatory adjustments which shall be determined by the BRSA	135.199	-	193.850
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>			
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 (-)			
<b>OWN FUNDS</b>		<b>Current Period</b>	<b>Prior Period</b>
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
<b>CAPITAL ADEQUACY RATIOS</b>			

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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
<b>BUFFERS</b>		
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 Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	3,978	3,739
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
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	-	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
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.

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#### 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
<b>Regulatory treatment</b>				
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	-	-
<b>Coupons / dividends</b>				
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
<b>Convertible or non-convertible</b>				
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	-	-	-	-
<b>Write-down feature</b>				
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	-



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- 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:**

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

**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.

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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:

	<b>Current Period</b>	<b>Prior Period</b>
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:**

<b>Risk classifications:</b>	<b>Current Period Risk Amount<sup>(1)</sup></b>	<b>Average Risk Amount</b>
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
<b>Total</b>	<b>387.529.231</b>	<b>349.092.326</b>

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

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**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).

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#### 2.6. Risk profile according to the geographical concentration:

	Risk Classifications <sup>(1)(2)</sup>													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>Current Period</b>														
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 <sup>(3)</sup>	-	-	-	-	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 <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>82.923.502</b>	<b>374</b>	<b>217.500</b>	<b>141.224</b>	<b>24.326.531</b>	<b>158.407.369</b>	<b>83.479.431</b>	<b>26.643.951</b>	<b>2.336.173</b>	<b>190.332</b>	<b>94.843</b>	<b>412.275</b>	<b>8.355.726</b>	<b>387.529.231</b>

	Risk Classifications <sup>(1)(2)</sup>													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>Prior Period</b>														
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 <sup>(3)</sup>	-	-	-	-	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 <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>62.360.507</b>	<b>234</b>	<b>545.458</b>	<b>42.695</b>	<b>21.063.597</b>	<b>138.125.255</b>	<b>77.666.186</b>	<b>15.398.666</b>	<b>2.190.734</b>	<b>206.858</b>	<b>-</b>	<b>112.641</b>	<b>10.054.719</b>	<b>327.767.550</b>

(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

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#### 2.7. Risk profile according to sectors and counterparties:

	Risk Classifications <sup>(1),(2)</sup>													TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13			
<b>Agricultural</b>	-	-	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
<b>Manufacturing</b>	-	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
<b>Construction</b>	-	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
<b>Services</b>	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
<b>Other</b>	-	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
<b>Total</b>	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

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#### 2.8. Risk profile according to remaining maturities:

Risk classifications <sup>(1)</sup>	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	-	-	-	-	-	-
<b>General Total</b>	<b>79.061.658</b>	<b>25.892.597</b>	<b>19.715.606</b>	<b>30.831.734</b>	<b>216.127.739</b>	<b>371.629.334</b>

(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

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#### 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
<b>Agricultural</b>	<b>600.787</b>	<b>221.871</b>	<b>4.340</b>	<b>356.802</b>
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
<b>Manufacturing</b>	<b>2.488.324</b>	<b>1.586.455</b>	<b>32.948</b>	<b>1.584.193</b>
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
<b>Construction</b>	<b>1.317.783</b>	<b>715.546</b>	<b>14.706</b>	<b>786.657</b>
<b>Services</b>	<b>1.664.014</b>	<b>957.314</b>	<b>20.398</b>	<b>1.016.411</b>
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
<b>Other</b>	<b>4.488.149</b>	<b>2.431.995</b>	<b>172.574</b>	<b>3.754.203</b>
<b>Total</b>	<b>10.559.057</b>	<b>5.913.181</b>	<b>244.966</b>	<b>7.498.266</b>

#### 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 <sup>(1)</sup>	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

<sup>(1)</sup> The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

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**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 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 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



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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

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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.

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

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**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:**

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	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
<b>Assets</b>							
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	-	-	-	-
<b>TOTAL ASSETS</b>	<b>317.525.813</b>	<b>320.066.118</b>	<b>311.220.846</b>	<b>15.562.255</b>	<b>-</b>	<b>2.526.448</b>	<b>2.839.095</b>
<b>Liabilities</b>							
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
<b>TOTAL LIABILITIES</b>	<b>317.525.813</b>	<b>320.066.118</b>	<b>-</b>	<b>13.559.864</b>	<b>-</b>	<b>2.166.204</b>	<b>306.506.254</b>

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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
<b>Assets</b>							
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	-	-	-	-
<b>TOTAL ASSETS</b>	<b>268.532.933</b>	<b>271.134.590</b>	<b>264.184.999</b>	<b>10.849.126</b>	<b>-</b>	<b>2.100.193</b>	<b>2.663.386</b>
<b>Liabilities</b>							
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
<b>TOTAL LIABILITIES</b>	<b>268.532.933</b>	<b>271.134.590</b>	<b>-</b>	<b>8.941.776</b>	<b>-</b>	<b>2.042.589</b>	<b>262.192.814</b>

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#### 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	<b>Total net amount under regulatory scope of consolidation</b>	<b>340.703.209</b>	<b>311.220.846</b>	-	<b>29.122.119</b>	<b>360.244</b>
4	<b>Off-Balance Sheet Amounts</b>	<b>187.695.499</b>	<b>55.187.102</b>	-	-	-
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)	-
	<b>Risk Amounts</b>		<b>364.860.555</b>	-	<b>9.156.047</b>	<b>1.790.287</b>

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	<b>Total net amount under regulatory scope of consolidation</b>	<b>284.033.505</b>	<b>264.184.999</b>	-	<b>19.790.902</b>	<b>57.604</b>
4	<b>Off-Balance Sheet Amounts</b>	<b>134.275.945</b>	<b>47.361.169</b>	-	-	-
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	-	-	-	-	-
	<b>Risk Amounts</b>		<b>310.043.953</b>	-	<b>6.766.606</b>	<b>1.216.950</b>

#### 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 valued in accordance with TAS and amounts valued 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

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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.

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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

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and its subsidiaries, support to all units in the bank for the related topics. The unit 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.

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/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
<b>Current Period</b>				
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
<b>4 Total</b>	<b>10.559.057</b>	<b>464.447.124</b>	<b>10.909.071</b>	<b>464.097.110</b>

	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
<b>Prior Period</b>				
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
<b>4 Total</b>	<b>10.201.408</b>	<b>351.510.113</b>	<b>10.341.564</b>	<b>351.369.957</b>



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**3.3.1.3 Changes in stock of defaulted loans and debt securities**

	<b>Current Period</b>	<b>Prior Period</b>
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>10.201.408</b>	<b>7.200.623</b>
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)
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>10.559.057</b>	<b>10.201.408</b>

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total</b>	<b>295.005.093</b>	<b>258.317.671</b>

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

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**3.3.1.4.2. Exposures provisioned against by major sectors <sup>(1)</sup>:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Agricultural</b>	<b>3.168.478</b>	<b>2.962.752</b>
Farming and raising livestock	2.525.036	2.609.585
Forestry	336.686	221.146
Fishing	306.756	132.021
<b>Manufacturing</b>	<b>115.031.974</b>	<b>100.750.466</b>
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
<b>Construction</b>	<b>41.200.320</b>	<b>36.290.281</b>
<b>Services</b>	<b>60.479.727</b>	<b>52.036.484</b>
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
<b>Other</b>	<b>75.124.594</b>	<b>66.277.688</b>
<b>Total</b>	<b>295.005.093</b>	<b>258.317.671</b>

(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 <sup>(1)</sup>:**

	<b>Current Period</b>	<b>Prior Period</b>
31-60 days overdue	1.387.366	2.228.140
61-90 days overdue	4.096.847	4.227.097
<b>Total</b>	<b>5.484.213</b>	<b>6.455.237</b>

(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.

