

  
*nd year*



**#whatisvalue**



## Content

03

Our Strategies

05

2017 Highlights

06

Milestones in the History  
of Ziraat Participation

10

Chairman's Assessment

12

CEO's Assessment

26

An Assessment of 2017

46

Ziraat Participation Board  
of Directors

48

Ziraat Participation  
Senior Management

55

Ratios

283

Directory

### PART I - Introduction

- 2 Our Mission and Our Vision
- 3 Our Strategies
- 4 Corporate Profile
- 5 2017 Highlights
- 6 Financial Indicators
- 6 Shareholding Structure
- 6 Milestones in the History of Ziraat Participation
- 10 Chairman's Assessment
- 12 CEO's Assessment
- 16 Highlights in 2017
- 20 Macroeconomic Outlook
- 26 An Assessment of 2017: Strategies, Developments and Future Goals
- 34 Human Resources
- 35 Affiliates
- 37 Changes in the Articles of Association in 2017
- 40 The Report on Compliance of Annual Report

### PART II - Management and Corporate Governance Practices

- 46 Ziraat Participation Board of Directors
- 48 Ziraat Participation Senior Management
- 50 Summary Report by the Board of Directors
- 51 Information on the Activities of the Committees
- 52 Human Resources Practices and Policies and Expectations Regarding 2018
- 52 Transactions Carried out with Ziraat Participation's Risk Group
- 52 Companies from which Support Services Are Obtained

### PART III - Financial Information and Risk Management


- 53 Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems
- 55 Ziraat Participation's Financial Standing, Profitability and Solvency
- 55 Ratios
- 56 Information about Risk Management Policies and Activities According to Type of Risk
- 58 Summary Balance Sheet and Income Statement
- 58 Credit Rating Agency's Notes
- 59 Unconsolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2017
- 171 Consolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2017
- 283 Directory

# PART I - Introduction

## Our Mission and Our Vision


### Our Mission

Our mission is to become a participation bank that understands the expectations and needs of its customers in the best way possible and offering most reliable solutions and value propositions through the most appropriate channel, carries out its activities with world-class sustainable profitability and efficiency being aware of principles of participation banking and ethics, facilitates access to financial services focusing onto the customer satisfaction.



### Our Vision

At Ziraat Participation Bank, our vision is to become a global, reputable and leading participation bank that strengthen participation banking not only in Turkey, but in the region, constantly generates value, offers customers more the more as they share at every stage.



## **Our Strategies**

### **To be an effective Participation Bank**

- To allocate resources to investments that will create value with the financing it provides,
- To be fair and transparent in profit sharing,
- To create customer-centric processes in order to achieve operational excellence.

### **To run Participation Banking for everyone**

- To be the “Moral Participation Bank” with which customers and personnel feel a sense of peace and are happy to work with or for,
- To offer services which meet universal service standards with the same high quality wherever they are,
- To manage the financing of production and trade in a manner that adds value.

### **To improve Participation Banking**

- To integrate into the international participation banking financial architecture,
- To contribute to the development of the participation banking sector in our country,
- To be a pioneer in the participation banking sector by developing new products and services.

## Corporate Profile

**Having defined its financial management strategy around a balance sheet mainly composed of financing, effective and diversified resource structure and having an equity which is in conformity with the asset size, Ziraat Participation continues to support the economy and development of our country.**

### **Mission to develop participation banking in Turkey**

Ziraat Participation is the first publicly funded participation bank in Turkey. It was founded with a capital of TL 675 million aiming to support the development of participation banking and increase the share of participation banks in the banking industry.

### **Strong equity supporting growth**

In order to maintain an appropriate equity level which is conformity with the asset size, Prime Ministry Undersecretariat of Treasury of Turkish Republic provided additional capital of TL 500 million which increased the equity of Ziraat Participation to TL 1,250 million. As of 2017 year end, total assets reached TL 14.3 billion.

As of the same date, Ziraat Participation's capital adequacy ratio has been 13.1%.

### **Supporting the real economy**

Defining its financial management strategy around a balance sheet mainly composed of financing, effective and diversified resource structure and having an equity which is in conformity with the asset size, Ziraat Participation continues to support the economy and development of our country and in 2017 it increased its financing volume by 93% by supporting the real sector.

### **Achieving More by Sharing**

As summarized in Achieving More by Sharing principle and in line with the understanding of participation banking, Ziraat Participation continued its operations with an objective of sustainable profitability and efficiency and realized a profit of TL 159 million.

### **63 branches, 890 employees**

Ziraat Participation opened 19 new branches in 2017. Total number of branches reached 63 and operations and service to our customers continued with 890 expert professionals.

### **Synergic collaboration with Ziraat Bank**

Ziraat Participation has collaborated with Ziraat Bank through a correspondence agreement.

Customers are able to access Ziraat Participation's services through the branches and ATM's of Ziraat Bank, which has by far the most widely distributed branch network in Turkey.

### **Effective service delivery through a diversified channel structure**

Ziraat Participation continues to provide high quality service to its customers through various channels such as Internet Banking, Mobile Banking, Call Center and Payment Systems applications and support them at an increasing scale.

On its way to being an effective, leading and reputable participation bank, Ziraat Participation's main goal is to be a participation bank for everybody and to carry participation banking further in parallel with our country's goals. Ziraat Participation is very determined to succeed in pursuing its goals.

## 2017 Highlights

Total Assets

# TL 14,350 million

Loans

# TL 11,375 million

Number of Branches

# 63

Ziraat Participation's number of branches has increased from 44 in 2016 to 63 in 2017.

Number of Employees

# 890

As a result of continuous growth, number of employees increased to 890 as of 2017 year end from 655 in 2016.

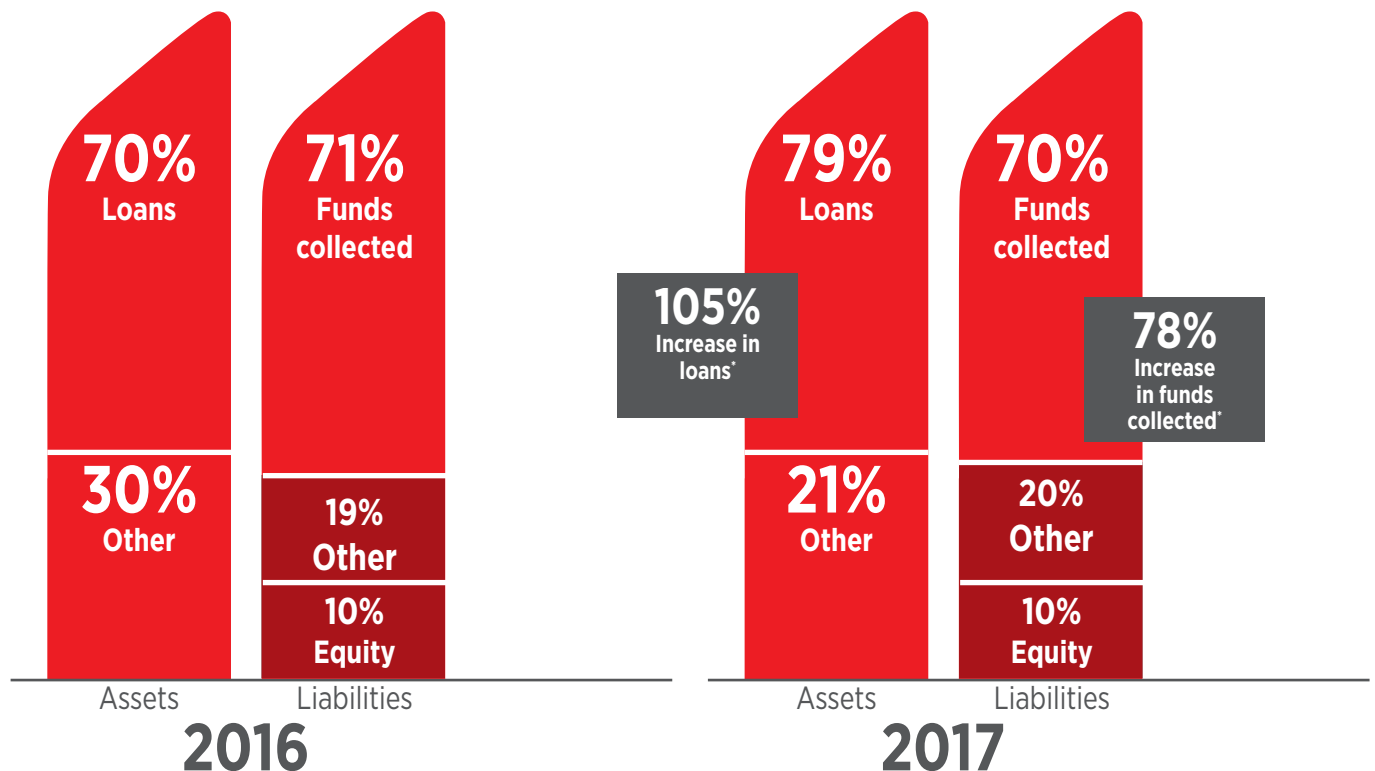
Digital services



**Internet Banking**

iOS based Ziraat Participation Mobile has been launched on 17 December 2016.

## Balance Sheet Composition



\*Annual Change

## Financial Indicators

(TL Million)	2016	2017	Change (%)
Total Assets	7,960	14,350	80
Liquid Assets and Banks	1,670	1,922	15
Securities Portfolio	416	524	26
Loans	5,558	11,375	105
Funds Collected	5,636	10,025	78
Shareholders' Equity	765	1,404	84
Profit Shares Income	391	981	151
Profit Shares Expense	181	538	198
Income Before Tax	40	200	394
Net Profit/Loss	31	159	418

## Shareholding Structure

The main shareholder of Ziraat Participation is Ziraat Bank.

31 December 2017		
Shareholder	Paid-in Capital	Share %
T.C. Ziraat Bankası A.Ş.	1,250,000	99.9999996
Ziraat Sigorta A.Ş.	-	0.0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001
Ziraat Teknoloji A.Ş.	-	0.0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>

The TL 1.250.000.000 capital of Ziraat Participation was fully provided by Undersecretariat of Treasury and internal resources. Ziraat Participation's capital is divided into 1.250.000.000 shares, each valued at TL 1.00.

The Chairman and members of the Board, members of the Audit Committee, General Manager and Assistant General Managers do not own shares.

## Milestones in the History of Ziraat Participation

### 2015

- As the first publicly funded participation bank, the Bank began operations on 29 May 2015, in a grand opening with the participation of President Recep Tayyip Erdoğan.
- Ziraat Participation became the first participation bank to receive Participation Banking Activity Ratification Certificate approving compliance of the general framework of our operations with the Principles of Participation Banking.

### 2016

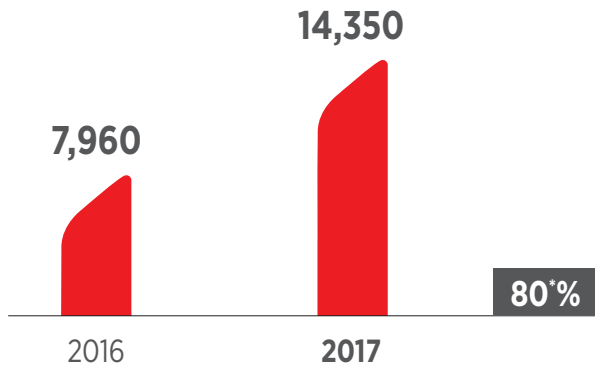
- Ziraat Participation proudly completed its first year, a full of firsts, with a net profit of TL 30.7 million.
- The first profit-loss sharing partnership was carried out in different sectors.
- The first Sukuk issuance was undertaken by establishing an Asset Leasing company.
- The first Murabaha Syndication took place.

### 2017

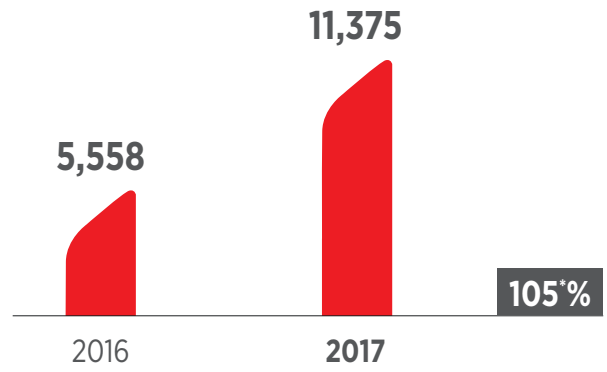
- Ziraat Participation continued to take firm steps on its way to reach its goals of sustainable profitability and efficiency and recorded a profit of TL 159 million.
- Ziraat Participation founded its second subsidiary ZKB Varlık Kiralama A.Ş.
- FILIKA (Limited Financing Card) has been offered to customers.
- Transition to TFRS 9 has been completed.
- A project financing transaction has been performed through "Istina" product in the participation banking sector.
- Ziraat Participation has started the Gold Days.



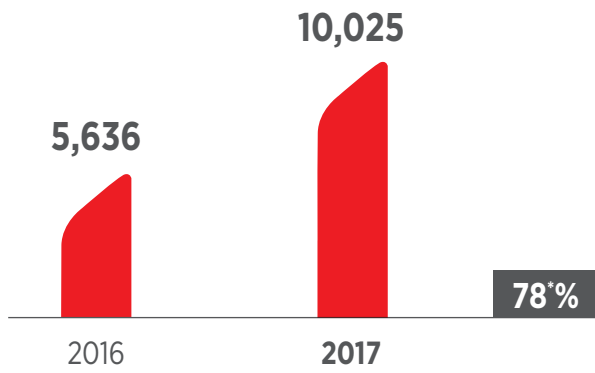
**Total Assets** (TL Million)



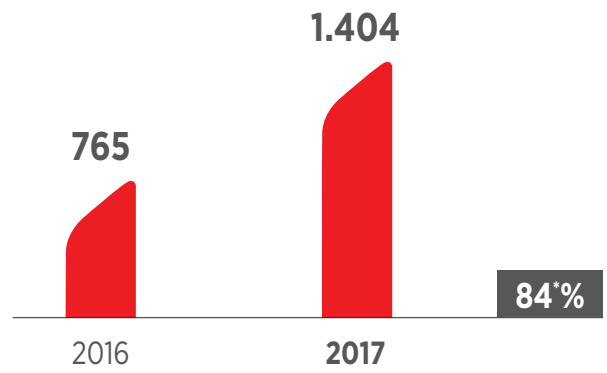
**Loans** (TL Million)



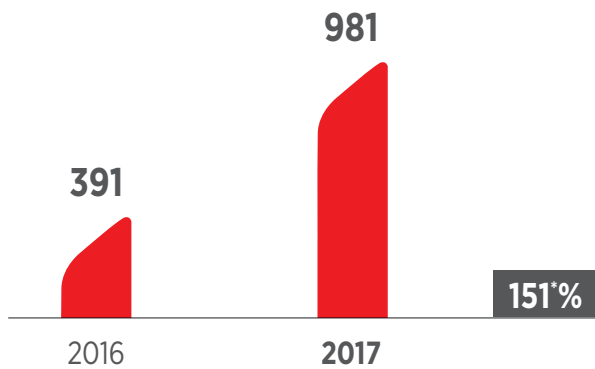
**Funds Collected** (TL Million)



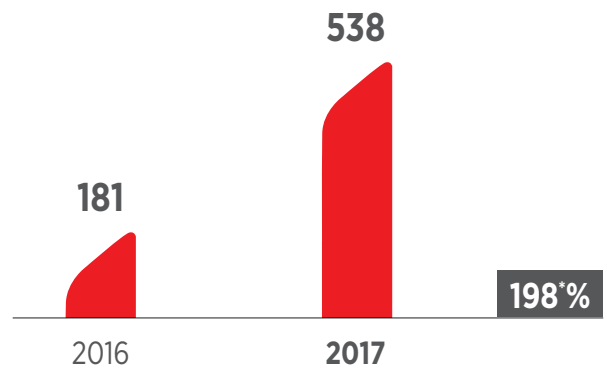
**Shareholders' Equity** (TL Million)



**Profit Shares Income** (TL Million)



**Profit Shares Expense** (TL Million)



\*Annual rate of change

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# What is Value?

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**For us, value is sharing  
happiness.**



## **Mobile Branch**

New generation in banking: Participation Mobile banking service is a fast and secure product designed for both individual and corporate customers to be used on their mobile phones and computers.

iOS



Android





## Chairman's Assessment



### Dear stakeholders,

2017 has been a year of accelerated commercial activities all around the world which brought along growth. These developments had a positive effect on global trade and countries have increased their exports in 2017. In Turkey six industries managed to set the export records of all times.

Global inflation which has been low in general terms is in an increasing trend and some countries have achieved their inflation targets while others have not been able to reach theirs. The recovery in material prices has affected manufacturers' costs while inflationary pressures on consumer price levels have been limited. Increase in raw material prices has supported the revenues of oil producing and exporting countries and this had a positive effect on public finances of those countries. Lack of inflationary pressures has led the central banks to maintain their expansionary monetary policies. We observed that this had an

impact of strengthening of risk appetite and an increasing flow of capital into the emerging markets. Turkey has managed to receive funds of USD 10 billion from the international investors, USD 7.3 billion in the form of government bonds and USD 3.2 billion of corporate stock acquisitions.

USA, the largest economy in the world has reached a gross product of nearly USD 20 trillion and Fed has continued to increase interest rates as a result of the strengthening economy. At the same time they started the process of reducing their balance sheet which had reached USD 4.5 trillion. Fed announced a one and a half year balance sheet reduction calendar. As a result of this program, Fed aims a balance sheet magnitude of USD 4 trillion by the beginning of 2019. Stock markets around the world have recorded an approximate growth of 20% while Borsa Istanbul has managed an increase of nearly 50%.

European Central Bank (ECB) has continued to adopt its "lower for longer" approach. Without an inflationary pressure, ECB decreased the amount of asset purchases while extending the terms. Easing of the political conjuncture in Europe had a positive impact on commercial activities and the confidence indices have reached their maximum levels since 2000. In 2017, with increased employment rates combined with favorable financing conditions, European economy has reached its maximum growth after the crisis. Europe, being Turkey's largest commercial partner, our economy has also been impacted in a positive way.

China, the second largest economy in the world, has continued their process of integration to global system with their "One Belt One Road" project. China has changed their growth model by focusing on consumption rather than investment, has given priority to stability and balanced their risks in the global economy. In this context, Turkey opened the Kars-Tbilisi-Baku railroad.

In addition to favorable global conditions, Government's "Employment Campaign" has led to employment opportunities for more than 1 million citizens. Lower unemployment had a positive impact on the development of economy, public finance and asset quality of banking industry. Credit Guarantee Fund program, which focuses on industry and manufacturing, SME's which did not have access to finance due to guarantee problems, were provided with financing options. Tax reductions on various appliances and durable goods which targeted the improvement of household living conditions supported the internal demand.

## As the first public participation bank in Turkey, Ziraat Participation targets developing new products which provide the best solutions to its customers' needs.

Global conditions combined with the appropriate internal policies led to a record growth rate of 11.1% of Turkish economy in the third quarter.

Turkish banking industry has continued its stable growth in 2017 with a high quality of assets and strong equity structure. The industry is advancing to increase efficiency. In addition to that, banking industry has access to capital and subordinated loan opportunities, particularly syndication loans and can use these effectively. Turkish banks have supported the growth of our economy through loans provided with the guarantees of Credit Guarantee Fund and increase in consumer loans.

In participation banking industry, our priority strategy is providing effective resources. Our target is to increase the share of participation banking in the banking sector as well as increasing the share of Turkey in the global participation banking industry while bringing in both domestic and foreign savings into the economy.

As the first publicly funded participation bank in Turkey, Ziraat Participation targets developing new products which provide the best solutions to its customers' needs. Our main strategy has been "Growth through increase in share of participation banking in finance sector". Accordingly, we continue to increase the number of our branches, focus on our principles of working efficiently and increasing our effectiveness in this sector.

On behalf of myself and our Board of Directors, I would like to express our gratitude to all our employees who have contributed to our successful performance in 2017 and our customers who have preferred to work with us.

Continuous support and preference of our stakeholders will help Ziraat Participation crown its journey to its mission with new successes.

Kind regards,



**Hüseyin AYDIN**  
Chairman of the Board

## CEO's Assessment



Dear Stakeholders,

**Ziraat Participation accomplished a high and healthy performance in 2017.**

**Ziraat Participation continued its rapid growth in 2017 with the vision of being the leading participation bank of the industry and accomplished a high and healthy performance towards profitability and efficiency targets.**

Despite the negative effects of all global economic factors, geopolitical developments and volatility of our economy, Ziraat Participation managed to reach its targets in 2017 through its accurately designed strategy, resilient business model and strong financial structure.

As of the end of 2017, our bank has increased its total assets by 80% compared to 2016 and reached an asset size of TL 14.3 billion.

### **We have recorded a profit of TL 158.9 million in 2017**

Ziraat Participation has completed the year with a profit of TL 158.9 million through successful execution of customer satisfaction based service approach and efficiency focused business cycle.

Another development supporting the healthy growth in our balance sheet has been TL 500 million of capital provided by the Prime Ministry Undersecretariat of Treasury of the Turkish Republic.

Capital expenditures realized to expand our branch network since inception has turned to a decreasing trend in 2017 which had a positive impact on our financial structure.

### **We attach particular importance to maintain the quality of our assets**

Our infrastructure for the allocation and application of funds processes and early warning and risk monitoring systems are continuously being improved and special attention is being paid to maintain the asset quality of Ziraat Participation.

I can gladly state that in a year of rapid growth of loans, with financing oriented growth and customer based balance sheet strategy, we have executed successful risk management policies and achieved a 0,3 % of non-performing loan ratio, which is considerably below the industry average.

### **We continue to support the real sector**

Ziraat Participation continues its journey towards its vision of being a strong participation bank in both regional and international markets by understanding its customers' needs and expectations and providing them the most appropriate solutions through the most appropriate channels.

## As of the end of 2017, Ziraat Participation has increased its total assets by 80% compared to prior year and reached a balance sheet of TL 14.3 billion.

Cash financing by Ziraat Participation increased by 103% when compared to 2016 and reached TL 11.7 billion whereas non-cash financing grew by 74% and reached TL 6,1 billion. Total support to Turkish economy has been TL 17.5 billion. Share of cash financing in Ziraat Participation's balance sheet increased by 10 points to 82%. Within this period, we have increased our support to finance the real sector, particularly the SME's which are vital to our economy.

As of the end of 2017, total current and participation accounts have increased by 78% compared to prior year and reached TL 10 billion.

Within the framework of increasing and expanding the diversity of the resources, we continued to provide funds from domestic and foreign banks in 2017. In this context, USD 155 million of Murabaha syndication has been renewed upon redemption date in 2017 by the participation of 6 different banks from 13 countries at an amount of USD 236 million. In addition to this, our subsidiary Ziraat Katılım Varlık Kiralama has issued 9 lease certificates at an amount of TL 1.1 billion and received more than expected demand from qualified investors.

In May 2017 Fitch Ratings, an international rating institution, announced Ziraat Participation's foreign currency long term rating as BB+. This has strongly confirmed the confidence in Turkish economy and our bank.

### **We are developing new products to increase the share of Participation Banking**

By virtue of its mission, Ziraat Participation is focused on improving the share of participation banking in the total banking market and reaching a wide population with the products and services of participation banking as well as growth in numerical terms. In this context, in line with our participation banking principles we continue our research and development activities to provide our customers with alternative solutions.

In 2017, Ziraat Participation realized a project financing through a product called Istisna which was a first in the participation banking industry. With this Istisna transaction, one of the largest city hospitals of Turkey, Manisa Integrated Health Campus project was funded by Ziraat Participation Bank in May 2017 within the frame of a public private partnership (PPP) of a consortium of Islamic Participation Bank and three other international banks.

Another significant transaction of 2017 has been a Musaraka transaction with a customer in logistics industry. This transaction is the second profit and loss sharing project of Ziraat Participation.

Another area where the Bank has actively participated has been Treasury-backed Credit Guarantee Fund transactions. Within this scope, Ziraat Participation has reached a total financing magnitude of TL 1.4 billion and provided almost 1,000 companies to take advantage of this opportunity.

**Within the framework of our correspondent services agreement with Ziraat Bank, our customers were given the opportunity to reach Ziraat Participation through Ziraat Bank branches and ATM's all over the country.**

## **FILIKA Card**

**FILIKA Card has been offered to our customers in 2017.**

With Ziraat Portföy's (a subsidiary of Ziraat Finance Group) Short-term Lease Certificate Participation Fund, an alternative savings opportunity was offered to funds who would like to invest their savings in interest-free instruments but unable to do so due to term constraints. Those products were first traded through Ziraat Participation branches.

"Gold Collection Days" which aimed to bring precious metals in the economic activities, which otherwise are not included in the ecosystem, was a significant step towards the increase of diversified resources.

Another significant breakthrough of Ziraat Participation in 2017 was the offering of FILIKA Card to its customers. FILIKA Card is structured for the needs of individual customers in line with participation banking principles. Card based systems are the first phase of our strategy on making the lives easier and improving the value offered to our customers.

### **We invest on digital banking**

In order to offer our customers faster and more effective solutions for their banking transactions, we invested on digital technologies in 2017 and updated our web and mobile applications. In the process of improving the diversity of our products and services in alternative distribution channels, with our vision based on customer satisfaction, our customer base actively using the internet banking has increased by 100%.

Within the framework of our correspondent services agreement with Ziraat Bank, our customers were given the opportunity to reach Ziraat Participation through Ziraat Bank branches and ATM's all over the country.

We are committed to keep on investing in digital banking and improving alternative distribution channels in 2018 and going forward.



## Ziraat Participation has added 19 new branches to its network in 2017 and reached a total of 63 branches.

### **We improved our accessibility with new branches**

Ziraat Participation has added 19 new branches to its network in 2017 and reached a total of 63 branches. While our geographical spread has further expanded, our first step in corporate branch structuring, Ankara Corporate Branch has started serving our customers.

With our rapid growing organization structure, 269 employees joined our team to work with us in our headquarters and branches. Total number of our employees reached 890.

### **ZKB Varlık Kiralama was founded**

In order to meet the demands of corporate customers who want to issue lease certificates and investors who want to invest on those certificates, Ziraat Participation has founded its second lease certification subsidiary, ZKB Varlık Kiralama A.Ş.

ZKB Varlık Kiralama was founded with the objectives of offering corporate customers alternative investor base rather than bank loans, allocate corporate risks to the investors in the market and to expand the perspective of corporate offerings in an environment where most offerings are realized through banks. The Company will accomplish these objectives by being an exclusive intermediary for third parties' lease certificate issuances.

As the new and concrete statement of our support to Islamic capital markets, ZKB Varlık Kiralama offers a new and significant opportunity for funds, investment and portfolio management companies to make their resources available to real sector and ultimately to Turkish economy at an increasing rate.

### **We completed our TFRS 9 transition activities**

BRSA has issued new regulations on the calculation of provisions in accordance with Turkish Financial Reporting Standards (TFRS).

Ziraat Participation has completed its activities related to these regulations and make their accounting and system platforms ready for the calculation of provisions to comply with the "Regulation for Provisions" starting with 1 January 2018.

### **Thanks to all who have contributed to our success in 2017**

We will continue to work devotedly to increase our support to real economy, with our values and ethical principles which are the reflections of our long-established corporate culture.

Committed to our mission of expanding the share of participation banking, our ultimate goal is to create an increasing amount of value to Turkish economy and support the sustainable development while continuing our projects.

While we move further to reach our higher goals, I would like to thank all our stakeholders, particularly our employees who walk along with us and contribute to our successful performance.

Kind regards,



**Metin ÖZDEMİR**  
CEO

## Highlights in 2017

### Second Establishment Anniversary

2nd anniversary of Ziraat Participation's establishment was celebrated at an event in Istanbul on 13 May 2017.



### Euro STP Excellence Award

Ziraat Participation received the excellence award for its performance in foreign trade operations. Our EUR correspondent bank KBC BANK has rewarded Ziraat Participation with Euro STP Excellence Award for its high operational performance and 100% success in payment transactions.

### Ekovitrin Participation Bank of the Year Award

Stars of the Year Awards were given to the winners for the sixteenth time at an award ceremony organized by the international monthly economics and business magazine Ekovitrin on 17 June 2017. The winners were selected based on a survey participated by the readers of Ekovitrin and Ziraat Participation received the Participation Bank of the Year award in the participation bank category.





## Ankara Corporate Branch was opened

Ziraat Participation's 63rd branch, Ankara Corporate Branch began serving its customers on 22 December 2017. Ziraat Participation's Chairman of the Board Hüseyin Aydın and CEO Metin Özdemir, as well as a large number of senior executives and branch management team have attended the opening ceremony.

## Vision 2018 Antalya

Vision 2018 meeting of Ziraat Finance Group took place on 9-11 December 2017 in Antalya. Ziraat Participation's Chairman Hüseyin Aydın, CEO Metin Özdemir, board members, Ziraat Finance Group senior executives, department heads, Headquarters service managers and branch managers have attended the meeting where 2018 visions and goals were reviewed.



## Gelişim University Bests of the Industry Award Best Banking Award

Best of the Industry Awards were selected by the votes of students of Istanbul Gelişim University which included the brands and people of the industry. Awards were given to the winners at a reward ceremony on 9 May 2017. Ziraat Participation received the "Best Banking" award within the scope of Bests of the Industry Award



## Highlights in 2017

# Our new subsidiary ZKB Varlık Kiralama has started its operations in September 2017

ZKB Varlık Kiralama A.Ş. was founded on 8 September 2017 within the framework of CMB's Lease Certificate Communique (III-61.1) which was published on the Official Gazette dated 7 June 2013, numbered 28760 to exclusively issue lease certificates.

ZKB Varlık Kiralama is the new and concrete statement of our support to Islamic capital markets.

Acting as an intermediary for third parties' lease certificate offerings exclusively, ZKB Varlık Kiralama operates with the objective to help corporates through the following:

- By establishing an alternative investor base other than bank loans,
- By allocating corporate risks to investors in the market,
- By expanding the perspective of corporate offerings in an environment where most offerings are realized through banks.

ZKB Varlık Kiralama offers a new and significant opportunity for funds, investment and portfolio management companies to make their resources available to real sector and ultimately to Turkish economy at an increasing rate.



Detaylı bilgi için:  
[www.zkbvks.com.tr](http://www.zkbvks.com.tr)

## What is a Lease Certificate?

Lease certificates are securities that are issued by an asset leasing company in order to finance all types of assets and rights acquired. These certificates entitle its holders to the revenues generated from such assets in proportion to their shares and they are in compliance with interest-free financing principles.

## Types of Lease Certificates

- Lease certificate based on ownership (İjara)
- Lease certificate based on management agreement (Wakala)
- Lease certificate based on trade (Murabaha)
- Lease certificate based on partnership (Mudaraba-Musaraka)
- Lease certificate based on work of art contract (İstisna)

**Ziraat Katılım**  
FAZLSİZ FİNANSMAN

Hakkımızda | Kira Sertifikası | Yatırım İhtikalleri | İletişim

### Ziraat Katılım Varlık Kiralama

Fazlsiz Finansman

**Kira Sertifikası İhracı**  
Şirketimiz tarafından Sermaye Piyasası Kurulu'nun onayına sunulan belgelerimiz...

**Kira Sertifikası Nedir?**  
Her türlü varlık ve hâkân finansmanını sağlamak amacıyla varlık kiralama şirketi tarafından...

**Duyurular**

- İhracat Belgesi
- 4. Tertip İhracat Belgesi
- İhraca Dair Bilgiler



Detaylı bilgi için:  
[www.ziraatkatilimvks.com.tr](http://www.ziraatkatilimvks.com.tr)

# Macroeconomic Outlook

## Macroeconomic Outlook

### Global Economy

In 2017, the US Central Bank (Fed) increased the interests by 75 base points, indicating that US economy's recovery has reached a reasonable level. European Central Bank (ECB) stated that the economic program applied has been successful and they will scale back the quantitative easing. Recovery of the economies of the developed countries had a positive impact on the economies of developing countries and this has expedited the capital flow to those countries particularly in the second half of the year.

#### While recovery of the US economy accelerates...

Expectations for 2017 were the continuance of the recovery of US economy with Fed's interest rate increases, expansionary monetary policies of European and Japanese central banks and acceleration of growth in the developing countries.

Although inflation in 2017 has been lower than expectations in the USA, employment market reaching closer to full employment level has increased the confidence in the economic policies. Considering the recovery of the US economy and to ensure price stability, Fed has increased the interests three times during the year by a total of 75 base points. In addition to that, Fed has announced that it will gradually decrease its bond portfolio of approximately USD 4.2 which were purchased since 2008 in order to increase the liquidity at the market.

## ECB

resorted to scale back quantitative easing.

On the other hand, President Trump has signed a draft bill on tax reduction and employment law. Accordingly, corporate taxes are reduced from 35% to 21% as of 2018. With the same bill, tax rates applied to individuals have also been reduced.

With US economy's further recovery and President Trump's expansionary fiscal policy, it is expected that Fed will increase interest rates three more times in 2018. However, if the economic data end up to be lower than expected or inflation does not meet the expectations, Fed may apply a tight monetary policy and take a more cautious stance.

#### Modest growth in European Union

While the recovery of European Union economy continued, better than expected PMI and industrial production data confirmed the success of the economic program applied.

As the studies on Brexit calendar continues, costs to European Union and England slowly rise to the surface. In line with the market dynamics, European Central Bank continued to apply an expansionary monetary policy and did not change the interest rates to support the EU countries. Policy interest remained at zero, deposit interest at -0.40% and marginal funding interest at 0.25 %. However, at the last quarter of the year ECB has stated that, from now on the agenda will be around interest levels rather than quantitative easing or contraction. It has also been stated that improvement in inflation still does not meet the expectations.

## In 2017 ceasing of the decrease in growth rate of the Chinese economy in recent years has affected prices of oil and other commodities positively.

High unemployment rates and debt stock in many European countries seem to be the main problems which need to be solved in the long run. In this context, due to the continuing problems in the EU and inflation being lower than expected, it is considered that ECB will continue the expansionary monetary policy for a while.