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total</b>	<b>6.064.849</b>	<b>6.286.402</b>

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**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.

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#### Credit risk mitigation techniques – overview

	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
<b>Current Period</b>							
Loans	165.645.053	47.315.886	33.738.112	8.868.731	8.124.409	-	-
Debt securities	38.599.904	-	-	-	-	-	-
<b>TOTAL</b>	<b>204.244.957</b>	<b>47.315.886</b>	<b>33.738.112</b>	<b>8.868.731</b>	<b>8.124.409</b>	-	-
Of which defaulted	1.361.586	894.319	319.730	68.444	50.471	-	-

	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
<b>Prior Period</b>							
Loans	159.526.701	27.427.873	17.403.119	3.056.693	1.877.921	-	-
Debt securities	29.904.969	-	-	-	-	-	-
<b>TOTAL</b>	<b>189.431.670</b>	<b>27.427.873</b>	<b>17.403.119</b>	<b>3.056.693</b>	<b>1.877.921</b>	-	-
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 banks and intermediary institutions				
		Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Remaining maturity of claims under 3 months	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

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Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Asset classes</b>						
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
<b>TOTAL<sup>(1)</sup></b>	<b>311.694.164</b>	<b>187.695.499</b>	<b>309.673.453</b>	<b>55.187.102</b>	<b>242.463.749</b>	<b>%66,45</b>

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Asset classes</b>						
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%
<b>TOTAL<sup>(1)</sup></b>	<b>264.184.999</b>	<b>130.994.426</b>	<b>262.682.784</b>	<b>47.361.169</b>	<b>227.412.008</b>	<b>73,35%</b>

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

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

Current Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Others	
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
<b>15 Total</b>	<b>79.247.455</b>	<b>-</b>	<b>7.327.856</b>	<b>10.748.092</b>	<b>23.099.505</b>	<b>76.824.923</b>	<b>166.702.372</b>	<b>910.352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>364.860.555</b>

Prior Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
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
<b>15 Total</b>	<b>31.577.963</b>	<b>-</b>	<b>1.904.824</b>	<b>7.200.051</b>	<b>51.767.767</b>	<b>77.435.479</b>	<b>139.372.544</b>	<b>785.325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>310.043.953</b>

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**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**

	Revaluation Cost	Potential credit risk exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts	
<b>Current Period</b>							
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					-	-
<b>6</b>	<b>Total</b>						<b>4.714.104</b>

(1) Effective expected positive exposure

	Revaluation Cost	Potential credit risk exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts	
<b>Prior Period</b>							
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					-	-
<b>6</b>	<b>Total</b>						<b>3.215.307</b>

(1) Effective expected positive exposure

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#### 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 capital adequacy	9.156.047	3.137.756	6.203.294	254.396
<b>4 Total amount of CVA capital adequacy</b>	<b>9.156.047</b>	<b>3.137.756</b>	<b>6.203.294</b>	<b>254.396</b>

#### 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 <sup>(1)</sup>
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	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>129.784</b>	<b>-</b>	<b>1.989.734</b>	<b>42</b>	<b>5.643.692</b>	<b>8.413</b>	<b>1.591.611</b>	<b>-</b>	<b>-</b>	<b>9.363.276</b>

Prior Period										
Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk <sup>(1)</sup>
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	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>93.402</b>	<b>-</b>	<b>1.720.820</b>	<b>-</b>	<b>3.642.963</b>	<b>21.452</b>	<b>1.287.969</b>	<b>-</b>	<b>-</b>	<b>6.766.606</b>

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



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#### 3.4.5. Composition of collateral for CCR exposure

Current Period		Collaterals for Derivatives				Collaterals or Other Transactions	
		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	-	-	-	-	-
<b>9</b>	<b>Total</b>	<b>13.977</b>	-	-	-	<b>9.269.091</b>	<b>9.678.127</b>

Prior Period		Collaterals for Derivatives				Collaterals or Other Transactions	
		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
<b>9</b>	<b>Total</b>	-	-	-	-	<b>5.550.831</b>	<b>5.988.336</b>

#### 3.4.6. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
<b>Nominal</b>				
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	-	-	-	-
<b>Total Nominal</b>	<b>157.000</b>	<b>4.618.063</b>	<b>418.192</b>	<b>4.033.003</b>
<b>Rediscount Amount</b>	<b>1.358</b>	<b>92.985</b>	<b>1.610</b>	<b>(97.052)</b>
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
<b>1 Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		<b>103.615</b>		<b>56.141</b>
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	-	-	-	-
<b>11 Exposures to non-QCCPs (total)</b>		-		-
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	-	-	-	-

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### **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.

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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
<b>Outright products</b>			
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	-	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	223.684	12.475
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>1.790.287</b>	<b>1.216.950</b>

#### 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
				Total	Rate (%)		
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)							<b>18.068.782</b>

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
				Total	Rate (%)		
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)							<b>14.338.007</b>

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**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.

Currency	Applied shock (+/- x basis points)	Current Period		Prior Period	
		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%
<b>Total (For negative shocks)</b>		<b>3.214.948</b>	<b>8,88%</b>	<b>3.022.552</b>	<b>9,28%</b>
<b>Total (For positive shocks)</b>		<b>(3.238.727)</b>	<b>(8,95)%</b>	<b>(2.881.272)</b>	<b>(8,85) %</b>

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**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
<b>Balance sheet evaluation rate</b>	<b>3,7719</b>	<b>4,5155</b>
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
<b>Arithmetic average of the last 31 days:</b>	<b>3,8471</b>	<b>4,5545</b>
<b>Balance sheet evaluation rate as of</b>		
<b>Prior Period:</b>	<b>3,5192</b>	<b>3,7099</b>

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#### Information on currency risk of the Group:

	EUR	USD	Other FC <sup>(4)</sup>	Total
<b>Current period</b>				
<b>Assets</b>				
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 <sup>(1)</sup>	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 <sup>(6)</sup>	-	-	-	-
Other assets <sup>(2)</sup>	9.104.715	3.639.904	525.223	13.269.842
<b>Total assets</b>	<b>62.118.972</b>	<b>75.562.254</b>	<b>7.676.524</b>	<b>145.357.750</b>
<b>Liabilities</b>				
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 <sup>(3)</sup>	312.278	10.341.812	16.217	10.670.307
<b>Total liabilities</b>	<b>59.423.436</b>	<b>106.991.565</b>	<b>3.223.331</b>	<b>169.638.332</b>
<b>Net on balance sheet position</b>	<b>2.695.536</b>	<b>(31.429.311)</b>	<b>4.453.193</b>	<b>(24.280.582)</b>
<b>Net off balance sheet position<sup>(5)</sup></b>	<b>(2.502.851)</b>	<b>31.509.469</b>	<b>(3.782.174)</b>	<b>25.224.444</b>
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
<b>Net position</b>	<b>192.685</b>	<b>80.158</b>	<b>671.019</b>	<b>943.862</b>
<b>Non-cash loans</b>	<b>23.039.874</b>	<b>25.396.253</b>	<b>3.920.074</b>	<b>52.356.201</b>
<b>Prior period</b>				
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
<b>Net on-balance sheet position</b>	<b>3.270.078</b>	<b>(11.460.548)</b>	<b>4.099.915</b>	<b>(4.090.555)</b>
<b>Net off-balance sheet position</b>	<b>(3.142.494)</b>	<b>11.314.635</b>	<b>(3.490.796)</b>	<b>4.681.345</b>
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
<b>Net position</b>	<b>127.584</b>	<b>(145.913)</b>	<b>609.119</b>	<b>590.790</b>
<b>Non-cash loans</b>	<b>18.594.521</b>	<b>24.690.691</b>	<b>3.554.690</b>	<b>46.839.902</b>

(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.