### While US dollar gets stronger...

At the beginning of 2017, increase in US bond interests has caused the strengthening of US dollar index. This has caused sale of US dollars in developing countries and ultimately these countries' currencies lost value. However, with bond interests stabilized and inflation running steady, funds flowing to the developing countries have accelerated again.

Another factor supporting the economies of the developing countries has been the increase in commodity prices, particularly oil prices.

Ceasing of the decrease in growth rate of the Chinese economy in recent years has also affected prices of oil and other commodities positively. This had a positive impact on the economies of commodity exporting developing countries and fund flow to these countries has accelerated from the second half of the year.

With the impact of strengthening currencies, inflation in countries like Brazil and Russia decreased considerably and this brought along interest rate decreases. Although the recovery of economies of developing countries has expedited compared to recent years, they are still far away from previous years' average.

Increase in

## Commodity prices

supported the economies of the developing countries.

## Expansionary

monetary policies will continue to be on the agenda for a while.

# Macroeconomic Outlook

## Turkish Economy

### Strong foundation, proactive economy management, rapid growth

In 2017, uncertainties in global economy, geopolitical risks at our borders and higher than expected inflation had unfavorable impacts on Turkish economy.

In spite of those, fast decisions taken by the economy administration, solutions to economy's needs such as applications like Credit Guarantee Fund, strong building blocks of the economy and a political authority experienced in economy administration led to a substantially higher than expected and strong growth performance.

Recovery in the Euro Region throughout the year had also affected Turkey's exports which contributed to this growth.

The recovery in the Euro Region continuing to contribute to Turkey's exports and developments in the global economy supporting the emerging markets, Turkey is expected to close the year with a growth rate which is substantially higher than expectations.

Turkish Lira's loss of value against most developed countries' currencies in 2017, particularly USD, had a positive impact on Turkey's exports and tourism revenues. Since EU had the greatest share of Turkey's export market, majority of Turkey's export income is in Euro. On the other hand, import costs are mainly in US dollars. Increase in EUR/USD rate in the last quarter of the year has been another factor impacting the assessment of Turkey's export performance in a positive way. However, an increase was observed in imports due to high

# 11,92%

inflation rate (as of 2017 year end)

growth. Consequently, in 2017 while there was a limited increase in current deficit, current deficit/GDP ratio is expected to be under 5%.

### Inflation rate in 2017 was 11.92% which is higher than expectations

Factors which affected the higher than expected inflation rate have been TL losing value against USD and EUR by 20% annually leading to a negative currency impact throughout the year and high food prices. With TL gaining some value, although limited, inflation is expected to decrease starting from the first quarter of 2018.

### CBRT's determined policy approach

Considering the global economic conditions and decreasing trend in inflation in 2016, CBRT has decreased the lending rates considerably. At the last quarter of the year with global conditions changing, CBRT started applying a tight monetary policy and increased policy interests by 50 base points to support Turkish Lira.



**Steps taken by CBRT to ensure price stability are expected to have positive impact on financial stability as well as on capital and consumption expenditures.**

## 300 base points

rise in interest

<5%

current deficit / GDP ratio

In 2017 to ensure price stability and to strengthen Turkish Lira, CBRT further increased interest rates by 300 base points, effectively recording a substantial increase in funding interests. Steps taken by CBRT to ensure price stability are expected to have positive impact on financial stability as well as capital and consumption expenditures.

In spite of high debt rates in developed countries and expenditures made for immigrants staying in our country in 2017, by applying a financial discipline, Turkey was able to keep public debt at a lower rate although there is some increase in budgetary deficit. It is expected that the same determination will continue in 2018.

In the following periods it is expected that continuing structural reforms will help Turkey shape its macroeconomic structure for 2018 and beyond and support sustainable growth.

In spite of high debt rates in developed countries and expenditures made for immigrants staying in our country in 2017, by applying a financial discipline, Turkey was able to keep public debt at a lower rate although there is some increase in budgetary deficit.

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# What is Value?

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**For us, value is getting  
through things together.**



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#### **e-Government Gateway**

e-Government Gateway which is a user-friendly product where you can get various public services can be easily accessed via Ziraat Participation Internet Branch.





# An Assessment of 2017: Strategies, Developments and Future Goals

## TL 1.1 billion

total amount of 9 lease certificates

**Ziraat Participation continued its operations with an understanding of seeing the confidence of its customers in them as the foundation of its success and left 2017 behind proud and excited to complete the year with a strong performance.**

Offering products and services that are of high added value for its customers and fully compliant with the principles of participation banking, Ziraat Participation continued to support individual banking customers as well as the real sector throughout 2017, backed by the power of the Ziraat brand.

Ziraat Participation is constantly increasing the quality of its services and provides the best source of financing to its stakeholders with new products and services that will contribute to the development of participation banking.

Operating with the aim of being a leader and a respectable participation bank, not only in our country but also in our region, Ziraat Participation will provide an ever-greater contribution to the real sector and the country's economy within the framework of Turkey's 2023 targets.

### Corporate and Entrepreneurial Banking

**As a participation bank which provides world class services in compliance with participation banking principles, having strong ethical values and awareness of social responsibilities, Ziraat Participation corroborates participation banking in its region and continuously creates value.**

Following the first profit-loss sharing project in 2016 which was performed in order to contribute to product variety in participation banking and open new development areas, Ziraat Participation took place in a second profit-loss sharing project in 2017. In 2018, profit-loss sharing projects in different industries will be our priority target.

In order to help customers, particularly SME's, solutions were provided for them to have access to low cost financing, World Bank originated funds and Credit Guarantee Fund for those customers with guarantee issues.

In 2018 we will continue developing more solutions for those customers who need low cost financing and guarantee.

In 2017, within the scope of Turk Eximbank originated credits, disbursements were made in EUR and TL, in addition to USD, under the heading of Pre-shipment Export Credits. In 2018, our focus will be on increasing the number of customers who will benefit from these opportunities.

Ziraat Participation has issued 9 lease certificates with a total amount of TL 1.1 billion in 2017 and it will continue issuing new certificates to expedite the increase in the volume of participation banking in money and capital markets.

## In 2017, Ziraat Participation continued to provide products and services with high added value and which are fully compliant with participation banking principles.

### Retail Banking

Aiming to meet customer expectations by providing the right products and services in a timely manner, Ziraat Participation achieved a successful performance in attracting individual customers in 2017.

Within the framework of participation banking principles, Ziraat Participation continues to support its customers and to meet their needs 7 days a week, 24 hours a day with the most appropriate solutions and through the most appropriate channels such as

- Branches
- ATM's
- Internet and Mobile Banking applications
- Call Center

In 2017, the followings were realized in Retail Banking:

- By the end of the year, the risk balance for individual loans exceeded TL 1.3 billion. In addition to that, the number of contracted housing projects rose to 82 and the Bank began to meet the financing needs of its customers from the related projects.
- By the end of 2017, by completing the protocol processes of 36 different institutions, the Bank continued to increase the transactions made by the retired pensioners through the Bank and develop new services and transactions for them.
- Starting with the second half of 2017, Ziraat Portfolio Short-term Lease Certificate Participation Fund which was founded by Ziraat Portfolio Management was offered to Bank's customers.
- The Bank started to organize Ziraat Participation Gold Days since June, a physical gold collection system, to collect gold savings in order to include them into the economy.
- Activities to increase the usage of individual FILIKA card (Financing Limited Card) and Ziraat Participation Bank Card have expedited. Number of cards increased by 120% and the revenue from the card increased by 160%.

Within the scope of the "Correspondent Banking" project, anyone who wants to become a Ziraat Participation customer can open a Ziraat Participation account through any Ziraat Bank branch and apply for a Ziraat Participation Bank Card. Users of the Bank card are also able to inquire their balance and withdraw money from any Ziraat Bank ATM free of charge.

# TL 1.3 million

balance of loans to individual customers (as of 2017 year end)

# 82

number of contracted housing projects

### Retail Banking targets for 2018:

- In 2018, Virtual POS product will be offered to member businesses. Ziraat Participation will continue to make contracts with manufacturers of POS/cash registers of which POS system will be integrated.
- Development and diversification of fund collection products will be accelerated.

### Channel Management

Adopting the multi-channel strategy, Ziraat Participation offers its customers effective and high-quality services through branches as well as through electronic service channels. The results achieved in this area in 2017 are listed below.

### ATMs

- As of the end of 2017, the number of active Ziraat Participation ATMs increased by 34% when compared to the previous year, with transaction volume amounting to TL 369 million.
- The process of depositing money into accounts can be conducted in Turkish, English, German, Arabic and Russian from all ATMs.
- The card copying security application is used in all ATMs to ensure that customers are not exposed to ATM fraud.
- In order to increase the customer service standard, tracking of ATM malfunctions and supply status became automatic and information is being sent to those in charge of ATMs and institutions both electronically and over mobile platform.

# An Assessment of 2017: Strategies, Developments and Future Goals

The Bank aims to offer a better service from ATMs in 2018 following customer experience analysis, with improvements in customer service by informing those managing the ATMs, closer liaising with organizations in electronic and mobile media through the automatic breakdown and maintenance status follow up service and an increasing the number of ATMs.

## Customer Communication Centre and Central Banking Branch

- In 2017, a total of 164 thousand customer calls were received and 547 thousand informative SMS and 265 thousand informative e-mails were sent from the Customer Communication Center.
- The Interactive Voice Response system (IVR) was put into practice with English and Arabic language options.
- Central Banking Branch which was opened to serve customers who opened their accounts through internet branch or correspondent banks continues its operations.
- The Solution Support Center, which serves the customers of the Central Banking Branch, started its operations. Solution Support Center has answered 33,698 customer calls in 2017.
- Customer Communication Center and Solution Support Center customer representatives were trained by different departments in the organization.
- Quality monitoring services were received and they will continue to be received in 2018.

## Internet Banking

- Ziraat Participation's Internet Banking transaction functions were expanded so that customers can perform all their banking transactions from the branchless channel.
- Number of Internet Banking customers and transaction amount has increased by more than 100%.
- The opportunity to switch from individual internet banking to the E-Government Gateway, which provides access to the services offered by the public institutions and organizations in electronic media from a single point, was provided without the need for an e-government password.
- Studies are being conducted to enable customers to make their payments through their accounts by direct payment management.

# 164 thousand calls

number of calls answered by the Customer Communication Center

# >100%

increase in number of Internet Banking users and transactions performed through Internet Banking

Ziraat Participation aims to make its customers' lives easier by ensuring the integration of its products and services with non-branch digital channels and by spreading the use of non-branch channels, mainly the mobile channel.

In 2018, the Internet Banking channel is planned to be redesigned to enhance the Internet Banking experience for customers, to offer a flawless and easy service and to meet different customer needs.

## Mobile Banking

- The Ziraat Participation Mobile Banking application was made available for IOS operating system users with the "Participation Mobile" brand on 17 December 2016, with the aim of helping customers with its innovative and customer oriented digital strategy. The application had been downloaded by 150 thousand customers by the end of 2017.
- Participation Mobile's transaction variety has been improved. Many banking transactions such as account transactions, money transfers, invoice and tax payments, foreign currency/gold transactions, donation transactions can be performed through Participation Mobile.
- In 2018, the Participation Mobile application will offered to customers using the Android operating system and users will be able to logon to the application with Mobile Approval, which will be enabled with new function developments.

## Ziraat Participation has successfully completed a USD 236 million murabaha syndication in cooperation with international banks

### Customer Satisfaction

In 2017, a total of 668 of the total of 4,226 incidences of feedback that were resolved in the Ziraat Participation Customer Satisfaction Unit were customer complaints.

The average resolution time for items of feedback was 1.07 days during the year and the average resolution time for complaints stood at 1.59 days.

In the sector, where the average response time is between 5-7 working days, Ziraat Participation was positioned among the fastest banks in this field.

In 2017, Ziraat Participation was awarded the ISO 10002: 2014 Customer Satisfaction Management System quality certificate, an indicator that customer feedback is being responded to well and also of continuous improvement in accordance with international standards.

Adopting a customer-focused service approach and working on continuously to increase customer satisfaction, Ziraat Participation organizes workshops to provide permanent solutions to common customer complaints. In addition to that, progress has been made in Complaint Line Project infrastructure process and presentation activities.

### Treasury Management and International Banking

Ziraat Participation's assets have almost doubled in 2017 and a growth strategy based on financing mainly real sector and foreign trade has been followed.

Ziraat Participation went on resource diversification in asset-liability management with main resource being participation funds and it established the liability base of the balance sheet taking into consideration optimum cost and term. The Bank adopted a strategy to effectively manage the pools of participation funds. In this context, it expanded its resource opportunities from local and international banks in TL and foreign currency.

Ziraat Participation effectively used interbank borrowing and financing products to fulfill the required reserve liability, to meet the liquidity needs in line with the participation banking principles and to assess the surplus.

# 1.59 days

average solution time of complaints

# ISO 10002:2014

Customer Satisfaction Management System quality certificate was received.

### Correspondent Relations

In 2017 Ziraat Participation established a swift correspondent relationship with a significant number of banks by completing the legislative compliance processes and quickly met the requests in the foreign trade field.

Opening two USD correspondent accounts in 2017, Ziraat Participation signed a mutual Wakala / Murabaha contract with several banks. Within the framework of these contracts, foreign resources aimed at increasing the diversity of the resources with interbank Murabaha and Wakala transactions were provided.

In 2017, Ziraat Participation also successfully completed a USD 236 million Murabaha syndication performed with the participation of international banks.

Ziraat Participation, which plays an active role in capital markets as a part of its strategy of enriching the resource structure, obtained issuance approval with a TL 1.5 billion ceiling from the Capital Markets Board in order to issue TL denominated lease certificates in the local market with its affiliate, Ziraat Katılım Varlık Kiralama. Within this framework, issuances were made in different amounts with a total of TL 1.1 billion.

In 2017, Ziraat Participation continued to provide long term resources from the World Bank and various other development banks, for financing SMEs and foreign trade financing and to maintain its financing support for SMEs and the real sector.

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# What is Value?

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**For us, value is protecting  
our morals.**



#### **FILIKA Card**

FILIKA-Financing Limited Card is an individual financing product which helps customers meet their domestic financing needs easily in line with participation banking principles.







## Customs tax

collection services have started.

## TFRS 9

infrastructure for transition has been completed.

Ziraat Participation aims the following in 2018:

- Significantly increase the number of correspondent banks and the level of foreign trade volume,
- Perform a sukuk issuance in foreign currency in order to ensure borrowing diversification outside participation funds and to extend maturity structures on the resource side,
- Continue to issue lease certificates in the domestic markets,
- Add depth to the capital markets by carrying out corporate lease certificate issuances in favor of third parties other than Ziraat Participation, through the newly established asset leasing company,
- Provide increasing support to the real sector by maintaining a supply of resources from international institutions for the financing of SMEs and foreign trade.

### Operational Transactions

In 2017, Ziraat Participation implemented an array of operational measures to facilitate and accelerate the process of the participation banking product and service offering.

- Efforts to make the clearing of cheques in USD and EUR possible have been completed and Foreign Currency Cheque Clearing Protocol has been signed with T.C. Ziraat Bankası, Türkiye Finans Katılım Bankası, Türkiye Halk Bankası and Albaraka Türk Katılım Bankası.
- Certification tests for payment of SRRNET/Avea invoices through Ziraat Participation have been completed and collections have started.
- Certification tests for collection of Bepsaş, Çinigaz Kütahya, Çorum Su, Çorum Gaz, Sürmeligaz, Kargaz, Dicle Epsaş, Diski,

Kayseri Su, Malatya Su Yetaş, Enerya Konya, Sakarya Su, Kütahya Su invoices have been completed and collections have started.

- Umrah collections have started to be collected in SAR currency.
- Certification tests for customs tax collections have been completed and collections have started.
- On the job trainings have continued to be conducted for employees who works or would start to work in Ziraat Participation Headquarters or branches. Visits to branches before branch openings, audits of branches to confirm their readiness to provide services and to make up for the deficiencies have been conducted.
- Work flows have been reviewed and individual customers' account opening process was adjusted so that once an account opening starts in the branch it is approved and completed at the branch. This has shortened the time of the transaction which contributed to customer satisfaction.

### Information Technologies

**With its information technology activities, Ziraat Participation aims to provide speed, innovation and change management required at this age and to meet its customers' needs in a simple way by adopting innovative projects which integrate effectiveness and efficiency to its infrastructure.**

**Various Information Technology projects have been successfully completed and put into use in 2017.**

- Infrastructural works for transition to TFRS 9 have been completed.
- Integration to Turkey's national payment system TROY has been completed.
- Mobile Banking application has been put in service for both corporate and joint account customers and new functions have been put in use under the 2nd phase.
- Branch and Portfolio Performance Scorecard project has been completed and starting from 2018 targets and performances of all branches will be measured and analyzed with the newly identified metrics.

## Having completed many projects in Information Technologies area, Ziraat Participation completed its infrastructure works for the transition to TFRS 9 application.

- Customer and Product Activity Criteria and Reporting infrastructure has been developed. This module will be available at the beginning of 2018.
- Legal notification compliance activities have been completed for GiB/MASAK notifications and put in use.
- Investment transactions (fund purchases and sales) can now be realized through e-branch.
- Investment fund purchase and sale transactions can be done from both branches and over the internet.
- Activities for KKB (Credit Bureau) Web Service Infrastructure have been performed.
- Automation for Eximbank processes has been completed.
- Early Warning Project has been improved to include more advanced criteria and methods of monitoring.
- Establishment of Nostro Confirmation Application and its integration with banking system were completed.
- Structural arrangements needed for handicapped customers to make transactions through the ATM's have been completed and they will be put in use at the beginning of 2018.

### Activities under Information Technologies area which will be performed in 2018 are summarized below:

- Shared ATM Cash Deposit and Cross Transactions will be put in use.
- Virtual POS product will be in service at the beginning of 2018.
- Cash transfer from card to card (Moneysend) will be in service at the beginning of 2018.
- FILIKA card product will be offered to customers through the correspondent bank starting from the beginning of 2018.
- Security infrastructure works which will provide for single use password without the need for SMS password in Mobile Banking applications are in progress.
- Studies for Direct Payment from the Account capability on Participation Mobile and e-Trade transactions have started.
- Cards which are linked to TROY payment system will be able to make contactless payment in 2018.
- Activities to enable Ziraat Participation cards to be open to e-trade with 3D Secure integration have started.

## Cyber threat

prevention services have been purchased.

### Ziraat Participation had significant achievements as a result of their efforts in information security area in 2017.

- Ziraat Participation has completed the purchase of cyber threat prevention services. Within the framework of these services, the Bank expects to prevent average incidents and threats against brand security/reputation, trojan and identity theft incidents, mobile application and mobile market frauds, fake mobile applications and fraud incidents linked to those.
- Activities have started to use HTTPS feature to enable the main banking system to provide more secure services.
- The Bank started to work on setting up systems for controls and arrangements necessary for SWIFT CSP (Customer Security Program).
- Central log management system has been installed. It started to take logs from the system and make correlations to set up alarm mechanisms. All systems have been scanned against current attacks and instant alarm mechanisms were set up.
- Central security application called Vulnerability Scanning System was put into service to ensure prevention, detection and removal of malware.

### Ziraat Participation has recorded significant progress in technology and infrastructure activities.

- Transfer of Ziraat Participation Data Center in Ankara Söğütözü to the TIER-3 standard modern Data Center in Istanbul Esenyurt has been completed.
- Monitoring infrastructure has been installed to monitor the continuity of network devices on a 7/24 basis.
- Installation of the new data center to be used as a secondary and ODM data center has been completed in Ankara.
- Disaster Center Business Unit tests which need to be performed at least once a year have been completed.
- Emergency Business Continuity tests have been completed.
- Pilot studies for Virtual Desktop project have started.
- Application implementation studies have started to enable monitoring of virtual systems and analyzing the trends.

## Human Resources

**In line with its strategies and targets, Ziraat Participation's practices in the field of human resources are focused on creating a happy and productive work environment and contributing to the development of employees' performance by guiding employees in partnership with their units and branches.**

In line with its sustainable development and growth targets, Ziraat Participation continued to serve its customers with 890 employees and 63 branches as of the end of 2017.

Ziraat Participation continued its support to employment by recruiting 269 employees in 2017 through competency-based and transparent recruitment processes.

Adopting modern human resources applications, Ziraat Participation's principle is to offer equal opportunities to its employees and train the future leaders primarily from the internal human resources of the bank.

In 2017, with the cooperation of Ziraat Participation and Sabahattin Zaim University, a promotion examination was held in the most professional manner and successful personnel were promoted to a title one level superior.

### **70 new assistant specialists**

In order to strengthen its young dynamic personnel structure and to bring in young professionals to the banking industry, two country-wide assistant specialist exams were organized with the support of Anadolu University. 10,135 people have attended the exam. Among those attended, 70 candidates were hired upon completion of their recruitment process.

As an employer who cares about its employees' health and makes arrangements on this area, Ziraat Participation organized health screening of employees working in the Headquarters.

Under the Directive for Occupational Health and Safety and Emergency Situations, with the support of Health and Safety professionals, emergency drills were performed at Headquarters and Üsküdar Additional Building.

# 269 employees

joined Ziraat Participation family (in 2017).

# 4,394 day/man

total time of training offered to 694 employees

### **Managers of 13 branches were appointed from internal resources.**

With the awareness of the major role of human resource in achieving sustainable performance in growth strategy, Ziraat Participation adopts the principle of retaining its employees by investing in them and developing them to get prepared for the managerial levels. In this context, 13 branch managers of 19 branches opened in 2017 were appointed from the Bank's internal resources.

Ziraat Participation shifted to a new modern organization structure which makes effective decision making easier, allows for a flexible structure and supports growth.

Dynamic Query program has been implemented which enables instant access to bank organization charts, correct interpretation of these charts, speeding up the decision making mechanisms and adding small reports to the charts downloaded from the system.

Ziraat Participation cares about planning and managing its employees' professional development. In order to achieve this and advance their academic careers as well as their personal development, the Bank has cooperated with distinguished universities.

In-house and outside trainings have continued in 2017 for employees' development, particularly certificate programs on Islamic Economy and Participation Banking which help employees properly understand participation banking. Ziraat Participation has organized 152 different training programs and 694 employees attended these trainings where a total of 4,394 day/man has been achieved.

## Affiliates

### Ziraat Participation's First Partnership

Ziraat Katılım Varlık Kiralama A.Ş., which was Ziraat Participation's first partnership with a subsidiary status, was established on 22 January 2016 with a capital of TL 50,000.

### Ziraat Katılım Varlık Kiralama A.Ş.

Ziraat Katılım Varlık Kiralama A.Ş. was established on 22 January 2016 with a capital of TL 50,000, paid entirely by Ziraat Participation with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Market Board (CMB) to issue exclusively lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, Istanbul.

As of 30 December 2017, the company had no personnel.

Lease certificates with TL 150,000,000 nominal value, 90 day term, redemption date of 15 March 2018 and ISIN code "TRDZKVK31825" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 15 December 2017 with the approval of General Directorate of Stock Exchange dated 4 May 2017 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 18 December 2017.

Lease certificates with TL 100,000,000 nominal value, 101 day term, redemption date of 22 March 2018 and ISIN code "TRDZKVK31817" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 11 December 2017 with the approval of General Directorate of Stock Exchange dated 4 May 2017 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 13 December 2017.

Lease certificates with TL 200,000,000 nominal value, 104 day term, redemption date of 21 February 2018 and ISIN code "TRDZKVK21818" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 9 November 2017 with the approval of General Directorate of Stock Exchange dated 4 May 2017 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 13 November 2017.

Lease certificates with TL 100,000,000 nominal value, 176 day term, redemption date of 6 April 2018 and ISIN code "TRDZKVK41816" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 12 October 2017 with the approval of General Directorate of Stock Exchange dated 4 May 2017 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 16 October 2017.

Payments of redemption of TL 150,000,000 and coupon payments of TL 4,525,064.89 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 10 August 2017 with TL 150,000,000 nominal value, 91 day term, redemption date of 9 November 2017 and ISIN code "TRDZKVKK1710" have been completed on 9 November 2017.

Payments of redemption of TL 100,000,000 and coupon payments of TL 3,419,179.89 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 29 August 2017 with TL 100,000,000 nominal value, 104 day term, redemption date of 11 December 2017 and ISIN code "TRDZKVK1712" have been completed on 11 December 2017.

Payments of redemption of TL 100,000,000 and coupon payments of TL 2,926,030.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 1 June 2017 with TL 100,000,000 nominal value, 89 day term, redemption date of 29 August 2017 and ISIN code "TRDZKVK81721" have been completed on 29 August 2017.

Payments of redemption of TL 100,000,000 and coupon payments of TL 2,934,250.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 12 May 2017 with TL 100,000,000 nominal value, 90 day term, redemption date of 10 August 2017 and ISIN code "TRDZKVK81713" have been completed on 10 August 2017.

Payments of redemption of TL 100,000,000 and coupon payments of TL 2,741,590.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 8 February 2017 with TL 100,000,000 nominal value, 93 day term, redemption date of 12 May 2017 and ISIN code "TRDZKVK51716" have been completed on 12 May 2017.

## Affiliates

<b>ISIN Code of Capital Market Instrument</b>	<b>TRDZKVK41816</b>
Type of Capital Market Instrument	Lease Certificate
Sale Type	Sale to Qualified Investors Without Public Offering
Nominal Value of Issuance	TL 100,000,000
Nominal Value of Sale	TL 100,000,000
Issue Price	TL 1
Term of the Capital Market Instrument	6 April 2018 – 176 days
Redemption Plan of the Capital Market Instrument Issued	Principal and return payment to be paid at maturity with interim return payment
Return/Profit Share Ratio of Capital Market Instrument	Annual Simple Yield %12,15, periodic return %2,92932
<b>ISIN Code of Capital Market Instrument</b>	<b>TRDZKVK21818</b>
Type of Capital Market Instrument	Lease Certificate
Sale Type	Sale to Qualified Investors Without Public Offering
Nominal Value of Issuance	TL 200,000,000
Nominal Value of Sale	TL 200,000,000
Issue Price	TL 1
Term of the Capital Market Instrument	21 February 2018 – 104 days
Redemption Plan of the Capital Market Instrument Issued	Principal and return payment to be paid at maturity at once
Return/Profit Share Ratio of Capital Market Instrument	Annual Simple Yield %12,35, return rate %3,51890
<b>ISIN Code of Capital Market Instrument</b>	<b>TRDZKVK31817</b>
Type of Capital Market Instrument	Lease Certificate
Sale Type	Sale to Qualified Investors Without Public Offering
Nominal Value of Issuance	TL 100,000,000
Nominal Value of Sale	TL 100,000,000
Issue Price	TL 1
Term of the Capital Market Instrument	22 March 2018 – 101 days
Redemption Plan of the Capital Market Instrument Issued	Principal and return payment to be paid at maturity at once
Return/Profit Share Ratio of Capital Market Instrument	Annual Simple Yield %12,55, return rate %3,47274
<b>ISIN Code of Capital Market Instrument</b>	<b>TRDZKVK31825</b>
Type of Capital Market Instrument	Lease Certificate
Sale Type	Sale to Qualified Investors Without Public Offering
Nominal Value of Issuance	TL 150,000,000
Nominal Value of Sale	TL 150,000,000
Issue Price	TL 1
Term of the Capital Market Instrument	15 March 2018 – 90 days
Redemption Plan of the Capital Market Instrument Issued	Principal and return payment to be paid at maturity at once
Return/Profit Share Ratio of Capital Market Instrument	Annual Simple Yield %12,20, return rate %3,00822

### ZKB Varlık Kiralama A.Ş.

ZKB Varlık Kiralama A.Ş., which is Ziraat Participation's second partnership with a subsidiary status, was established on 8 September 2017 with a capital of TL 50,000.

ZKB Varlık Kiralama A.Ş. was established on 8 September 2017 with a capital of TL 50,000, paid entirely by Ziraat Participation with the authorization obtained from the Banking Regulation

and Supervision Agency (BRSA) and the Capital Market Board (CMB) to issue exclusively lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, Istanbul.

As of 31 December 2017, the company had no personnel.

## Changes in the Articles of Association in 2017

Pursuant to a resolution passed at the annual general assembly of Ziraat Participation Bank held on 13 July 2017, the Bank's paid-in capital was increased to TL 1,250,000,000 by means of a cash injection in the amount of TL 500,000,000 which was provided by the Treasury Undersecretariat and TL 3,000,000 provided from internal sources. This increase was registered on 20 July 2017 and the section of the bank's articles of association concerning this action was revised as indicated below.

### DRAFT AMENDMENT SHOWING THE OLD AND NEW FORMS OF THE SECTIONS OF ZİRAAT KATILIM BANKASI A.Ş.'S ARTICLES OF ASSOCIATION THAT ARE TO BE CHANGED

OLD VERSION				NEW VERSION			
<b>Article 6</b>				<b>Article 6</b>			
The nominal value of the Company's capital is TL 747,000,000.00. This capital is divided into 747,000,000 shares, each of which has a par value of one Turkish lira.				The nominal value of the Company's capital is TL 1,250,000,000.00. This capital is divided into 1,250,000,000 shares, each of which has a par value of one Turkish lira.			
The entire TL 675,000,000.00 of the previous capital was paid in cash in a manner free from collusion and unlawful conduct.				The entire TL 747,000,000.00 of the previous capital was paid in cash in a manner free from collusion and unlawful conduct.			
The entire TL 72 million cash increase was subscribed to by T.C. Ziraat Bankası A.Ş. and was paid before the date of its registration.				TL 500,000,000 cash increase was subscribed to by T.C. Ziraat Bankası A.Ş. and was paid before the date of its registration. TL 3,000,000 of the increase was provided from internal sources.			
The bank's ownership structure is as follows:				The bank's ownership structure is as follows:			
Name Surname/ Corporate Title	Share Amount (TL)	Share %	# Shares	Name Surname/ Corporate Title	Share Amount (TL)	Share %	# Shares
T.C. Ziraat Bankası A.Ş.	746,999,996	99.9999996	746,999,996	T.C. Ziraat Bankası A.Ş.	1,249,999,996	99.99999968	746,999,996
Ziraat Sigorta A.Ş.	1	0.0000001	1	Ziraat Sigorta A.Ş.	1	0.00000008	1
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	Ziraat Hayat ve Emeklilik A.Ş.	1	0.00000008	1
Ziraat Teknoloji A.Ş.	1	0.0000001	1	Ziraat Teknoloji A.Ş.	1	0.00000008	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	Ziraat Yatırım Menkul Değerler A.Ş.	1	0.00000008	1
<b>Total</b>	<b>747,000,000</b>	<b>100.00</b>	<b>747,000,000</b>	<b>Total</b>	<b>1,250,000,000</b>	<b>100.00</b>	<b>1,250,000,000</b>
Share transfers and establishments of rights thereon shall take place after they have been authorized by the bank's general assembly of shareholders. Such assignments shall be effected in accordance with the provisions of the Turkish Commercial Code and of other applicable laws, regulations, and administrative provisions.				Share transfers and establishments of rights thereon shall take place after they have been authorized by the bank's general assembly of shareholders. Such assignments shall be effected in accordance with the provisions of the Turkish Commercial Code, Banking Law and of other applicable laws, regulations, and administrative provisions.			
Shares are registered in the name of their bearers.				Shares are registered in the name of their bearers.			

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# What is Value?

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**For us, value is achieving  
more by sharing.**



## **Participation Accounts**

Savings benefit from earnings through interest-free financing methods under Ziraat Participation guarantee in Turkish Lira Participation Accounts







# Yıllık Faaliyet Raporu Uygunluk Görüşü



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel: +90 (212) 316 6000  
Fax: +90 (212) 316 6060  
www.kpmg.com.tr

## YÖNETİM KURULUNUN YILLIK FAALİYET RAPORUNA İLİŞKİN BAĞIMSIZ DENETÇİ RAPORU

Ziraat Katılım Bankası Anonim Şirketi Yönetim Kurulu'na

### 1) Görüş

Ziraat Katılım Bankası Anonim Şirketi'nin ("Banka") 1 Ocak 2017 – 31 Aralık 2017 hesap dönemine ilişkin yıllık faaliyet raporunu denetlemiş bulunuyoruz.

Görüşümüze göre, yönetim kurulunun yıllık faaliyet raporu içinde yer alan finansal bilgiler ile Yönetim Kurulunun Banka'nın finansal durumu hakkında yaptığı irdelemeler, tüm önemli yönleriyle, denetlenen tam set finansal tablolarla ve bağımsız denetim sırasında elde ettiğimiz bilgilerle tutarlıdır ve gerçeği yansıtmaktadır.

### 2) Görüşün Dayanağı

Yaptığımız bağımsız denetim, 29314 sayılı Resmi Gazete'de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu (KGG) tarafından yayımlanan Türkiye Denetim Standartlarının bir parçası olan Bağımsız Denetim Standartlarına (BDS'lere) uygun olarak yürütülmüştür. Bu Standartlar kapsamındaki sorumluluklarımız, raporumuzun Bağımsız Denetçinin Yıllık Faaliyet Raporunun Bağımsız Denetimine İlişkin Sorumlulukları bölümünde ayrıntılı bir şekilde açıklanmıştır. KGG tarafından yayımlanan Bağımsız Denetçiler için Etik Kurallar (Etik Kurallar) ve bağımsız denetimle ilgili mevzuatta yer alan etik hükümlere uygun olarak Banka'dan bağımsız olduğumuzu beyan ederiz. Etik Kurallar ve mevzuat kapsamındaki etiğe ilişkin diğer sorumluluklar da tarafımızca yerine getirilmiştir. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.

### 3) Tam Set Finansal Tablolara İlişkin Denetçi Görüşümüz

Banka'nın 1 Ocak 2017 – 31 Aralık 2017 hesap dönemine ilişkin tam set finansal tabloları hakkında 5 Şubat 2018 tarihli denetçi raporumuzda olumlu görüş bildirmiş bulunuyoruz.