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**Currency risk sensitivity analysis <sup>(1)</sup>:**

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 <sup>(1)</sup>	Current Period	Prior Period
	Profit/loss effect <sup>(2)</sup>	Profit/loss effect <sup>(1)</sup>
(+) % 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 <sup>(1)</sup>	Total
<b>Assets</b>							
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
<b>Total assets</b>	<b>71.255.887</b>	<b>39.724.411</b>	<b>77.635.163</b>	<b>75.239.334</b>	<b>23.723.870</b>	<b>32.487.453</b>	<b>320.066.118</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>136.340.917</b>	<b>45.035.193</b>	<b>24.936.411</b>	<b>20.613.546</b>	<b>10.097.141</b>	<b>83.042.910</b>	<b>320.066.118</b>
<b>Balance sheet long position</b>	-	-	52.698.752	54.625.788	13.626.729	-	120.951.269
<b>Balance sheet short position</b>	(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)
<b>Total position</b>	<b>(53.004.900)</b>	<b>18.983.507)</b>	<b>49.314.781</b>	<b>27.324.890</b>	<b>6.451.142</b>	<b>(50.555.457)</b>	<b>(1.486.037)</b>

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing <sup>(1)</sup>	Total
<b>Assets</b>							
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
<b>Total assets</b>	<b>55.569.269</b>	<b>39.893.211</b>	<b>64.635.133</b>	<b>50.842.281</b>	<b>32.190.315</b>	<b>28.004.381</b>	<b>271.134.590</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>109.012.189</b>	<b>47.869.275</b>	<b>23.011.973</b>	<b>9.357.274</b>	<b>10.178.873</b>	<b>71.705.006</b>	<b>271.134.590</b>
<b>Balance sheet long position</b>	-	-	<b>41.623.160</b>	<b>41.485.007</b>	<b>22.011.442</b>	-	<b>105.119.609</b>
<b>Balance sheet short position</b>	<b>(53.442.920)</b>	<b>(7.976.064)</b>	-	-	-	<b>(43.700.625)</b>	<b>(105.119.609)</b>
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)
<b>Total position</b>	<b>(43.450.779)</b>	<b>9.299.560</b>	<b>39.272.390</b>	<b>25.092.418</b>	<b>13.851.547</b>	<b>(43.700.625)</b>	<b>364.511</b>

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



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**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.

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets<sup>(1)</sup></b>				
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
<b>Liabilities<sup>(1)</sup></b>				
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.

<b>Prior Period</b>	<b>EURO</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets<sup>(1)</sup></b>				
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
<b>Liabilities<sup>(1)</sup></b>				
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.

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**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 (LCR) in full compliance with the regulations. LCR 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 LCR, the Net Stable Funding Rate (NSFR), which is considered another complementary element and

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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 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

Current Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			53.021.956	33.801.377
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			<b>63.230.851</b>	<b>45.948.862</b>
<b>Cash Inflows</b>				
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
<b>Total Cash Inflows</b>	<b>29.385.370</b>	<b>33.971.678</b>	<b>20.492.326</b>	<b>32.159.277</b>
			<b>Capped Amounts</b>	
<b>Total High Quality Liquid Assets</b>			<b>53.021.956</b>	<b>33.801.377</b>
<b>Total Net Cash Outflows</b>			<b>42.678.526</b>	<b>13.789.585</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>124,24</b>	<b>245,12</b>

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.

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

Previous Period	Unweighted Amounts <sup>(1)</sup>		Weighted Amounts <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			37.422.117	20.923.220
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			<b>64.414.647</b>	<b>32.017.361</b>
<b>Cash Inflows</b>				
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
<b>Total Cash Inflows</b>	<b>34.992.131</b>	<b>16.245.142</b>	<b>26.628.899</b>	<b>14.288.405</b>
			<b>Capped Amounts</b>	
<b>Total High Quality Liquid Assets</b>			<b>37.422.117</b>	<b>20.923.220</b>
<b>Total Net Cash Outflows</b>			<b>37.785.748</b>	<b>17.728.956</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>99,04</b>	<b>118,02</b>

(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 (%)
<b>Week</b>	November 11, 2016	October 7, 2016	October 28, 2016	November 18, 2016
<b>Ratio(%)</b>	96,77	87,98	145,26	107,51

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#### 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 <sup>(1)(2)</sup>	Total
<b>Assets</b>								
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 <sup>(1)</sup>	2.952.110	1.802.771	2.317.737	3.504.800	7.715.018	961.725	7.783.313	27.037.474
<b>Total assets</b>	<b>17.962.578</b>	<b>68.336.143</b>	<b>25.920.067</b>	<b>57.867.451</b>	<b>100.157.626</b>	<b>39.717.971</b>	<b>10.104.282</b>	<b>320.066.118</b>
<b>Liabilities</b>								
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 <sup>(2)</sup>	1.789.109	950.966	1.544.430	1.237.616	5.519.065	6.425.397	34.777.609	52.244.192
<b>Total liabilities</b>	<b>34.885.551</b>	<b>138.433.810</b>	<b>31.060.939</b>	<b>35.430.384</b>	<b>30.562.707</b>	<b>14.659.896</b>	<b>35.032.831</b>	<b>320.066.118</b>
<b>Net liquidity gap</b>	<b>(16.922.973)</b>	<b>(70.097.667)</b>	<b>(5.140.872)</b>	<b>22.437.067</b>	<b>69.594.919</b>	<b>25.058.075</b>	<b>(24.928.549)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(39.758)</b>	<b>(695.253)</b>	<b>(757.568)</b>	<b>238.808</b>	<b>(232.266)</b>	<b>-</b>	<b>(1.486.037)</b>
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
<b>Non-Cash Loans</b>	<b>-</b>	<b>2.723.038</b>	<b>8.573.550</b>	<b>28.219.034</b>	<b>11.357.744</b>	<b>4.504.619</b>	<b>23.473.430</b>	<b>78.851.415</b>
<b>Prior Period</b>								
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
<b>Liquidity gap</b>	<b>(15.406.870)</b>	<b>(59.594.787)</b>	<b>(10.362.968)</b>	<b>13.502.743</b>	<b>47.519.424</b>	<b>44.863.963</b>	<b>(20.521.505)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(64.060)</b>	<b>143.170</b>	<b>315.222</b>	<b>307.331</b>	<b>(307.266)</b>	<b>-</b>	<b>394.397</b>
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
<b>Non-Cash Loans</b>	<b>-</b>	<b>2.484.004</b>	<b>8.277.071</b>	<b>19.733.514</b>	<b>11.905.355</b>	<b>4.248.532</b>	<b>21.806.008</b>	<b>68.454.484</b>

(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.

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#### 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 <sup>(1)</sup>	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Liabilities</b>						
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
<b>Total</b>	<b>159.361.157</b>	<b>29.267.202</b>	<b>35.990.614</b>	<b>42.285.589</b>	<b>18.526.780</b>	<b>285.431.342</b>

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

Prior Period <sup>(1)</sup>	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Liabilities</b>						
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
<b>Total</b>	<b>130.438.887</b>	<b>34.145.733</b>	<b>33.178.609</b>	<b>18.485.392</b>	<b>18.235.942</b>	<b>234.484.563</b>

(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 <sup>(2)</sup>	Prior Period <sup>(2)</sup>
1 Total assets in the consolidated financial statements prepared in accordance with TAS <sup>(1),(2)</sup>	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 Communiqué 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 Communiqué 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 Communiqué 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 Communiqué 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 Communiqué 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 Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(2) The arithmetic average of the last 3 months in the related periods.

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	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance sheet exposures</b>		
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	<b>300.493.444</b>	<b>254.017.905</b>
<b>Derivative financial instruments and credit derivatives</b>		
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	<b>6.343.382</b>	<b>3.742.684</b>
<b>Securities financing transaction exposure</b>		
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	<b>211.588</b>	<b>535.578</b>
<b>Off-balance sheet items</b>		
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	<b>214.623.276</b>	<b>138.724.848</b>
<b>Capital and total exposure</b>		
13 Tier 1 capital	26.481.586	23.244.302
14 Total exposures	521.671.690	397.021.015
<b>Leverage ratio</b>		
15 <b>Leverage ratio (%)</b>	<b>5,08%</b>	<b>5,85%</b>

(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
<b>Financial assets</b>	<b>246.346.594</b>	<b>212.088.639</b>	<b>253.474.789</b>	<b>218.383.722</b>
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
<b>Financial liabilities</b>	<b>261.484.590</b>	<b>225.908.116</b>	<b>261.538.853</b>	<b>225.863.146</b>
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.

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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
<b>Financial assets at fair value through profit or (loss)</b>	<b>102.563</b>	<b>4.127.517</b>	-	<b>4.230.080</b>
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
<b>Available-for-sale financial assets</b>	<b>22.582.493</b>	<b>1.906.416</b>	-	<b>24.488.909</b>
Government debt securities	22.487.650	-	-	22.487.650
Other marketable securities <sup>(1)</sup>	94.843	1.906.416	-	2.001.259
<b>Hedging derivative financial assets</b>	-	<b>1.756.611</b>	-	<b>1.756.611</b>
<b>Total assets</b>	<b>22.685.056</b>	<b>7.790.544</b>	-	<b>30.475.600</b>
Trading derivative financial liabilities	-	3.820.705	-	3.820.705
Marketable securities issued <sup>(2)</sup>	-	4.929.709	-	4.929.709
Hedging derivative financial liabilities	-	312.778	-	312.778
<b>Total liabilities</b>	-	<b>9.063.192</b>	-	<b>9.063.192</b>

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or (loss)</b>	<b>43.348</b>	<b>2.997.482</b>	-	<b>3.040.830</b>
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	-	-	-	-
<b>Available-for-sale financial assets</b>	<b>16.166.933</b>	<b>2.211.406</b>	-	<b>18.378.339</b>
Government debt securities	16.052.373	-	-	16.052.373
Other marketable securities <sup>(1)</sup>	114.560	2.211.406	-	2.325.966
<b>Hedging derivative financial assets</b>	-	<b>1.209.712</b>	-	<b>1.209.712</b>
<b>Total assets</b>	<b>16.210.281</b>	<b>6.418.600</b>	-	<b>22.628.881</b>
Trading derivative financial liabilities	-	2.578.679	-	2.578.679
Marketable securities issued <sup>(2)</sup>	-	4.111.709	-	4.111.709
Hedging derivative financial liabilities	-	89.296	-	89.296
<b>Total liabilities</b>	-	<b>6.779.684</b>	-	<b>6.779.684</b>

(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.



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#### 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 <sup>(1)</sup>	Asset	Liability	Notional <sup>(1)</sup>	Asset	Liability
<b>Hedging instrument</b>						
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
<b>Total</b>	<b>36.685.058</b>	<b>1.756.611</b>	<b>312.778</b>	<b>25.991.005</b>	<b>1.209.712</b>	<b>89.296</b>

(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						Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the <sup>(2)</sup>		
				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

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Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				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 <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			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

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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 <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			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 management'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:**

	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 <sup>(1)</sup>	Total operations of the Group
<b>Current Period</b>								
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)
<b>Net operating income continuing</b>	<b>97.786</b>	<b>2.085.764</b>	<b>172.033</b>	<b>181.557</b>	<b>424.975</b>	<b>1.540.740</b>	<b>133</b>	<b>4.502.988</b>
Dividend income <sup>(2)</sup>	-	-	-	-	-	10.726	-	10.726
Income/Loss from Investments accounted based on equity method <sup>(2)</sup>	-	-	-	-	-	87.612	-	87.612
<b>Profit before tax</b>	<b>97.786</b>	<b>2.085.764</b>	<b>172.033</b>	<b>181.557</b>	<b>424.975</b>	<b>1.639.078</b>	<b>133</b>	<b>4.601.326</b>
Tax expense <sup>(2)</sup>	-	-	-	-	-	(987.168)	-	(987.168)
<b>Net period income from continuing operations</b>	<b>97.786</b>	<b>2.085.764</b>	<b>172.033</b>	<b>181.557</b>	<b>424.975</b>	<b>651.910</b>	<b>133</b>	<b>3.614.158</b>
Minority interest (-)	-	-	-	-	-	(77)	-	(77)
<b>Group income/loss</b>	<b>97.786</b>	<b>2.085.764</b>	<b>172.033</b>	<b>181.557</b>	<b>424.975</b>	<b>651.833</b>	<b>133</b>	<b>3.614.081</b>
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
<b>Total assets</b>	<b>79.970.978</b>	<b>102.108.817</b>	<b>205.198</b>	<b>10.313.957</b>	<b>20.087.720</b>	<b>110.967.904</b>	<b>(3.588.456)</b>	<b>320.066.118</b>
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
<b>Total liabilities</b>	<b>74.240.206</b>	<b>61.810.968</b>	<b>30.541.901</b>	<b>8.274.543</b>	<b>17.565.319</b>	<b>131.221.144</b>	<b>(3.587.963)</b>	<b>320.066.118</b>

	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 <sup>(1)</sup>	Total operations of the Group
<b>Prior Period <sup>(3)</sup></b>								
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)
<b>Net operating income continuing</b>	<b>21.235</b>	<b>1.785.585</b>	<b>133.905</b>	<b>135.105</b>	<b>358.134</b>	<b>1.227.408</b>	<b>-</b>	<b>3.661.372</b>
Dividend income <sup>(2)</sup>	-	-	-	-	-	6.173	-	6.173
Income/Loss from Investments accounted based on equity method <sup>(2)</sup>	-	-	-	-	-	85.361	-	85.361
<b>Profit before tax</b>	<b>21.235</b>	<b>1.785.585</b>	<b>133.905</b>	<b>135.105</b>	<b>358.134</b>	<b>1.318.942</b>	<b>-</b>	<b>3.752.906</b>
Tax expense <sup>(2)</sup>	-	-	-	-	-	(820.046)	-	(820.046)
<b>Net period income from continuing operations</b>	<b>21.235</b>	<b>1.785.585</b>	<b>133.905</b>	<b>135.105</b>	<b>358.134</b>	<b>498.896</b>	<b>-</b>	<b>2.932.860</b>
Minority interest (-)	-	-	-	-	-	(65)	-	(65)
<b>Group income/loss</b>	<b>21.235</b>	<b>1.785.585</b>	<b>133.905</b>	<b>135.105</b>	<b>358.134</b>	<b>498.831</b>	<b>-</b>	<b>2.932.795</b>
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
<b>Total assets</b>	<b>71.341.470</b>	<b>88.591.658</b>	<b>156.652</b>	<b>9.257.004</b>	<b>16.852.514</b>	<b>88.731.505</b>	<b>(3.796.213)</b>	<b>271.134.590</b>
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
<b>Total liabilities</b>	<b>61.218.411</b>	<b>55.827.497</b>	<b>32.536.775</b>	<b>7.499.987</b>	<b>14.606.510</b>	<b>103.239.461</b>	<b>(3.794.051)</b>	<b>271.134.590</b>

(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".