#### 4) Yönetim Kurulunun Yıllık Faaliyet Raporuna İlişkin Sorumluluğu

Banka yönetimi, 6102 sayılı Türk Ticaret Kanununun (TTK) 514 ve 516'ncı maddelerine ve 1 Kasım 2006 tarihli ve 26333 sayılı Resmi Gazete'de yayımlanan "Bankalarca Yıllık Faaliyet Raporunun Hazırlanmasına ve Yayımlanmasına İlişkin Usul ve Esaslar Hakkında Yönetmelik" ("Yönetmelik") hükümlerine göre yıllık faaliyet raporuyla ilgili olarak aşağıdakilerden sorumludur:

a) Yıllık faaliyet raporunu bilanço gününü izleyen ilk üç ay içinde hazırlar ve genel kurula sunar.

b) Yıllık faaliyet raporunu; bankanın o yıla ait faaliyetlerinin akışı ile her yönüyle finansal durumunu doğru, eksiksiz, dolambaçsız, gerçeğe uygun ve dürüst bir şekilde yansıtmak şeklinde hazırlar. Bu raporda finansal durum, finansal tablolara göre değerlendirilir. Raporda ayrıca, bankanın gelişmesine ve karşılaşması muhtemel risklere de açıkça işaret olunur. Bu konulara ilişkin yönetim kurulunun değerlendirmesi de raporda yer alır.

c) Faaliyet raporu ayrıca aşağıdaki hususları da içerir:

- Faaliyet yılının sona ermesinden sonra bankada meydana gelen ve özel önem taşıyan olaylar,
- Banka'nın araştırma ve geliştirme çalışmaları,
- Yönetim kurulu üyeleri ile üst düzey yöneticilere ödenen ücret, prim, ikramiye gibi mali menfaatler, ödenekler, yolculuk, konaklama ve temsil giderleri, aynı ve nakdî imkânlar, sigortalar ve benzeri teminatlar.

#### 5) Bağımsız Denetçinin Yıllık Faaliyet Raporunun Bağımsız Denetimine İlişkin Sorumluluğu

Amacımız, TTK hükümleri ve Yönetmelik çerçevesinde yıllık faaliyet raporu içinde yer alan finansal bilgiler ile Yönetim Kurulunun Banka'nın finansal durumu hakkında yaptığı irdelemelerin, Banka'nın denetlenen finansal tablolarıyla ve bağımsız denetim sırasında elde ettiğimiz bilgilerle tutarlı olup olmadığı ve gerçeği yansıtmayı yansıtmadığı hakkında görüş vermek ve bu görüşümüzü içeren bir rapor düzenlemektir.

Yaptığımız bağımsız denetim, 29314 sayılı Resmi Gazete'de yayımlanan "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" ve BDS'lere uygun olarak yürütülmüştür. Bu standartlar, etik hükümlere uygunluk sağlanması ile bağımsız denetimin, faaliyet raporunda yer alan finansal bilgiler ve Yönetim Kurulunun Banka'nın finansal durumu hakkında yaptığı irdelemelerin finansal tablolara ve denetim sırasında elde edilen bilgilerle tutarlı olup olmadığına ve gerçeği yansıtmayı yansıtmadığına dair makul güvence elde etmek üzere planlanarak yürütülmesini gerektirir.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



Erdal Tıkmak  
Sorumlu Denetçi

5 Şubat 2018  
İstanbul, Türkiye

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# What is Value?

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**For us, value is protecting  
the past and looking at the  
future with hope.**



#### **QR Coded Checques**

A service which allows the bearer to scan the QR code, view the past payment performance of the drawer without an approval process and review the system record of the cheque.







## **PART II - Management and Corporate Governance Practices**

- 46** Ziraat Participation Board of Directors
- 48** Ziraat Participation Senior Management
- 50** Summary Report by the Board of Directors
- 51** Information on the Activities of the Committees
- 52** Human Resources Practices and Policies and Expectations Regarding 2018
- 52** Transactions Carried out with Ziraat Participation's Risk Group
- 52** Companies from which Support Services Are Obtained

## **PART III - Financial Information and Risk Management**

- 53** Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems
- 55** Ziraat Participation's Financial Standing, Profitability and Solvency
- 55** Ratios
- 56** Information about Risk Management Policies and Activities According to Type of Risk
- 58** Summary Balance Sheet and Income Statement
- 58** Credit Rating Agency's Notes
- 59** Unconsolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2017
- 171** Consolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2017
- 283** Directory

# PART II - Management and Corporate Governance Practices

## Ziraat Participation Board of Directors



**Hüseyin AYDIN**  
Chairman of the Board of  
Directors

Hüseyin Aydın graduated from the Faculty Economics, Ankara Economics and Business Sciences Academy in 1981. He began his career as an assistant inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board Member at Halkbank, as a Board Member at Pamukbank and as Vice Chairman at Ziraat Bank, he served as Chief Executive of Halkbank between 31 May 2005 - 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey. Hüseyin Aydın is assigned as the Chairman of the Board of Directors of our Bank since 18 February 2015.



**Yusuf DAĞCAN**  
Vice Chairman of the Board of  
Directors

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. He worked as an Assistant Inspector, Inspector and Branch Manager at Vakıfbank from 1977 through 2001. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the Chairman of the Board of Directors of Halk Leasing, a Board Member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Continuing his works as Vice President of the Board of Ziraat Bank since April 2012, Yusuf Dağcan is also a Credit Committee Member of Ziraat Bank and Supervisory Board Member at Ziraat Bank Bosnia d.d. Since 18 February 2015, Yusuf Dağcan has been serving as the Vice Chairman of the Board of Directors and Chairman of Credit Committee at our Bank.



**Metin ÖZDEMİR**  
Member of the Board of  
Directors, CEO

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He is currently pursuing his graduate studies in the Department of Economics at Marmara University, Institute of Middle East Studies. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004 and 2014. Mr. Özdemir was a member of the Board of Directors of Ziraat Participation since 18 February 2015 and was appointed as the CEO on 12 June 2017. Mr. Özdemir is also a member of the Ziraat Bank's Board of Directors and acts as a member of Corporate Governance Committee and Remuneration Committee. Since 25 July 2017, he also acts as the Chairman of the Credit Committee.





**Cemalettin BAŞLI**  
Member of the Board of  
Directors

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as Air Traffic Controller at General Directorate of State Airports Authority in 1977. Mr. Başlı who worked as Assistant to Financial analyst at VakıfBank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk Inc. between 1991-1998, as Credits and Central Branch Manager at Faisal/Family Finance Inc. between 1998-2002, as Deputy General Manager at Haliç Financial Leasing Inc. between 2004-2006, as Deputy General Manager at Ziraat Bank-Moscow between 2009-2012, as member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012-2014 serves as a Member of the Board of Ziraat Bank since June 2014. Since 18 February 2015, Cemalettin Başlı has been a Member of the Board of Directors, Audit Committee and Credit Committee at our Bank.



**Feyzi ÇUTUR**  
Member of the Board of  
Directors

Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. After working in managerial positions at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager, Deputy General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board Member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board Member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Ziraat Bank's Board of Directors since April 2012, Mr. Çutur is a member of the Ziraat Bank's Audit Committee and Remuneration Committee, an alternate member of the Credit Committee. He is currently working as a Member of the Board, Credit Committee and Audit Committee members at Ziraat Participation Bank A.Ş. and as a Member of the Board at Ziraat Bank BH d.d.



**Salim ALKAN**  
Member of the Board of  
Directors

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF, and general manager, board member and chairman of various banks taken over by the SDIF from 2005 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Gayrimenkul Yatırım Ortaklığı A.Ş., and Halk Yatırım Menkul Değerler A.Ş. Serving as a member of the Ziraat Bank's Board of Directors starting from April 2012, he is also Chairman of the Supervisory Board in Ziraat Bank BH d.d. and a member of the Ziraat Bank's Credit Committee. Since 18 February 2015, Salim Alkan has been serving as a member of the Board of Directors, Corporate Governance and Remuneration Committees, also he is a substitute member of Credit Committee at our Bank.

## Ziraat Participation Senior Management



**Mehmet Said GÜL**  
Executive Vice President-Information  
Technologies and Operations

Born in 1973 in Kahramanmaraş, Mehmet Said Gül graduated from Hacettepe University Department of Computer Engineering in 1995. He started his banking career at Anadolu Finans Kurumu in 1997. He headed for many years the Information Systems Coordination Unit at Türkiye Finans, following the merger of Family Finans and Anadolu Finans. Mr. Gül, who was appointed as a consultant at Ziraat Bank in 2014, has been serving since the establishment of Ziraat Participation. In October 2015, he was appointed as the Group Director of the Operational Transaction at Ziraat Participation. Since 23 August 2017 Mr. Gül is the Executive Vice President in charge of Information Technologies and Operations.



**Osman KARAKÜTÜK**  
Executive Vice President-  
Treasury and Internal Operations

Born in Ankara in 1975, Osman Karakütük graduated from Ankara University Faculty of Political Science. He completed his undergraduate studies in Sakarya University and started his banking career at CBRT Headquarters as a clerk in 1998. In 1999, he started working at Ziraat Bank as an Assistant Inspector and then promoted to Inspector, Chief Inspector, Vice President of the Inspection Board, Branch Manager, İzmir 1st Region Manager, Head of Branch Operations and Head of Channel Management, respectively. Mr. Karakütük was appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Financial Coordination and Human Resources on 15 August 2017 and he has been serving as the Vice President in charge of Treasury and Internal Operations since 23 August 2017.



**Tahir DEMİRKIRAN**  
Executive Vice President-Loan  
Allocation and Management

Born in 1967 in İstanbul, Tahir Demirkıran graduated from İstanbul University Faculty of Economics, Department of Economics. Mr. Demirkıran started working in Vestel Paz. A.Ş. as a Sales Representative in 1991. He was appointed as a Manager in Pamukbank in 1995. Mr. Demirkıran served in positions at Halkbank and Ziraat Bank as the Head of various departments between 2004 and 2016. He was appointed as Executive Vice President responsible for Loan Allocation and Management in Ziraat Participation on 12 February 2016 and is still carrying out the duty.



**Temel Tayyar YEŞİL**  
Executive Vice President-  
Marketing

Temel Tayyar Yeşil was born in Samsun in 1971 and graduated from Erciyes University Economy department of Faculty of Economics and Administrative Sciences. Mr. Yeşil started his banking career at Pamukbank T.A.Ş. as Assistant Specialist in 1998. He worked as an officer and manager in the Loans and Project Evaluation departments of Türkiye Halkbank A.Ş. He acted as Kayseri Commercial Branch Manager between 2010 and 2012. Mr. Yeşil started to work at Ziraat Bank as Loan Allocation and Management Department Head in 2012 and continued as the Regional Coordinator in 2016. He has been appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Marketing on 18 July 2017 and is still carrying out the duty.

## Summary Report by the Board of Directors

2017 has been a year when impacts of geopolitical risks were occasionally experienced. On the other hand, recovery of global economy has been more than estimated and economies of both developed and developing countries have closed the year successfully.

Turkish economy completed 2017 with a strong growth. Proactive and correct policy approaches of the economy management supported the completion of a successful period for banking industry and participation banking.

By designing its business models around “Achieving More by Sharing” principle, yet growing together with real sector in financial management, Ziraat Participation continued its way with firm steps in 2017 within the framework of sustainable profitability and efficiency principles.

Having its main strategy built around a balance sheet mainly consisting of financing, effective and diversified resource structure and equity in conformity with the asset size, Ziraat Participation increased its total assets by 80% and reached TL 14 billion in 2017.

Ziraat Participation focused on supporting the real sector in 2017. Within this framework, funded credits (cash or non-cash) amount have reached TL 17 billion which represents an increase of 93%. With Government- funded House and Dowry Account products which were offered within the framework of activities

to strengthen the saving habits and to increase the savings rate in our country, Ziraat Participation adopted a widespread fund collection strategy. Total funds collected increased by 78% and reached TL 10 billion.

Closing 2016 with 44 branches Ziraat Participation opened 19 new branches in 2017 and increased the number of branches to 63.

Aiming to reach its customers through every channel, Ziraat Participation provides services through 55 ATM's as of 2017 year end. Number of POS customers reached 1,277 as of the same period.

As the young and dynamic member of the industry, Ziraat Participation succeeded to achieve a profit of TL 159 million in 2017 with a healthy and sustainable growth principle.

Ziraat Participation will continue to increase its share in both participation banking and Turkish banking industry in 2018 with its financing based balance sheet structure, high quality financing portfolio, widespread and diversified resource structure and 890 experienced employees.

Kind regards,

Board of Directors

## Information on the Activities of the Committees

### The Credit Committee

Composed of the Bank's General Manager and at least two members to be elected from the Board of Directors who fulfill the requirements for the General Manager (except time); the Credit Committee is established to perform the duties regarding credits, which will be granted by the Board of Directors. Two alternate members are elected among the Board members who fulfill the requirements for the General Manager (except time) to serve in place of a member of the Credit Committee who cannot participate in any meeting. The Board may delegate its powers for the credit allocation to the Credit Committee or to the General Directorate.

#### Chairman

Metin Özdemir  
Member of the Board and CEO

#### Members

Cemalettin BAŞLI  
Member of the Board

Feyzi ÇUTUR  
Member of the Board

#### Alternate Members

Salim ALKAN  
Member of the Board

The Credit Committee took 332 decisions in 19 meetings held in 2017.

### The Audit Committee

The Board of Directors appoints at least two members of the Board who do not have executive responsibilities and whose qualifications are determined by the Banking Regulation and Supervision Agency (BRSA) to form the Audit Committee to assist the fulfillment of the Board's audit and supervision activities.

#### Members

Cemalettin Başlı  
Member of the Board

Feyzi ÇUTUR  
Member of the Board

The Audit Committee took 30 decisions in 11 meetings held in 2017.

### The Corporate Governance Committee

The Corporate Governance Committee is formed under the Presidency of a member of the Board who will be determined by the Board of Directors. The main task of the committee is to monitor the compliance of the Bank's corporate governance principles, to carry out improvement activities in this regard and to provide recommendations to the Board of Directors.

#### Members

Metin Özdemir  
Member of the Board and CEO

Salim ALKAN  
Member of the Board and Chairman of the Corporate Governance Committee

The Corporate Governance Committee has not held a meeting in 2015, 2016 and 2017. (Corporate Governance Committee's secretarial duties are carried on by Financial Corporate and Investment Banking Department)

### The Remuneration Committee

The Remuneration Committee consists of at least two members who will be determined by the Board of Directors.

The Committee monitors and audits remuneration practices on behalf of the Board of Directors. In addition, the Committee performs the tasks specified in the relevant regulations issued by the Banking Regulation and Supervision Agency (BRSA).

#### Members

Metin ÖZDEMİR  
Member of the Board and CEO

Salim ALKAN  
Member of the Board

The Remuneration Committee took 1 decision in 1 meeting held in 2017.

### The Number of the Board Meetings

The Board of Directors took 202 decisions in 22 meetings held in 2017.

## Human Resources Practices and Policies and Expectations Regarding 2018

Human resources policy of Ziraat Participation provides an environment where employees work based on principles of sustainable efficiency, profitability and customer focus and ensures the selection and hiring of employees who will make development and change continuous to prepare the Bank to future. In this context, the evaluation process of employees who request a change in service or position is planned to include some criteria such as putting performance in front of review of competences and being successful in simulations designed by the human resources. Within this context, by appointing employees working at the Bank to other open positions, the Bank aims to be in compliance with equality and fairness principles as well as selection and development of future leaders.

### Transactions Carried out with Ziraat Participation's Risk Group

Ziraat Participation's relations with the institutions involved in the risk group in which it is included covers all types of banking transactions compliant with the Banking Law and within the framework of regular bank-customer relation and within the market conditions. The transactions consist primarily of lending, current and participation accounts.

The amounts of the transactions that Ziraat Participation carried out with its risk group in 2017 and the explanations regarding this matter are mentioned in the footnote numbered VII of the fifth section of the year-end financial statements, which take place within the annual report.

### Companies from which Support Services Are Obtained

1. Banking and Peripheral Systems Software and Infrastructure Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Ziraat Teknoloji A.Ş., Intertech Bilgi ve Pazarlama Tic. A.Ş.
2. Cash Group Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
3. Swift Transactions and Black List Control Application Services from Fineksus Bilişim Ticaret A.Ş.
4. Securities Buying and Selling Application Services from Active Bilgisayar Hizm. Tic. Ltd.
5. Card and Printing Office Services and the Card Payment Systems Services from Provus A.Ş.
6. Security Services from Ekol Grup Güvenlik Koruma ve Eğitim Hizm. Ltd.
7. Customer Relations Center services from Plaza Peyzaj Taahhüt ve San. Tic. A.Ş.
8. Check Printing Services from Güzel Sanatlar Basım Ltd.
9. Printing Office Services from Bileşim Alternatif Dağıtım Kanalları ve Hizmetleri A.Ş.
10. Card Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.
11. Printing Card Password Service from Austria Card Turkey Kart Operasyonları A.Ş.
12. Mortgage Processing and Registration Services from Uz Gayrimenkul Yatırım Danışmanlık A.Ş., AVI Gayrimenkul Yatırım Danışmanlık A.Ş., Mas Global Yatırım ve Danışmanlık Hizmetleri Tic. Ltd. Şti. and FU Gayrimenkul Yatırım Danışmanlık A.Ş.
13. Motorcycle Courier and Delivery Services from Aktif İletim ve Kurye Hizmetleri A.Ş., Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. and Ajans Press Kurye ve Dağıtım Hizmetleri A.Ş.

# **PART III - Financial Information and Risk Management**

## **Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems**

The activities of internal audit, internal control and risk management in our Bank are carried out respectively by the Supervisory Board, Directorate of the Internal Control and Compliance Department and Directorate of the Risk Management Department.