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**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 <sup>(1)</sup>	6.032.373	33.445.287	7.600.149	22.123.910
Other	-	412.297	-	659.954
<b>Total</b>	<b>7.595.701</b>	<b>34.856.269</b>	<b>9.051.439</b>	<b>24.031.856</b>

(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 <sup>(1)</sup>	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 <sup>(2)</sup>	-	23.832.086	-	19.819.929
<b>Total</b>	<b>6.032.373</b>	<b>33.445.287</b>	<b>7.600.149</b>	<b>22.123.910</b>

(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	-
<b>Total</b>	<b>3.609.726</b>	<b>517.791</b>	<b>2.604.473</b>	<b>393.009</b>

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#### 1.4. Information on banks:

##### 1.4.1 Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	68.359	1.834.979	42.324	1.721.272
Foreign <sup>(1)</sup>	13.524	2.920.350	813	1.684.557
Head quarters and branches abroad	-	-	-	-
<b>Total</b>	<b>81.883</b>	<b>4.755.329</b>	<b>43.137</b>	<b>3.405.829</b>

(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 <sup>(1)</sup>	32.322	48.566	-	-
Off-shore banking regions	355	305	-	-
Other	35.522	110.528	-	-
<b>Total</b>	<b>2.693.547</b>	<b>1.565.439</b>	<b>240.327</b>	<b>119.931</b>

(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 <sup>(1)</sup>	447.237	814.772
Share certificates	203.244	152.061
Quoted on stock exchange	133	119
Not quoted <sup>(2)</sup>	203.111	151.942
Impairment provision (-) <sup>(3)</sup>	(278.059)	(243.990)
Other <sup>(4)</sup>	94.724	96.639
<b>Total</b>	<b>24.496.524</b>	<b>18.386.109</b>

(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.

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**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
<b>Direct loans granted to shareholders</b>	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
<b>Indirect loans granted to shareholders</b>	<b>23.229</b>	<b>1.358.830</b>	<b>105.720</b>	<b>1.158.561</b>
<b>Loans granted to employees</b>	<b>157.969</b>	<b>569</b>	<b>150.384</b>	<b>620</b>
<b>Total</b>	<b>181.198</b>	<b>1.359.399</b>	<b>256.104</b>	<b>1.159.181</b>

**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
<b>Non-specialized loans</b>	<b>194.356.160</b>	<b>3.490.562</b>	-	<b>5.517.907</b>	<b>2.208.273</b>	<b>182.392</b>
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 <sup>(1)</sup>	26.815.888	269.020	-	2.057.597	740.355	4.679
<b>Specialized lending</b>	-	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>194.356.160</b>	<b>3.490.562</b>	-	<b>5.517.907</b>	<b>2.208.273</b>	<b>182.392</b>

(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.

	Standard loans and other receivables	Loans and other receivables under close monitoring
<b>Number of modifications made to extend payment plan<sup>(1)(2)(3)(4)(5)(6)</sup></b>		
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
<b>Total</b>	<b>3.490.562</b>	<b>2.208.273</b>

	Standard loans and other receivables	Loans and other receivables under close monitoring
<b>Number of modifications made to extend payment plan<sup>(1)(2)(3)(4)(5)(6)</sup></b>		
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
<b>Total</b>	<b>3.490.562</b>	<b>2.208.273</b>

- (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.

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#### 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
<b>Short-term loans and other receivables</b>	<b>61.993.711</b>	<b>732.012</b>	<b>738.723</b>	<b>272.312</b>
Non-specialised loans	61.993.711	732.012	738.723	272.312
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
<b>Medium and long-term loans and other receivables</b>	<b>128.871.885</b>	<b>2.758.552</b>	<b>2.388.520</b>	<b>2.118.352</b>
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)
<b>Total</b>	<b>142.490.367</b>	<b>34.906.196</b>	<b>24.602.224</b>	<b>10.311.724</b>	<b>3.843.167</b>	<b>216.153.678</b>
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)
<b>Total</b>	<b>124.708.003</b>	<b>31.453.558</b>	<b>22.502.861</b>	<b>8.304.486</b>	<b>2.894.279</b>	<b>189.863.187</b>

##### 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 <sup>(1)</sup>	1.157.265	94.729	-	341.611	-	1.593.605
<b>Total</b>	<b>9.441.224</b>	<b>1.083.462</b>	<b>-</b>	<b>677.861</b>	<b>-</b>	<b>11.202.547</b>
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 <sup>(1)</sup>	1.173.649	100.758	-	335.655	-	1.610.062
<b>Total</b>	<b>9.483.552</b>	<b>1.099.457</b>	<b>-</b>	<b>615.205</b>	<b>-</b>	<b>11.198.214</b>

(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".



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

	Short- term	Medium and long-term	Total
<b>Consumer loans-TL</b>	<b>327.327</b>	<b>32.553.234</b>	<b>32.880.561</b>
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	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>22.104</b>	<b>22.104</b>
Real estate loans	-	21.713	21.713
Automotive loans	-	-	-
Consumer loans	-	391	391
Other	-	-	-
<b>Consumer loans-FC</b>	<b>19.666</b>	<b>44.443</b>	<b>64.109</b>
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
<b>Individual credit cards-TL</b>	<b>16.285.342</b>	<b>785.968</b>	<b>17.071.310</b>
With installments	8.569.776	775.135	9.344.911
Without installments	7.715.566	10.833	7.726.399
<b>Individual credit cards-FC</b>	<b>39.930</b>	<b>30.628</b>	<b>70.558</b>
With installments	24.809	30.628	55.437
Without installments	15.121	-	15.121
<b>Personnel loans-TL</b>	<b>5.453</b>	<b>60.654</b>	<b>66.107</b>
Real estate loans	27	1.879	1.906
Automotive loans	36	252	288
Consumer loans	5.390	58.523	63.913
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>153</b>	<b>475</b>	<b>628</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	153	475	628
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>87.961</b>	<b>474</b>	<b>88.435</b>
With installments	41.169	474	41.643
Without installments	46.792	-	46.792
<b>Personnel credit cards-FC</b>	<b>707</b>	<b>126</b>	<b>833</b>
With installments	359	126	485
Without installments	348	-	348
<b>Credit deposit account-TL (Real Person)<sup>(1)</sup></b>	<b>1.492.599</b>	<b>-</b>	<b>1.492.599</b>
<b>Credit deposit account-FC (Real Person)</b>	<b>131</b>	<b>-</b>	<b>131</b>
<b>Total</b>	<b>18.259.269</b>	<b>33.498.106</b>	<b>51.757.375</b>

(1) TL 1.966 of the credit deposit account belongs to the loans used by personnel.