The following is aimed with our organization that is established in a way to include all units and branches:

- To continue banking operations in a secure manner in line with the legislation, policy, principles and objectives,
- To achieve periodical profit targets, to perform the financial and administrative reporting in a timely and secure manner,
- To define Ziraat Participation's legal, nominal and financial risks, to measure, report, and monitor the risks and to minimize the concerned risks by controlling them.

### **The Functioning of Internal Audit**

The Supervisory Board controls whether the operations carried out by the Bank's all units and branches are in accordance with the law and other relevant legislation and the Bank's strategies, policies, principles and objectives; the effectiveness of internal control and risk management systems within the framework of risk-based audit approach.

The Supervisory Board continues to work in such a manner to contribute to the decision-making processes by informing the Bank's senior management.

The Supervisory Board assessed the accuracy, effectiveness and efficiency of the operational steps that comprise of primary and secondary processes by auditing the Bank activities' compliance with the processes which they are subjected to in accordance with the provisions of "Regulation on the Bank Information Systems and Banking Processes Audit to be Realized by External Audit Institutions" and "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes".

The branch, unit and process audits were completed at a ratio of 97% in accordance with the Audit Plan prepared to be implemented in 2017. The 2018 Audit Plan preparation works are still ongoing by taking into consideration the risks carried by the branches and units and in a manner compliant with the Bank objectives and policies.

The Management's Declaration pertaining to the 2017 operations, which is prepared in order to present assurance about the effectiveness, adequacy and compliance of internal controls on the information systems and banking processes, was prepared in time by adding the reports regarding the audits of the companies from which information systems processes audits and support services are procured. The Supervisory Board closely monitored the changes stipulated by the legislative regulations, the Banking Regulation and Supervision Agency decisions, the Bank's Senior Management and the Headquarters units, and regularly revised the audit points.

### **The Functioning of Internal Control System**

The purpose of Internal Control activities is to ensure the protection of the Bank's assets, effective and efficient conduct of the operations, unity and reliability of the accountancy and reporting system and timely access to the information.

Within the scope of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", Internal Control activities were configured in a way to cover the branches' and the Headquarters units' operations.

The branch controls are carried out within the framework of the control programs prepared according to the opening dates of new branches, most recent reporting dates and periodical risk situations of current branches.

The control periods of Headquarters units were determined by taking into consideration of the functions of the units, the risks they carry, job descriptions and the units' effect on the Bank's balance sheet and were revised in accordance with the needs.

Within our Bank, Internal Control activities were carried out on the following topics: functional segregation of duties; division of responsibilities; establishment of the accountancy and reporting system, the information system and the Bank's internal communication channels in a manner that they will operate effectively; the creation of work flow charts in which the controls on the Bank's work processes and work steps are indicated.

Internal Control activities were conducted in compliance with the Bank's main goals and strategies within the framework of law, other relevant legislation, the Bank's internal policies and rules, and common banking practices. Moreover, while carrying out the activities, a proactive approach was adopted to make sure that the compliance to changing strategy, risk perception and conditions is provided without wasting time.

Internal Control system contributed to the carrying out of the Bank's operations in compliance with the domestic and international legislations and competition conditions through the control matrixes that are prepared pursuant to the adopted proactive manner and regularly revised based on the possible changes.

R&D studies were conducted in order to carry out technology-focused, central, and real-time internal control activities, and to help the relevant business units to take a rapid action against the common shortcomings.

The findings revealed as a result of all these activities were periodically conveyed to the Bank's relevant business units and to the Senior Management. Information Notes were prepared for the issues which are identified during the Internal Control activities carried out in the Headquarters units and the branches and which are considered being in need of rapid action taken and the notes were quickly shared with the relevant units and/or the Senior Management.

# Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

In 2017 recommendation reports were continued to be prepared for the improvement of processes regarding the operations carried out in the Bank and the establishment of control points on these processes, which will be complied and implemented by the personnel from all levels, increasing the effectiveness of the controls on the processes, prevention of possible risks, ensuring customer satisfaction and taking cost reducing measures.

Internal Control staff attended numerous trainings during the year for their professional development. In order to increase company-wide awareness for internal control activities, various trainings were organized for Bank employees and Internal Control staff has provided support for those trainings.

## **Banks' Internal System and Intrinsic Capital Adequacy**

Within the framework of 18<sup>th</sup> article of Assessment Processes, compliance controls were carried out. In this context, all the operations that the Bank performs or plans to perform with the new transactions and products were controlled in terms of their compliance to law and other relevant legislation, the Bank's internal policies and rules and the banking practices.

The compliance program was formed in accordance with the "Communiqué on Compliance with Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism". Activities aimed at preventing the laundering of proceeds of crime have been carried out in line with national and international regulations. The Bank's policy regarding the prevention of laundering the proceeds of crime and financing of terrorism was shared with the public on the Bank's website. Moreover, the Bank's employees are provided with training regarding the prevention of laundering proceeds of crime and financing of terrorism.

## **The Functioning of Risk Management System**

The main purpose of Ziraat Participation risk management system is to ensure the definition, measurement, monitoring and control of the risks, to which the Bank is exposed, through the policies and the limits determined to monitor, control, and when necessary to change the operations' nature and level in relation to the risk-return structure that the future cash flows will include.

The main approach in the risk management activities, instilling risk culture across the Bank in accordance with the provisions of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", to execute the risk management function with best practices by continuously improving the system and the human resources. The activities carried out within the framework of risk management system are given care to be carried out simultaneously with the contributions of the units that are included in the business line with which each risk type is related. The risk management activities cover the basic headings of credit risk, market risk, operational risk, liquidity risk and other risks. The final objective is to comply with the best practices.

Within the framework of credit risk management activities, the activities for the definition, measurement, monitoring and reporting of the credit risk by using the methods in compliance with Basel II. In this context, the calculation of the amount subject to credit risk, which began legally as of 1 July 2012, is monthly reported to the BRSA in solo basis. Due to the fact that our Bank became operational in May 2015, there is not adequate data for the measurement of credit worthiness in relation to the advance measurement methods.

The credit risk limits approved by the Board are monitored; the activities to carry out scenario analysis and stress test regarding the credit portfolios are ongoing. Also, the compliance activities with the Basel III regulations and the regulations revised by the BRSA within the framework of Basel are continuing.

Operational risk management activities comprise the definition, classification, measurement, and analysis of the operational risks. These activities are carried out as part of the Bank's "Operational Risk Management Regulation" that is prepared in accordance with the arrangements issued on 28 June 2012 by the BRSA to comply with Basel II. The compliance with the operational risk limits approved by the Board, which are determined in order to manage operational risks, is periodically monitored. The risks stem from information technologies and the actions taken are also monitored. The risk assessments are carried out for the companies from which support services are procured within the framework of the BRSA's regulations that are currently in effect.

As part of operational risk, media analysis reports relevant to reputation risk and provided daily from the Bank's Corporate Communication Service are examined.

Within the scope of market and liquidity risks management, measurement, analysis, limiting, reporting and monitoring activities are carried out pertaining to liquidity risk and dividend rate risk stemming from banking calculations. The analyses conducted are supported with stress test. The compliance to the market and liquidity risk limits, which are approved by the Board and determined to manage the concerned risks, is periodically monitored. Also, Value at Risk is calculated daily with the internal models regarding exchange risk as part of market risk and retrospective test analyses are carried out for these models.

The results of the analyses carried out within the scope of risk management activities and risk indicators are reported annually to the Board of Directors, at three months periods to the Audit Committee, at weekly and daily periods to the operational units.

In order to increase the internal systems personnel's individual and occupational development, the personnel was ensured to attend internal and external training, conference and seminars, thus, their practical knowledge level is constantly being developed.



## Ziraat Participation's Financial Standing, Profitability and Solvency

Ziraat Participation starting operations in 2015, with the principle of "Achieving More by Sharing", in parallel with the strategy of increasing the share of participation banking from the sector, total assets increased 80% YoY to TL 14 billion compared to the previous year.

Ziraat Participation has a balance sheet structure mainly composed of financings. Cash loans have an 80% share in the Bank's balance sheet. When compared to previous year, cash loans increased by TL 5.8 billion while non-cash loans increased by TL 2.6 billion. Ziraat Participation has a qualified loan portfolio. The Bank's non-performing loan ratio stands at just 0.3%.

Ziraat Participation rounded off 2017 with current and participation accounts of TL 10 billion, marking an increase of 78%, in line with its aim of obtaining low cost resources spread to the base. Current and participation accounts had a 70% share in the balance sheet at the end of 2017. Share of current accounts in funds collected is 16.5%.

Within the framework of steady growth, sustainable profitability and efficiency principles, the Bank closed the year with a profit of TL 159 million as of 2017 year end. Net profit- sharing income which was TL 210 million at the end of 2016 has doubled and increased to TL 443 million as of 2017 year end.

Major part of the profit comes from profit shares from funded credits. Expenses consist mainly of profit shares provided for the collected funds, and other operating costs.

### Ratios

%	December 2016	December 2017
<b>Capital</b>		
Capital Adequacy Ratio	12.5	13.1
Shareholders' Equity/Total Assets	9.6	9.8
Shareholders' Equity/(Total Assets+Non-cash Loans)	6.7	6.9
Shareholders' Equity/(Funds Collected+Other Funds)	10.8	11.1
<b>Asset Quality</b>		
Total Loans/Total Assets	69.8	79.3
NPL (Gross)/Cash Loans	0.2	0.3
NPL (Gross)/(Total Loans)	0.2	0.2
Securities Portfolio/Total Assets	5.2	3.7
FC Assets/FC Liabilities	54.0	62.7
Other Assets/Total Assets	4.0	3.7
<b>Liquidity</b>		
Liquid Assets/Total Assets	21.0	13.4
Liquid Assets/(Funds Collected+Other Funds)	23.7	15.2
<b>Liabilities Structure</b>		
Current Deposit/Total Deposit	14.8	16.5
Loans/Funds Collected	98.6	113,5
<b>Profitability</b>		
Net Profit (Loss)/Average Total Assets	0.6	1.4
Net Profit (Loss)/Average Shareholders' Equity	4.3	15.4
Net Profit (Loss)/Average Paid-in Capital	4.3	16.6
<b>Income-Expense Structure</b>		
Profit Shares Income/Profit Shares Expense	216.0	182.3
Non-Profit Shares Incomes/Non-Profit Shares Expenses	14.8	19.8
Total Incomes/Total Expenses	110.7	123.8
Profit Shares Incomes/Total Incomes	93.0	94.2
Non-Profit Shares Incomes/Total Incomes	6.9	5.8
Profit Shares Expenses/Total Expenses	47.7	64.0
Non-Profit Shares Expenses/Total Expenses	52.4	36.0

## Information about Risk Management Policies and Activities According to Type of Risk

Ziraat Participation risk management activities are continued under the basic approach of aligning the risk management function with the best practices by means of instilling risk culture, continuously improvement of the system and the human resources.

The risk management activities cover the main headings of credit risk, market risk, operational risk and balance sheet risks. Policy and application procedures regarding the aforementioned risks are governed by regulations approved by the Board of Directors on the basis of each risk type. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Within the scope of “Regulation on Banks’ Internal System and Intrinsic Capital Adequacy Assessment Processes”, an Intrinsic Capital Adequacy Assessment Process was formulated. The purpose of this process is to identify the required capital to cover the exposed/to be exposed risks and to set up a system that will enable the assessment of the capital requirements and levels compatible with strategic goals and the continuity of this system. Analyses are performed in line with BRSA principles and are further supported by means of risk-specific stress tests and scenario analyses.

Compliance to Basel III regulations are carried out within the framework of “Regulation on Measurement and Assessment of Banks’ Leverage Level” and “Regulation on the Capital Conservation Buffer and Loop Capital”. Additionally, the compliance efforts to the regulation amendments made within the scope of Basel by the BRSA and thirteen “Best Practice Guides” published on the Institution’s web site are ongoing.

As part of Basel III liquidity criteria, the Liquidity Coverage Ratio Report is prepared within the scope of “Regulation on the Calculation of Banks’ Liquidity Coverage Ratio” and conveyed to the BRSA.

### Credit Risk

Credit risk management consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks. The legal reports are prepared by using the standard approach method within the framework of “Regulation on Measurement and Assessment of Banks’ Capital Adequacy”. In this context, Ziraat Participation’s credit risk exposure is monthly reported to the BRSA on solo basis.

The Leverage Ratio is conveyed to the BRSA and the CBRT in three-month periods.

The Company Assessment System is used in order to evaluate the credit worthiness of the customers who are in Ziraat Participation’s commercial portfolio. Credit risk limits and trigger values on the basis of risk groups and customer segments, which are approved by the Board of Directors, as well as limits and trigger values of non-performing loan ratio have been calculated. All these values are monitored on a weekly basis.

### Market Risk

Risk measurement and monitoring activities are carried out in order to reveal the market risks to which Ziraat Participation may be exposed. The results of these activities are taken into account in the Bank’s strategic decision-making processes. The market risks and potential effects of the factors that create the risks are measured and regularly reported to the BRSA by Ziraat Participation.

The Standardized Approach methodology is used to calculate the Bank's exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Within the context of market risk, exchange risk is also calculated on a daily basis using a VaR-based internal model. The effectiveness of the models being used is also analyzed by means of back testing.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect Ziraat Participation's financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

#### **Operational Risk**

Works for monitoring operational risks through the Operational Risk Loss Database are ongoing. The mandatory capital needed to cover the Ziraat Participation's operational risk exposure is calculated using the Basic Indicator Approach methodology. In order to create a basic integrated risk framework, IT-associated risks and the actions taken are also monitored.

As part of the Business Continuity Plan, "Business Impact Analyses" works are completed in order both to identify the risks that might arise if the Bank's operations are interrupted and to determine their potential consequences. In 2016, the Disaster Center tests were conducted at the Bank and test results were negotiated by link to the report.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of "Regulation on the Outsourcing of Support Services by Banks" issued by the BRSA.

#### **Balance Sheet Risks**

Risk measurement and monitoring activities are carried out in order to reveal the balance sheet risks to which Ziraat Participation may be exposed on account both of its liquidity risks and of its profit share rate risks arising from its banking business accounts. The results of these activities are taken into account in the Bank's strategic decision-making processes.

Compliance with mandatory ratios pertaining to liquidity and profit share rate risks arising from banking business accounts is also monitored. When carrying out the liquidity risk control; funding and lending maturity mismatches, assets' and liabilities' re-pricing as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank's normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements are monitored. In addition to the foregoing, scenario and sensitivity analyses regarding liquidity risk are performed.

Signal values are followed and risk levels are limit as part of early warning process to prevent the Bank's financial strength from increased volatility in the markets and mismatch that can be seen on cash inflows and outflows while carrying out daily activities.

## Summary Balance Sheet and Income Statement

(TL million)

<b>Assets</b>	<b>December 2015</b>	<b>December 2016</b>	<b>December 2017</b>
Liquid Assets	280	1,670	1,922
Securities Portfolio	130	416	524
Loans	1,690	5,558	11,375
Other Assets	78	316	529
<b>Total Assets</b>	<b>2,177</b>	<b>7,960</b>	<b>14,350</b>
<b>Liabilities</b>			
Funds Collected	1,256	5,636	10,025
Other Funds	212	1,421	2,646
Other Liabilities	44	138	275
Shareholders' Equity	665	765	1,404
<b>Total Liabilities</b>	<b>2,177</b>	<b>7,960</b>	<b>14,350</b>
<b>Selected Income/Expenses</b>			
Profit Shares Income	86	391	981
Profit Shares Expense	18	181	538
Profit Shares Income/Expense (net)	68	210	443
Fees and Commissions Income/Expense (net)	0	14	30
Trading Income/Loss (net)	3	7	12
Other Operating Income	0	2	3
Other Operating Expense	68	141	198
Provisions for Loans and Other Receivables	15	52	90
Income Before Tax	(12)	40	200
Tax Provision	0	(10)	(41)
<b>Net Profit/Loss</b>	<b>(12)</b>	<b>31</b>	<b>159</b>

## Credit Rating Agency's Notes

<b>Credit Rating Agency</b>	<b>Category</b>	<b>Credit Note</b>	<b>Date</b>
<b>Fitch Ratings</b>	Long Term Foreign Currency Credit Note	BB+	26 May 2017
	Short Term Foreign Currency Credit Note	B	
	Long Term Turkish Lira Credit Note	BBB-	
	Short Term Turkish Lira Credit Note	F3	
	National Long Term Credit Note	AAA (tur)	
	Support	3	

Ziraat Katılım Bankası A.Ş.

## **Unconsolidated Financial Statements as of 31 December 2017 Together With Independent Auditors' Report**

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, see Note I in section three)

# Independent Auditor's Report



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel: +90 (212) 316 6000  
Fax: +90 (212) 316 6060  
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To the Board of Directors of Ziraat Katılım Bankası A.Ş.

## A) Audit of Unconsolidated Financial Statements

### Opinion

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

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

### Basis for Opinion

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

### Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 was audited by another auditor who expressed an unmodified opinion on those unconsolidated statements on 17 February 2017.

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

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

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

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

#### *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSAs Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

#### **B) Other Legal and Regulatory Requirements**

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

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

#### **Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



Erdal Tıkmak SMMM  
Partner  
5 February 2018  
İstanbul, Turkey

Ziraat Participation Bank A.Ş.

## Unconsolidated Financial Report of Ziraat Katılım Bankası A.Ş. As of and for the Year Ended 31 December 2017

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih/İSTANBUL  
Phone: (212) 404 11 00  
Facsimile: (212) 404 10 81  
Website: www.ziraatkatilim.com.tr  
E-mail: bilgi@ziraatkatilim.com.tr

The unconsolidated year-end financial report in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

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

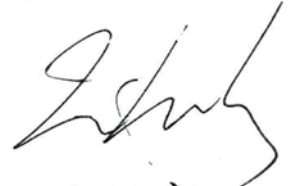
The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures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



Hüseyin AYDIN  
Chairman of the Board



Metin ÖZDEMİR  
Member of the Board,  
CEO



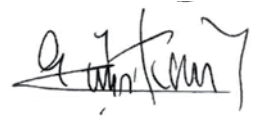
Cemalettin BAŞLI  
Member of the Board,  
Member of the Audit Committee



Feyzi ÇUTUR  
Member of the Board,  
Member of the Audit Committee



Osman KARAKÜTÜK  
Financial Coordination and Human Resources  
Deputy General Manager



Gürkan ÇAKIR  
Vice President  
of Financial Reporting

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

Name-Surname/Position: Tuncay KAMIŞ/Financial Reporting Manager  
Telephone: 0 212 404 13 35  
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# Contents

	Page No
<b>SECTION ONE</b>	
<b>General Information about The Bank</b>	
I. History of the bank including its incorporation date, initial legal status and amendments to legal status	65
II. Shareholding structure, shareholders jointly or individually having direct or indirect, control over the management and supervision of the bank and the disclosures on any related changes in the current period, if any and information about the group that the bank belongs to	65
III. Explanations on the titles of chairman and members of the board of directors, members of the audit committee, general managers and assistant general managers and their shareholdings in the bank	66
IV. Information about the persons and institutions that have qualified shares attributable to the bank	66
V. Explanations of the bank's services and field of operations	66
VI. Differences between the communique 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	67
VII. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	67
<b>SECTION TWO</b>	
<b>The Bank's Unconsolidated Financial Statements</b>	
I. Balance Sheet	68
II. Statement of Off-Balance Sheet Accounts	70
III. Income Statement	71
IV. Statement of Profit and Loss Accounted for Under Equity	72
V. Cash Flows Statement	73
VI. Statement of Changes in Shareholders' Equity	74
VII. Statement of Profit Distribution	78
<b>SECTION THREE</b>	
<b>Accounting principles</b>	
I. Basis of presentation	79
II. Explanations on usage strategy of financial assets and foreign currency transactions	79
III. Explanations on investments in associates, subsidiaries and joint ventures	80
IV. Explanations on forward and option contracts and derivative instruments	80
V. Explanations on profit share income and expense	80
VI. Explanations on fees and commission income and expenses	81
VII. Explanations on financial assets	81
VIII. Explanations on impairment of financial assets	82
IX. Explanations on offsetting of financial assets and liabilities	82
X. Explanations on sales and repurchase agreements and lending of securities	83
XI. Explanations on assets held for sale and discontinued operations and related liabilities	83
XII. Explanations on goodwill and other intangible assets	83
XIII. Explanations on tangible assets	83
XIV. Explanations on leasing transactions	84
XV. Explanations on provisions and contingent liabilities	84
XVI. Explanations on obligations related to employee rights	85
XVII. Explanations on taxation	86
XVIII. Explanations on additional disclosures on borrowings	88
XIX. Explanations on share certificates issued	88
XX. Explanations on acceptances	88
XXI. Explanations on government incentives	89
XXII. Explanation on cash and cash equivalents	89
XXIII. Explanation on segment reporting	89
XXIV. Explanations on other matters	89

# Contents

Page No

## SECTION FOUR

### Explanations Related to the Financial Position and Risk Management of the Bank

I.	Explanations on shareholder's equity	89
II.	Explanations on credit risk	96
III.	Explanations on counter-cyclical capital buffer calculations risk	107
IV.	Explanations on the currency risk	108
V.	Equity share position risk on banking accounts	110
VI.	Explanations related to liquidity risk management and liquidity coverage ratio	110
VII.	Explanations on leverage ratio	116
VIII.	Explanations on securitization positions	117
IX.	Explanations on risk management	117
X.	Explanations on hedge transactions	126
XI.	Explanation on counterparty credit risk	126
XII.	Explanations on operating segments	131
XIII.	Explanations related to presentation of financial assets and liabilities at fair value	133
XIV.	Explanations on activities carried out on behalf and account of other parties	134

## SECTION FIVE

### Explanations and notes related to unconsolidated financial statements

I.	Explanations and notes related to assets	135
II.	Explanations and notes related to liabilities	149
III.	Explanations and notes related to the off-balance sheet accounts	157
IV.	Explanations and notes related to the income statement	161
V.	Explanations and notes related to changes in shareholders' equity	166
VI.	Explanations and notes related to statement of cash flows	167
VII.	Explanations and notes related to the risk group of the bank	168
VIII.	Explanations and notes to the subsequent events	169
IX.	Explanations and notes to the domestic, foreign-off shore branches or affiliates and foreign representatives of the bank	169

## SECTION SIX

### Other Explanations and Notes

I.	Information on the bank's rating that has been determined by international rating agencies	170
II.	Other explanations on group's operations	170

## SECTION SEVEN

### Explanations on the Independent Auditor's Report

I.	Explanations on the independent auditor's report	170
II.	Explanations and notes prepared by the independent auditors	170

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE BANK

##### I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TL 675,000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on June 13, 2017, the paid-in capital of the Bank has been raised from TL 747,000 to TL 1,250,000 by increasing the amount of cash by TL 500,000 and by increasing the amount of internal resources by TL 3,000. Governance body of the bank is in Istanbul.

Main operation field of the Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the “Banking Regulation and Supervision Agency” (“BRSA”) within the scope of Participation Banking fundamentals.

All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

##### II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE BANK BELONGS TO

As of 31 December 2017 and 31 December 2016, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2017		31 December 2016	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş.	1,250,000	99.9999996	747,000	99.9999996
Ziraat Sigorta A.Ş.	-	0.0000001	-	0.0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001	-	0.0000001
Ziraat Teknoloji A.Ş.	-	0.0000001	-	0.0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001	-	0.0000001
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>	<b>747,000</b>	<b>100.00</b>

(<sup>1</sup>) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### III. EXPLANATIONS ON THE TITLES OF CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE BANK

Name	Title
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Salim ALKAN	Member, President of Corporate Management Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL <sup>(1)</sup>	Information Technologies and Operation
Osman KARAKÜTÜK <sup>(2)</sup>	Treasury and Internal Operations
Temel Tayyar YEŞİL <sup>(3)</sup>	Marketing
Tahir DEMİRKIRAN	Loan Allocation and Management

<sup>(1)</sup> As of 24 August 2017 was transferred to Information Technologies and Operation Assistant General Manager.

<sup>(2)</sup> As of 15 August 2017 was transferred to Treasury and Internal Operations Assistant General Manager.

<sup>(3)</sup> As of 18 July 2017 was transferred to Marketing Assistant General Manager.

Chairman and members of the Board of Directors have no Bank's share capital.

### IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Name/Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş.	1,250,000	99.9999996	1,250,000	-
Ziraat Sigorta A.Ş.	-	0.0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001	-	-
Ziraat Teknoloji A.Ş.	-	0.0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001	-	-
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>	<b>1,250,000</b>	<b>-</b>

All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

### V. EXPLANATIONS OF THE BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually).

## **Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 31 December 2017 Bank operates with 63 local branches (31 December 2016: 44 local branches), and 890 employees (31 December 2016: 655).

Bank has no branches abroad.

### **VI. DIFFERENCES BETWEEN THE COMMUNIQUE 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**

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank’s subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

### **VII. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES**

None.

## **SECTION TWO**

### **THE BANK’S UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Accounts
- III. Income Statement
- IV. Statement of Profit and Loss Accounted for Under Equity
- V. Cash Flows Statement
- VI. Statement of Changes in Shareholders’ Equity
- VII. Statement of Profit Distribution

## Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

I. UNCONSOLIDATED BALANCE SHEET (UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION)		THOUSAND OF TURKISH LIRA						
		Note (Section Five I)	Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
ASSETS			TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	305,803	1,337,886	1,643,689	633,389	567,909	1,201,298	
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	33	4	37	7	1,152	1,159	
2.1 Financial Assets Held for Trading		33	4	37	7	1,152	1,159	
2.1.1 Public Sector Debt Securities		-	-	-	-	-	-	
2.1.2 Securities Representing a Share in Capital		-	-	-	-	-	-	
2.1.3 Derivative Financial Assets Held for Trading		33	4	37	7	1,152	1,159	
2.1.4 Other Marketable Securities		-	-	-	-	-	-	
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-	
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-	
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-	
2.2.3 Loans		-	-	-	-	-	-	
2.2.4 Other Marketable Securities		-	-	-	-	-	-	
<b>III. BANKS</b>	(3)	3,320	275,261	278,581	6,561	461,893	468,454	
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-	
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	516,461	7,712	524,173	407,515	7,168	414,683	
5.1 Securities Representing a Share in Capital		4,719	-	4,719	4,719	-	4,719	
5.2 Public Sector Debt Securities		-	-	-	-	-	-	
5.3 Other Marketable Securities		511,742	7,712	519,454	402,796	7,168	409,964	
<b>VI. LOANS AND RECEIVABLES</b>	(5)	9,656,012	1,718,732	11,374,744	4,949,028	608,914	5,557,942	
6.1 Loans and receivables		9,639,259	1,718,732	11,357,991	4,942,377	608,914	5,551,291	
6.1.1 Loans to Risk Group of the Bank		400,452	358,536	758,988	505,998	52,926	558,924	
6.1.2 Public sector debt securities		-	-	-	-	-	-	
6.1.3 Other		9,238,807	1,360,196	10,599,003	4,436,379	555,988	4,992,367	
6.2 Non-performing loans		34,841	-	34,841	10,483	-	10,483	
6.3 Specific provisions (-)		18,088	-	18,088	3,832	-	3,832	
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	-	-	-	-	-	-	
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-	
8.1 Accounted with Equity Method		-	-	-	-	-	-	
8.2 Unconsolidated Associates		-	-	-	-	-	-	
8.2.1 Financial investments		-	-	-	-	-	-	
8.2.2 Non-financial investments		-	-	-	-	-	-	
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	100	-	100	50	-	50	
9.1 Unconsolidated financial subsidiaries		100	-	100	50	-	50	
9.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-	
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	-	-	-	-	-	-	
10.1 Consolidated under equity method		-	-	-	-	-	-	
10.2 Unconsolidated		-	-	-	-	-	-	
10.2.1 Financial subsidiaries		-	-	-	-	-	-	
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-	
<b>XI. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	372,944	-	372,944	221,373	-	221,373	
11.1 Finance Lease Receivables		479,451	-	479,451	265,785	-	265,785	
11.2 Operating Lease Receivables		-	-	-	-	-	-	
11.3 Other		-	-	-	-	-	-	
11.4 Unearned Income (-)		106,507	-	106,507	44,412	-	44,412	
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE</b>	(11)	-	-	-	-	-	-	
12.1 Fair Value Hedges		-	-	-	-	-	-	
12.2 Cash Flow Hedges		-	-	-	-	-	-	
12.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	
<b>XIII. TANGIBLE ASSETS (Net)</b>	(14)	47,235	-	47,235	43,643	-	43,643	
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(15)	63,280	-	63,280	22,905	-	22,905	
14.1 Goodwill		-	-	-	-	-	-	
14.2 Other		63,280	-	63,280	22,905	-	22,905	
<b>XV. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-	
<b>XVI. TAX ASSET</b>	(16)	14,093	-	14,093	4,876	-	4,876	
16.1 Current Tax Asset		-	-	-	-	-	-	
16.2 Deferred Tax Asset		14,093	-	14,093	4,876	-	4,876	
<b>XVII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	3,561	-	3,561	-	-	-	
17.1 Held for Sale		3,561	-	3,561	-	-	-	
17.2 Held from Discontinued Operations		-	-	-	-	-	-	
<b>XVIII. OTHER ASSETS</b>	(17)	27,584	122	27,706	22,981	143	23,124	
<b>TOTAL ASSETS</b>		<b>11,010,426</b>	<b>3,339,717</b>	<b>14,350,143</b>	<b>6,312,328</b>	<b>1,647,179</b>	<b>7,959,507</b>	

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

## Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

I. UNCONSOLIDATED BALANCE SHEET (UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	THOUSAND OF TURKISH LIRA					
			Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
LIABILITIES AND EQUITY			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FUND COLLECTED</b>	<b>(1)</b>	<b>6,345,946</b>	<b>3,678,649</b>	<b>10,024,595</b>	<b>3,776,793</b>	<b>1,859,209</b>	<b>5,636,002</b>
1.1	Fund Collected Held By the Risk Group of the Bank		8,156	3	8,159	1,785	11	1,796
1.2	Other		6,337,790	3,678,646	10,016,436	3,775,008	1,859,198	5,634,206
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>-</b>	<b>6,280</b>	<b>6,280</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>977,178</b>	<b>1,629,936</b>	<b>2,607,114</b>	<b>101,459</b>	<b>1,185,762</b>	<b>1,287,221</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>	<b>(4)</b>	<b>32,462</b>	<b>-</b>	<b>32,462</b>	<b>133,668</b>	<b>-</b>	<b>133,668</b>
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>27,254</b>	<b>8,462</b>	<b>35,716</b>	<b>13,218</b>	<b>3,809</b>	<b>17,027</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>(6)</b>	<b>69,368</b>	<b>1,202</b>	<b>70,570</b>	<b>45,594</b>	<b>932</b>	<b>46,526</b>
<b>VIII.</b>	<b>FINANCE LEASE PAYABLES</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operating Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Fair Value Hedges		-	-	-	-	-	-
9.2	Cash Flow Hedges		-	-	-	-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>X.</b>	<b>PROVISIONS</b>	<b>(9)</b>	<b>138,685</b>	<b>3,605</b>	<b>142,290</b>	<b>62,750</b>	<b>1,824</b>	<b>64,574</b>
10.1	General Provisions		99,082	-	99,082	52,263	-	52,263
10.2	Restructuring Provisions		-	-	-	-	-	-
10.3	Employee Benefits Provisions		4,719	-	4,719	2,169	-	2,169
10.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5	Other Provisions		34,884	3,605	38,489	8,318	1,824	10,142
<b>XI.</b>	<b>TAX LIABILITY</b>	<b>(10)</b>	<b>27,435</b>	<b>-</b>	<b>27,435</b>	<b>9,868</b>	<b>-</b>	<b>9,868</b>
11.1	Current Tax Liability		27,435	-	27,435	9,868	-	9,868
11.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Held for Sale		-	-	-	-	-	-
12.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(13)</b>	<b>1,403,692</b>	<b>(11)</b>	<b>1,403,681</b>	<b>764,728</b>	<b>(107)</b>	<b>764,621</b>
14.1	Paid-in Capital		1,250,000	-	1,250,000	747,000	-	747,000
14.2	Capital Reserves		(14,901)	(11)	(14,912)	(963)	(107)	(1,070)
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Differences		(14,901)	(11)	(14,912)	(963)	(107)	(1,070)
14.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
14.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
14.2.10	Other Capital Reserves		-	-	-	-	-	-
14.3	Profit Reserves		9,691	-	9,691	-	-	-
14.3.1	Legal Reserves		1,308	-	1,308	-	-	-
14.3.2	Statutory Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		3,843	-	3,843	-	-	-
14.3.4	Other Profit Reserves		4,540	-	4,540	-	-	-
14.4	Profit or Loss		158,902	-	158,902	18,691	-	18,691
14.4.1	Prior Years Profit/Loss		-	-	-	(11,982)	-	(11,982)
14.4.2	Net Period Profit/Loss		158,902	-	158,902	30,673	-	30,673
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,022,020</b>	<b>5,328,123</b>	<b>14,350,143</b>	<b>4,908,078</b>	<b>3,051,429</b>	<b>7,959,507</b>