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

	Current Period		
	Short- term	Medium and long-term	Total
<b>Commercial installments loans-TL</b>	<b>1.073.405</b>	<b>14.658.688</b>	<b>15.732.093</b>
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	-	-	-
<b>Commercial installments loans-FC indexed</b>	<b>8.601</b>	<b>206.010</b>	<b>214.611</b>
Business loans	-	12.934	12.934
Automotive loans	-	55.232	55.232
Consumer loans	8.601	137.844	146.445
Other	-	-	-
<b>Commercial installments loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>7.120.869</b>	<b>2.924</b>	<b>7.123.793</b>
With installment	4.512.502	1.548	4.514.050
Without installment	2.608.367	1.376	2.609.743
<b>Corporate credit cards-FC</b>	<b>511</b>	<b>-</b>	<b>511</b>
With installment	-	-	-
Without installment	511	-	511
<b>Credit deposit account-TL (legal person)</b>	<b>833.319</b>	<b>-</b>	<b>833.319</b>
<b>Credit deposit account-FC (legal person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9.036.705</b>	<b>14.867.622</b>	<b>23.904.327</b>

**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
<b>Total</b>	<b>199.874.067</b>	<b>176.485.837</b>

**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
<b>Total</b>	<b>199.874.067</b>	<b>176.485.837</b>

**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	-	-
<b>Total</b>	<b>8.523</b>	<b>21.974</b>

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**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
<b>Total</b>	<b>7.038.864</b>	<b>6.670.582</b>

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
<b>January 1</b>	<b>3.472.056</b>	<b>1.805.842</b>	<b>1.392.684</b>	<b>6.670.582</b>
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 <sup>(1)</sup>	(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
<b>December 31</b>	<b>4.371.011</b>	<b>1.470.045</b>	<b>1.197.808</b>	<b>7.038.864</b>

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
<b>January 1</b>	<b>2.668.475</b>	<b>1.174.379</b>	<b>821.559</b>	<b>4.664.413</b>
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 <sup>(1)</sup>	(125)	(574)	(4)	(703)
Exchange difference	5.308	1.049	284	6.641
<b>December 31</b>	<b>3.472.056</b>	<b>1.805.842</b>	<b>1.392.684</b>	<b>6.670.582</b>

(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 Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>Current Period</b>			
<b>(Gross amounts before specific reserves)</b>	<b>10.942</b>	<b>56.141</b>	<b>217.233</b>
Restructured loans and other receivables	10.942	56.141	217.233
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>			
<b>(Gross amounts before specific reserves)</b>	<b>21.222</b>	<b>101.075</b>	<b>406.035</b>
Restructured loans and other receivables	21.222	101.075	406.035
Rescheduled loans and other receivables	-	-	-

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>Prior Period</b>	<b>1.019.794</b>	<b>1.820.638</b>	<b>6.008.735</b>
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	-	-	-
<b>Current Period</b>	<b>880.645</b>	<b>1.543.615</b>	<b>6.739.324</b>
Specific provision (-)	(120.985)	(560.094)	(6.357.785)
<b>Net balance on balance sheet</b>	<b>759.660</b>	<b>983.521</b>	<b>381.539</b>

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:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>Current Period</b>			
Period end balance	554	890	137.743
Specific provision (-)	(303)	(697)	(91.334)
<b>Net balance on-balance sheet</b>	<b>251</b>	<b>193</b>	<b>46.409</b>
<b>Prior Period</b>			
Period end balance	310	14.016	128.698
Specific provision (-)	(169)	(7.483)	(74.747)
<b>Net balance on-balance sheet</b>	<b>141</b>	<b>6.533</b>	<b>53.951</b>

(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.

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Current Period (net)</b>	<b>759.660</b>	<b>983.521</b>	<b>381.539</b>
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) <sup>(1)</sup>	-	-	-
<b>Prior Period (net)</b>	<b>851.799</b>	<b>1.097.755</b>	<b>229.031</b>
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) <sup>(1)</sup>	-	-	-

(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
<b>Total</b>	<b>14.197.066</b>	<b>11.588.890</b>

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#### 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 (-) <sup>(1)</sup>	(377.799)	(298.637)
<b>Total</b>	<b>14.197.066</b>	<b>11.588.890</b>

(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
<b>Beginning balance</b>	<b>11.588.890</b>	<b>7.108.809</b>
Foreign currency differences on monetary assets <sup>(1)</sup>	837.591	1.203.918
Purchases during year	3.231.152	1.703.125
Transfers <sup>(2)</sup>	-	1.960.740
Disposals through sales and redemptions	(1.381.405)	(283.389)
Impairment provision (-) <sup>(3)</sup>	(79.162)	(104.313)
<b>Period end balance</b>	<b>14.197.066</b>	<b>11.588.890</b>

(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 <sup>(1)</sup>	Istanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup>	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 (%) <sup>(1)</sup>
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.

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**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
<b>Balance at the beginning of the period</b>	<b>664.614</b>	<b>545.225</b>
<b>Movements during the period</b>	<b>107.411</b>	<b>119.389</b>
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	87.340	88.099
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries <sup>(1)</sup>	57.558	58.861
Impairment provision <sup>(2)</sup>	(37.487)	(27.571)
<b>Balance at the end of the period</b>	<b>772.025</b>	<b>664.614</b>
<b>Capital commitments</b>	-	-
<b>Shareholding percentage at the end of the period (%)</b>	-	-

(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
<b>Total financial investments</b>	<b>772.025</b>	<b>664.614</b>

**1.9.8. Investments in associates quoted on stock exchange: None.**

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**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.
<b>Core Capital</b>					
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
<b>Total core capital</b>	<b>483.765</b>	<b>219.339</b>	<b>1.960.167</b>	<b>64.441</b>	<b>1.572.338</b>
<b>Supplementary capital</b>	<b>-</b>	<b>10.127</b>	<b>51.052</b>	<b>-</b>	<b>253</b>
<b>Capital</b>	<b>483.765</b>	<b>229.466</b>	<b>2.011.219</b>	<b>64.441</b>	<b>1.572.591</b>
<b>Deductions from the capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>483.765</b>	<b>229.466</b>	<b>2.011.219</b>	<b>64.441</b>	<b>1.572.591</b>

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.



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**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	İstanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	İstanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	İstanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	İstanbul/Turkey	12,65	99,99
7 Yapı Kredi NV <sup>(1)</sup>	Amsterdam/Nederlands	67,24	100,00
8 Yapı Kredi Azerbaycan <sup>(2)</sup>	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 Sticing Custody Services YKB.

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#### 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
<b>Balance at the beginning of the period</b>	<b>4.225.724</b>	<b>3.614.436</b>
<b>Movements during the period</b>	<b>574.340</b>	<b>611.288</b>
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	529.252	431.423
Sales <sup>(1)</sup>	(247.343)	-
Transfers	-	-
Revaluation (decrease) / increase <sup>(2)</sup>	396.485	270.579
Impairment provision <sup>(3)</sup>	(104.054)	(90.714)
<b>Balance at the end of the period</b>	<b>4.800.064</b>	<b>4.225.724</b>
<b>Capital commitments</b>	-	-
<b>Shareholding percentage at the end of the period (%)</b>	-	-

(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
<b>Total financial subsidiaries</b>	<b>4.800.064</b>	<b>4.225.724</b>

#### 1.10.6. Subsidiaries quoted on stock exchange:

None.

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**1.11. Information on joint ventures (net):**

**1.11.1. Unconsolidated joint ventures:**

None.

**1.11.2. Consolidated joint ventures:**

**1.11.2.1. 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	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)
<b>Total</b>			<b>89.512</b>	<b>69.561</b>	<b>29.967</b>	<b>59.545</b>	<b>8.646</b>	<b>58.265</b>	<b>(55.985)</b>

**1.12. Information on lease receivables (net):**

**1.12.1. 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
<b>Total</b>	<b>12.186.814</b>	<b>10.311.724</b>	<b>9.834.091</b>	<b>8.304.486</b>

**1.12.2. 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 (-)	-	-	-	-
<b>Total</b>	<b>2.181.856</b>	<b>8.129.868</b>	<b>1.720.318</b>	<b>6.584.168</b>

**1.13. Information on hedging derivative financial assets:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge <sup>(1)</sup>	67.028	1.188	246.295	-
Cash flow hedge <sup>(1)</sup>	1.520.914	167.481	850.313	113.104
Foreign net investment hedge	-	-	-	-
<b>Total</b>	<b>1.587.942</b>	<b>168.669</b>	<b>1.096.608</b>	<b>113.104</b>

(1) Explained in the note 10 of Section 4.

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#### 1.14. Information on on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
<b>Prior Period</b>					
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)
<b>Net book value</b>	<b>2.157.373</b>	<b>18.587</b>	<b>944</b>	<b>536.143</b>	<b>2.713.047</b>
<b>Current Period</b>					
<b>Net book value at beginning of the period</b>	<b>2.157.373</b>	<b>18.587</b>	<b>944</b>	<b>536.143</b>	<b>2.713.047</b>
Additions <sup>(1)</sup>	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)
<b>Net book value at end of the period</b>	<b>2.108.492</b>	<b>9.059</b>	<b>525</b>	<b>493.773</b>	<b>2.611.849</b>
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)
<b>December 31, 2015</b>	<b>2.108.492</b>	<b>9.059</b>	<b>525</b>	<b>493.773</b>	<b>2.611.849</b>

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
<b>Net book value at the beginning of the period</b>	<b>1.566.864</b>	<b>1.508.428</b>
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
<b>Net book value at the end of the period</b>	<b>1.682.226</b>	<b>1.566.864</b>

#### 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).

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

	Current Period	Prior Period
<b>Net book value at the beginning of the period</b>	<b>166.183</b>	<b>153.922</b>
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)
<b>Net book value at the end of the period</b>	<b>209.854</b>	<b>166.183</b>
Cost at the end of the period	222.369	182.137
Accumulated depreciation at the end of the period (-)	(12.515)	(15.954)
<b>Net book value at the end of the period</b>	<b>209.854</b>	<b>166.183</b>

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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>31.905.513</b>	<b>154.983</b>	<b>31.911.069</b>	<b>89.046.715</b>	<b>8.165.516</b>	<b>8.102.641</b>	<b>4.096.229</b>	<b>967</b>	<b>173.383.633</b>

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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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27.182.256</b>	<b>81.655</b>	<b>21.205.536</b>	<b>89.168.558</b>	<b>9.301.063</b>	<b>7.303.153</b>	<b>2.845.489</b>	<b>485</b>	<b>157.088.195</b>

#### 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 <sup>(1)</sup>	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 <sup>(1)</sup>	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
<b>Total</b>	<b>3.537.677</b>	<b>283.028</b>	<b>2.188.935</b>	<b>389.744</b>

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#### 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
<b>Total</b>	<b>2.292.830</b>	<b>40.057.223</b>	<b>1.367.430</b>	<b>29.141.344</b>

##### 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
<b>Total</b>	<b>2.292.830</b>	<b>40.057.223</b>	<b>1.367.430</b>	<b>29.141.344</b>

##### 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	-
<b>Total</b>	<b>4.796.710</b>	<b>18.481.161</b>	<b>3.990.883</b>	<b>14.089.584</b>

- (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.

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#### 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	-	-	-	-
<b>Total</b>	<b>300.335</b>	<b>12.443</b>	<b>66.263</b>	<b>23.033</b>

(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
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	179.587	184.180
II. Provisions for second group loans and receivables	242.597	268.623
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	81.325	92.159
Provisions for non-cash loans	112.170	107.664
Other	337.801	257.476
<b>Total</b>	<b>3.410.805</b>	<b>3.109.571</b>

##### 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.



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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
<b>Balance at the end of the period</b>	<b>400.547</b>	<b>129.510</b>

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
<b>Total</b>	<b>1.337.319</b>	<b>1.183.180</b>

##### 2.7.4.2. General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	150.000	100.000
<b>Total</b>	<b>150.000</b>	<b>100.000</b>

#### 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)
<b>Provision for the actuarial deficit of the pension fund</b>	<b>690.852</b>	<b>568.006</b>

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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
<b>Total</b>	<b>1.681.003</b>	<b>100</b>	<b>1.396.442</b>	<b>100</b>

**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
<b>Total</b>	<b>600.181</b>	<b>279.012</b>

**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	-	-
<b>Total</b>	<b>40.291</b>	<b>34.578</b>

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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#### 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
<b>Total deferred tax asset</b>	<b>7.247.614</b>	<b>1.599.730</b>	<b>5.256.146</b>	<b>1.053.473</b>
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)
<b>Total deferred tax liability</b>	<b>(8.903.825)</b>	<b>(1.771.694)</b>	<b>(7.478.513)</b>	<b>(1.241.296)</b>
<b>Deferred tax asset / (liability), net</b>	<b>(1.656.211)</b>	<b>(171.964)</b>	<b>(2.222.367)</b>	<b>(187.823)</b>

(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<sup>(1)</sup>:

	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	-	-	-	-
<b>Total</b>	<b>-</b>	<b>9.718.804</b>	<b>-</b>	<b>9.067.893</b>

(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

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**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
<b>From investments in associates, subsidiaries, and joint ventures</b>	-	-	-	-
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
<b>Available for sale securities<sup>(1)</sup></b>	<b>(445.780)</b>	<b>60.864</b>	<b>(377.643)</b>	<b>(86.111)</b>
Valuation differences	(445.780)	60.864	(377.643)	(86.111)
Foreign currency differences	-	-	-	-
<b>Total</b>	<b>(445.780)</b>	<b>60.864</b>	<b>(377.643)</b>	<b>(86.111)</b>

(1) Includes current period foreign currency differences.

**2.11.9. Information on minority interest:**

	Current Period	Prior Period
<b>Period opening balance</b>	<b>502</b>	<b>474</b>
Current period income/(loss)	77	65
Dividends paid	(38)	(37)
<b>Period ending balance</b>	<b>541</b>	<b>502</b>

**3. Explanations and notes related to consolidated 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
<b>Total</b>	<b>134.042.061</b>	<b>66.407.405</b>

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**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
<b>Total</b>	<b>18.551.664</b>	<b>15.662.253</b>

**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
<b>Total</b>	<b>60.299.751</b>	<b>52.792.231</b>

**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
<b>Total</b>	<b>78.851.415</b>	<b>68.454.484</b>

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>302.585</b>	<b>1,14</b>	<b>368.056</b>	<b>0,70</b>	<b>268.785</b>	<b>1,24</b>	<b>264.445</b>	<b>0,56</b>
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
<b>Manufacturing</b>	<b>10.852.136</b>	<b>40,96</b>	<b>25.712.986</b>	<b>49,11</b>	<b>8.769.875</b>	<b>40,57</b>	<b>24.592.178</b>	<b>52,50</b>
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
<b>Construction</b>	<b>7.027.361</b>	<b>26,52</b>	<b>10.281.769</b>	<b>19,64</b>	<b>6.569.893</b>	<b>30,40</b>	<b>9.996.845</b>	<b>21,34</b>
<b>Services</b>	<b>7.772.719</b>	<b>29,34</b>	<b>15.789.010</b>	<b>30,16</b>	<b>5.704.088</b>	<b>26,39</b>	<b>11.961.363</b>	<b>25,54</b>
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
Employment	-	-	-	-	-	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
<b>Other</b>	<b>540.413</b>	<b>2,04</b>	<b>204.380</b>	<b>0,39</b>	<b>301.941</b>	<b>1,40</b>	<b>25.071</b>	<b>0,06</b>
<b>Total</b>	<b>26.495.214</b>	<b>100,00</b>	<b>52.356.201</b>	<b>100,00</b>	<b>21.614.582</b>	<b>100,00</b>	<b>46.839.902</b>	<b>100,00</b>

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**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
<b>Non-cash loans</b>				
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
<b>Total</b>	<b>26.270.362</b>	<b>52.185.783</b>	<b>224.852</b>	<b>170.418</b>

Prior Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>				
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
<b>Total</b>	<b>21.038.574</b>	<b>46.548.784</b>	<b>576.008</b>	<b>291.118</b>

**3.1.3.4. Maturity distribution of non cash loans:**

Current Period <sup>(1)</sup>	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
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
<b>Total</b>	<b>23.473.430</b>	<b>20.790.408</b>	<b>25.536.090</b>	<b>9.051.487</b>	<b>78.851.415</b>

Prior Period <sup>(1)</sup>	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
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
<b>Total</b>	<b>21.806.008</b>	<b>16.785.106</b>	<b>22.915.291</b>	<b>6.948.079</b>	<b>68.454.484</b>

(1) The distribution is based on the original maturities

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**3.2. Information on derivative financial instruments:**

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>349.964.230</b>	<b>205.479.325</b>
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>B. Total hedging related derivatives</b>	<b>73.882.302</b>	<b>52.672.432</b>
<b>Total derivative transactions (A+B)</b>	<b>423.846.532</b>	<b>258.151.757</b>

**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.

**3.5. 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.

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**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 <sup>(1)</sup>	5.199.037	498.638	5.190.478	393.501
Medium/long-term loans <sup>(1)</sup>	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	-	-	-	-
<b>Total</b>	<b>13.767.109</b>	<b>4.253.848</b>	<b>12.264.099</b>	<b>3.419.998</b>

(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	-	-	-	-
<b>Total</b>	<b>278.987</b>	<b>51.900</b>	<b>143.758</b>	<b>30.529</b>

**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
<b>Total</b>	<b>2.875.439</b>	<b>561.068</b>	<b>1.892.902</b>	<b>507.156</b>

**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



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#### 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
<b>Total<sup>(1)</sup></b>	<b>193.442</b>	<b>1.304.872</b>	<b>85.214</b>	<b>981.540</b>

(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
<b>Total</b>	<b>538.259</b>	<b>694.397</b>	<b>430.076</b>	<b>538.220</b>

##### 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
<b>TL</b>									
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>267</b>	<b>802.666</b>	<b>6.323.318</b>	<b>436.827</b>	<b>163.802</b>	<b>60.144</b>	<b>68</b>	<b>7.787.092</b>	<b>6.707.654</b>
<b>FC</b>									
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
<b>Total</b>	<b>2.773</b>	<b>334.924</b>	<b>1.226.460</b>	<b>105.946</b>	<b>114.822</b>	<b>66.312</b>	<b>-</b>	<b>1.851.237</b>	<b>1.159.396</b>
<b>Grand total</b>	<b>3.040</b>	<b>1.137.590</b>	<b>7.549.778</b>	<b>542.773</b>	<b>278.624</b>	<b>126.456</b>	<b>68</b>	<b>9.638.329</b>	<b>7.867.050</b>

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**4.3. Information on dividend income:**

	<b>Current Period</b>	<b>Prior Period</b>
Available-for-sale financial assets	669	116
Other	10.057	6.057
<b>Total</b>	<b>10.726</b>	<b>6.173</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Gain</b>	<b>44.688.040</b>	<b>30.213.163</b>
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
<b>Loss(-)</b>	<b>(45.200.918)</b>	<b>(30.025.840)</b>
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)
<b>Net gain/loss</b>	<b>(512.878)</b>	<b>187.323</b>

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
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 <sup>(1)</sup>	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 <sup>(1)</sup>	73.149	70.098
Other	43.056	52.963
<b>Total</b>	<b>3.358.109</b>	<b>2.955.042</b>

(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.

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#### 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
<b>Total</b>	<b>5.819.966</b>	<b>5.315.318</b>

#### 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 deferred 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
<b>Total</b>	<b>987.168</b>	<b>820.046</b>

#### 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

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**4.12. Income/loss of minority interest:**

	<b>Current Period</b>	<b>Prior Period</b>
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.

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**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
<b>Cash</b>	<b>12.245.083</b>	<b>8.260.909</b>
Cash and effectives	2.699.282	2.004.851
Demand deposits in banks	9.545.801	6.256.058
<b>Cash equivalents</b>	<b>3.713.929</b>	<b>1.821.751</b>
Interbank money market	252	284.706
Deposits in bank	3.713.677	1.537.045
<b>Total cash and cash equivalents</b>	<b>15.959.012</b>	<b>10.082.660</b>

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

	Current Period	Prior Period
<b>Cash</b>	<b>14.993.683</b>	<b>12.245.083</b>
Cash and effectives	2.562.013	2.699.282
Demand deposits in banks	12.431.670	9.545.801
<b>Cash equivalents</b>	<b>8.850.596</b>	<b>3.713.929</b>
Interbank money market	817.005	252
Deposits in bank	8.033.591	3.713.677
<b>Total cash and cash equivalents</b>	<b>23.844.279</b>	<b>15.959.012</b>

**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).

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**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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Group's risk group</b> <sup>(1) (2)</sup>						
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
<b>Interest and commission income received</b>	<b>1.831</b>	<b>119</b>	<b>9.516</b>	<b>7.893</b>	<b>320.083</b>	<b>12.547</b>

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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Group's risk group</b> <sup>(1) (2)</sup>						
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
<b>Interest and commission income received</b> <sup>(3)</sup>	<b>870</b>	<b>119</b>	<b>4.981</b>	<b>7.546</b>	<b>245.453</b>	<b>10.501</b>

(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 <sup>(1) (2)</sup>	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
<b>Deposit</b>						
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
<b>Interest expense on deposits</b> <sup>(3)</sup>	<b>5.564</b>	<b>3.139</b>	<b>1.458.814</b>	<b>1.107.376</b>	<b>779.396</b>	<b>556.428</b>

(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.

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

Group's risk group <sup>(1) (2)</sup>	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
<b>Transactions at fair value through profit or loss<sup>(2)</sup></b>						
Beginning of the period <sup>(3)</sup>	-	-	8.532.884	1.455.484	1.104.683	146.778
End of the period <sup>(3)</sup>	-	-	4.585.782	8.532.884	4.263.455	1.104.683
<b>Total profit / loss<sup>(4)</sup></b>	<b>134</b>	<b>(8.091)</b>	<b>(16.232)</b>	<b>(9.004)</b>	<b>(48.039)</b>	<b>(9.512)</b>
<b>Transactions for hedging purposes<sup>(2)</sup></b>						
Beginning of the period <sup>(3)</sup>	-	-	-	-	-	-
End of the period <sup>(3)</sup>	-	-	1.375.186	-	-	-
<b>Total profit / loss<sup>(4)</sup></b>	<b>-</b>	<b>-</b>	<b>25.186</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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			
Domestic Branch	865	17.942			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total assets	Statutory share capital
Foreign Branch	1	2	Bahrain	15.998.901	-
Off-Shore Banking Region Branch <sup>(1)</sup>	-	-		-	-

(1)The values disclosed above are those of the Parent Bank.

**9. Explanations and notes related to subsequent events :**

None.

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**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.