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

## Unconsolidated Statement of Off-Balance Sheet Accounts As of 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

II. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ACCOUNTS	Note (Section Five III)	THOUSAND OF TURKISH LIRA					
		Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>3,274,276</b>	<b>4,234,096</b>	<b>7,508,372</b>	<b>1,380,632</b>	<b>2,435,507</b>	<b>3,816,139</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>3,173,375</b>	<b>2,938,163</b>	<b>6,111,538</b>	<b>1,341,334</b>	<b>2,166,635</b>	<b>3,507,969</b>
1.1 Letters of Guarantee		3,169,925	2,152,205	5,322,130	1,329,163	1,443,571	2,772,734
1.1.1 Guarantees Subject to State Tender Law		111,858	696,422	808,280	7,214	603,083	610,297
1.1.2 Guarantees Given for Foreign Trade Operations		2,910,565	-	2,910,565	1,208,028	-	1,208,028
1.1.3 Other Letters of Guarantee		147,502	1,455,783	1,603,285	113,921	840,488	954,409
1.2 Bank Acceptances		-	4,784	4,784	-	7,484	7,484
1.2.1 Import Letter of Acceptance		-	4,784	4,784	-	7,484	7,484
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	447,193	447,193	-	188,475	188,475
1.3.1 Documentary Letters of Credit		-	447,193	447,193	-	188,475	188,475
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		3,450	329,962	333,412	12,000	520,131	532,131
1.7 Other Collaterals		-	4,019	4,019	171	6,974	7,145
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>100,901</b>	<b>31,855</b>	<b>132,756</b>	<b>39,298</b>	<b>9,200</b>	<b>48,498</b>
2.1 Irrevocable Commitments		100,901	31,855	132,756	39,298	9,200	48,498
2.1.1 Forward asset purchase commitments		30,056	31,855	61,911	4,023	9,200	13,223
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		64,845	-	64,845	34,817	-	34,817
2.1.7 Tax and Fund Liabilities from Export Commitments		1,966	-	1,966	458	-	458
2.1.8 Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		4,034	-	4,034	-	-	-
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>-</b>	<b>1,264,078</b>	<b>1,264,078</b>	<b>-</b>	<b>259,672</b>	<b>259,672</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		-	1,264,078	1,264,078	-	259,672	259,672
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	1,264,078	1,264,078	-	259,672	259,672
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	629,444	629,444	-	130,412	130,412
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	634,634	634,634	-	129,260	129,260
3.2.2 Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>12,684,779</b>	<b>946,613</b>	<b>13,631,392</b>	<b>6,580,645</b>	<b>334,443</b>	<b>6,915,088</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>447,409</b>	<b>252,379</b>	<b>699,788</b>	<b>197,945</b>	<b>103,513</b>	<b>301,458</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		119,399	-	119,399	1,167	-	1,167
4.3 Checks Received for Collection		307,270	2,778	310,048	185,546	2,162	187,708
4.4 Commercial Notes Received for Collection		20,465	4,592	25,057	11,232	190	11,422
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		275	97,500	97,775	-	47,704	47,704
4.8 Custodians		-	147,509	147,509	-	53,457	53,457
<b>V. PLEDGES RECEIVED</b>		<b>12,237,370</b>	<b>694,234</b>	<b>12,931,604</b>	<b>6,382,700</b>	<b>230,930</b>	<b>6,613,630</b>
5.1 Marketable Securities		1,189,468	331,670	1,521,138	6,979	-	6,979
5.2 Guarantee Notes		864,266	35,828	900,094	572,824	22,136	594,960
5.3 Commodity		830,495	27	830,522	419,001	-	419,001
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		8,755,047	-	8,755,047	4,855,316	-	4,855,316
5.6 Other Pledged Items		598,094	326,709	924,803	528,580	208,794	737,374
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>15,959,055</b>	<b>5,180,709</b>	<b>21,139,764</b>	<b>7,961,277</b>	<b>2,769,950</b>	<b>10,731,227</b>

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



## Unconsolidated Income Statement For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Note (Section Five IV)	THOUSAND OF TURKISH LIRA	
		Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
<b>III. UNCONSOLIDATED INCOME AND EXPENSE ITEMS</b>			
<b>INCOME AND EXPENSE ITEMS</b>			
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>981,392</b>	<b>390,742</b>
1.1 Profit share on loans		885,752	356,285
1.2 Profit share on reserve deposits		16,396	4,359
1.3 Profit share on banks		-	353
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		48,634	24,499
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		48,634	24,101
1.5.4 Investments held-to-maturity		-	398
1.6 Finance lease income		29,782	4,973
1.7 Other profit share income		828	273
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>538,306</b>	<b>180,885</b>
2.1 Expense on profit sharing accounts		471,134	148,335
2.2 Profit share expense on funds borrowed		64,114	25,052
2.3 Profit share expense on money market borrowings		3,058	7,498
2.4 Expense on securities issued		-	-
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>443,086</b>	<b>209,857</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>30,343</b>	<b>14,205</b>
4.1 Fees and commissions received		45,743	20,587
4.1.1 Non-cash loans		35,266	12,749
4.1.2 Other		10,477	7,838
4.2 Fees and commissions paid		15,400	6,382
4.2.1 Non-cash loans		4	1
4.2.2 Other		15,396	6,381
<b>V. DIVIDEND INCOME</b>	(3)	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>11,556</b>	<b>7,030</b>
6.1 Capital market transaction gains/(losses)		(851)	-
6.2 Gains/(losses) from derivative financial instruments		(26,682)	10,675
6.3 Foreign exchange gains/(losses)		39,089	(3,645)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>2,663</b>	<b>1,739</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>487,648</b>	<b>232,831</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>90,143</b>	<b>51,770</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>197,531</b>	<b>140,579</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>199,974</b>	<b>40,482</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. GAIN/(LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)</b>	(8)	<b>199,974</b>	<b>40,482</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(41,072)</b>	<b>(9,809)</b>
16.1 Current Tax Provision		(46,907)	(14,349)
16.2 Deferred Tax Provision		5,835	4,540
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>158,902</b>	<b>30,673</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>158,902</b>	<b>30,673</b>
Earnings per share income/loss (full TL)		0.1615	0.0426

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

## Unconsolidated Statement of Profit and Loss Items Accounted Under Shareholders' Equity for the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		THOUSAND OF TURKISH LIRA	
		Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(17,225)	(3,228)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	3,382	646
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(13,843)	(2,582)
XI.	CURRENT YEAR PROFIT/LOSS	158,902	30,673
11.1	Net change in fair value of marketable securities (transfer to profit/loss)	-	-
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	158,902	30,673
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	145,059	28,091

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

## Unconsolidated Statement of Cash Flow For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

		Note (Section Five)	THOUSAND OF TURKISH LIRA	
			Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
<b>VI. UNCONSOLIDATED STATEMENT OF CASH FLOWS</b>				
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities(Loss)</b>		<b>121,921</b>	<b>(82,076)</b>
1.1.1	Profit share income received		823,676	197,015
1.1.2	Profit share expense paid		(491,718)	(161,638)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		45,743	20,587
1.1.5	Other income		762	10,480
1.1.6	Collections from previously written off loans		12,807	54
1.1.7	Payments to personnel and service suppliers		(86,969)	(65,101)
1.1.8	Taxes paid		(29,546)	(16,340)
1.1.9	Others		(152,834)	(67,133)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>		<b>(1,451,536)</b>	<b>1,210,226</b>
1.2.1	Net (increase)/decrease in held for trading financial assets		1,118	(417)
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in due from banks and other financial institutions		(755,341)	(488,504)
1.2.4	Net (increase)/decrease in loans		(5,824,304)	(3,892,066)
1.2.5	Net (increase)/decrease in other assets		(8,143)	(91,363)
1.2.6	Net increase/(decrease) in bank deposits		(17,131)	-
1.2.7	Net increase/(decrease) in other deposits		4,371,094	4,365,565
1.2.8	Net increase/(decrease) in funds borrowed		885,232	1,118,200
1.2.9	Net increase/(decrease) in due payables		-	-
1.2.10	Net increase/(decrease) in other liabilities		(104,061)	198,811
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>(1,329,615)</b>	<b>1,128,150</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(155,176)</b>	<b>(306,013)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		(50)	(50)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(59,478)	(15,724)
2.4	Fixed assets sales		-	-
2.5	Cash paid for purchase of financial assets available for sale		(95,648)	(286,056)
2.6	Cash obtained from sale of financial assets available for sale		-	-
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	(4,183)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>921,158</b>	<b>-</b>
3.1	Cash obtained from funds borrowed and securities issued		1,100,000	-
3.2	Cash used for repayment of funds borrowed and securities issued		(669,064)	-
3.3	Capital Instruments Issued		500,000	-
3.4	Dividends paid		(6,000)	-
3.5	Payments for finance leases		(8,318)	-
3.6	Other		4,540	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>51,176</b>	<b>146,984</b>
<b>V.</b>	<b>Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)</b>		<b>(512,457)</b>	<b>969,121</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>(I)</b>	<b>1,114,258</b>	<b>145,137</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>(I)</b>	<b>601,801</b>	<b>1,114,258</b>

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

## Unconsolidated Statement of Changes in Shareholders Equity For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### V. UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA Audited	(Section Five) Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves
Prior Period 1 January -31 December 2016							
<b>I. Balances at beginning of the period</b>		<b>675,000</b>	-	-	-	-	-
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-
2.1 The Effect of Corrections of Errors		-	-	-	-	-	-
2.2 The Effect of Changes in Accounting Policy		-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		<b>675,000</b>	-	-	-	-	-
Changes in Period		-	-	-	-	-	-
<b>IV. Increase/Decrease Related to Merger</b>		-	-	-	-	-	-
<b>V. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-
<b>VI. Hedging Funds (Effective Portion)</b>		-	-	-	-	-	-
6.1 Cash-Flow Hedge		-	-	-	-	-	-
6.2 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>VII. Tangible Assets Revaluation Differences</b>		-	-	-	-	-	-
<b>VIII. Intangible Assets Revaluation Differences</b>		-	-	-	-	-	-
<b>IX. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)</b>		-	-	-	-	-	-
<b>X. Foreign Exchange Differences</b>		-	-	-	-	-	-
<b>XI. The Disposal of Assets</b>		-	-	-	-	-	-
<b>XII. The Reclassification of Assets</b>		-	-	-	-	-	-
<b>XIII. The Effect of Change in Associate's Equity</b>		-	-	-	-	-	-
<b>XIV. Capital Increase</b>		<b>72,000</b>	-	-	-	-	-
14.1 Cash		72,000	-	-	-	-	-
14.2 Internal Sources		-	-	-	-	-	-
<b>XV. Share Premium</b>		-	-	-	-	-	-
<b>XVI. Share Cancellation Profits</b>		-	-	-	-	-	-
<b>XVII. Inflation Adjustment to Paid-in Capital</b>		-	-	-	-	-	-
<b>XVIII. Other</b>		-	-	-	-	-	-
<b>XIX. Period net Profit/(Loss)</b>		-	-	-	-	-	-
<b>XX. Profit Distribution</b>		-	-	-	-	-	-
20.1 Dividends Distributed		-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-
<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XX)</b>		<b>747,000</b>	-	-	-	-	-

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

	Extra-ordinary reserve	Other Reserve	Current period net income/(loss)	Prior period net income/(loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op, valuation fund,	Total equity
	-	-	-	(11,982)	1,512	-	-	-	-	664,530
	-	-	-	-	-	-	-	-	-	-
	-	-	-	(11,982)	1,512	-	-	-	-	664,530
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(2,582)	-	-	-	-	(2,582)
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	30,673	-	-	-	-	-	-	30,673
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	30,673	(11,982)	(1,070)	-	-	-	-	764,621

## Unconsolidated Statement of Changes in Shareholders Equity For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY								
	THOUSAND TURKISH LIRA Audited	(Section Five) Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves
Current Period 1 January - 31 December 2017								
I.	Balances at beginning of the period		747,000	-	-	-	-	-
Changes During the Period								
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Joint vent,)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-	-
XII.	Increase in Capital		503,000	-	-	-	-	-
12.1	Cash		500,000	-	-	-	-	-
12.2	From Internal Resources		3,000	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	1,308	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	1,308	-
18.3	Other		-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		1,250,000	-	-	-	1,308	-

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



## Unconsolidated Statement of Cash Flows For the Period Of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

VII. UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION		Audited Current Period <sup>(1)</sup> (31/12/2017)	Audited Prior Period <sup>(2)</sup> (31/12/2016)
<b>I.</b>	<b>DISTRIBUTION OF THE CURRENT YEAR INCOME</b>		
1.1	Current Year Income (Loss)	199,974	40,482
1.2	Taxes and Duties Payable (-) <sup>(3)</sup>	46,907	14,349
1.2.1	Corporate Tax (Income Tax)	46,907	14,349
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	-	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>153,067</b>	<b>26,133</b>
1.3	Prior Year Losses (-)	-	11,983
1.4	First Legal Reserves (-)	-	708
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>153,067</b>	<b>13,442</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 (-)	-	6,000
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 (-)	-	600
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	6,843
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>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.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners of Ordinary Shares	0.1556	0.0349
3.2	To Owners of Ordinary Shares (%)	15.5551	3.4984
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
<b>IV.</b>	<b>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 (%)	-	-

<sup>(1)</sup> Profit distribution is decided by the General Assembly. As of reporting date, General Assembly meeting has not been held yet on the profit distribution for the year 2017.

<sup>(2)</sup> Deferred tax related to current year, amount of TL 4,540 is not subject to profit distribution.

<sup>(3)</sup> It is shown in full TL amounts.

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



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### SECTION THREE

#### ACCOUNTING PRINCIPLES

##### I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (“all referred as BRSA Principles”).

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012 and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

As of the date of 31 December 2017, balance sheet and off-balance sheet liabilities tables are comparatively given with December 31, 2016 audited balances and income statement, profit and loss accounted for under equity, cash flows and changes in shareholders’ equity tables.

Unless otherwise specified, all balances in the financial statements and footnotes are expressed in thousand Turkish Lira (“TL”).

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates, Judgements and estimates are explained in related notes.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II, to XXIV.

#### Additional paragraph for convenience translation into English:

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

##### II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Parent Bank resources consists of shareholders equity. Bank evaluates its resources with commodity transactions, lease certificates and credits in high-yield and short-term. The Parent Bank’s liquidity position considered as defraying all the maturing liabilities.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the "net foreign exchange income/expense" account.

The Parent Bank is monitoring risks of liquidated receivables, doubtful fees, commission and other receivables with loans have the characteristics of loss and participation accounts make loan available risk belong to bank that are monitored in other receivables accounts with equities and make loans available special current accounts that are foreign currency and balance receivables, on the date of transition exchange to TL. Foreign currency credits make loans that are participation accounts and foreign exchange loans, risk that is belong to participation accounts appreciate with current accounts to exchange differences monitoring on the foreign exchange transactions profit or loss.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Bank.

The Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

Based on the TAS 27 "Turkish Accounting Standard for Consolidated and Separate Financial Statements", Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş. was established as a subsidiary. On July 19, 2017, the ZKB Varlık Kiralama A.Ş. was established with a capital of 50 TL, which was fully paid by the Bank. The Company has started to operate after the registration on 8 September 2017.

### IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements.

The Bank's derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts in line with TAS 39 "Financial Instruments: Recognition and Measurement". The Bank has no embedded derivative instruments separated from the articles of association.

Derivative instruments are recognized at fair value on contractual date and subsequently re-valued at their fair values and associated with the income statement. 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 "Trading Derivative Financial Assets" and if the fair value difference is negative, it is disclosed under "Financial Liabilities at Fair Value through Profit or Loss" in "Trading Derivative Financial Liabilities". Fair value changes are recorded under "Derivative Financial Transactions Gains/Losses" in income statement. The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

### V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no profit share income accrual is calculated for non-performing loans. Realized profit share accruals calculated for non-performing loans and recognized as income are reversed and profit share income related to these loans is recognized as profit only when collected.

The Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, and intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

### VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial assets mainly constitute the Bank's commercial activities and operations. Financial assets are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

#### a. Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss have two sub categories: "trading financial assets" and "financial assets through at fair value through profit/loss at initial recognition".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Bank does not have any financial assets classified as "financial assets at fair value through profit or loss" other than those held for trading purposes.

#### b. Financial assets available for sale:

Available-for-sale financial assets refer to 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 assets are initially recognized at cost value. The cost of the securities is recognized as fair value.

Available-for-sale financial assets are subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as "Marketable Securities Value Increase Fund". When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortized cost using the internal rate of return method or appropriate valuation methods.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

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### c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method, Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira (“TL”) accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

### d. Held to maturity financial assets:

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted by setting forth provision for impairment loss (impairment loss expense) or by posting profit share income.

Held to maturity assets are initially recognized at cost value.

## VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

If revalued amounts of financial assets at fair value through profit/loss is less than the prior revalued amounts, initially, value of prior records regarding the value increase are adjusted according to the recent value and if the impairment loss is more than the prior value increase, difference is reflected to “Impairment Expense for Marketable Securities”. If there is an increase in value, initially recognized impairment loss is reversed.

If financial assets available for sale are subject to permanent impairment, the amount is charged to “Impairment Expense for Marketable Securities” account in accordance with the related Turkish Accounting Standard.

Loans and other receivables are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables, and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated 1 November 2006.

The provisions released in the same year are accounted by crediting the provision expenses account and the released parts of the previous years’ provisions are recorded to the “Other Operating Income” account.

## IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when, and only when the Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

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### X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions, Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

### XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as a held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

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

As of 31 December 2017 the bank's held for sale assets is TL 3,561 (31 December 2016: None).

### XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the bank has no goodwill within the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

The Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

### XIII. EXPLANATIONS ON TANGIBLE ASSETS

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.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied annual depreciation rates are as follows;

Vehicles and Fixtures:	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets that are held for sale.

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

#### *Transactions as a Lessee*

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized. Bank records financial lease payments made for branches as equal expense amounts within the lease period. As of 31 December 2017, the Bank does not contain any financial leasing transactions.

Bank records financial lease payments made for branches as equal expense amounts within the lease period.

#### *Transactions as a Lessor*

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

### XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

The Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

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 in which the change occurs.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

#### a. Employment Termination and Vacation Benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits", and liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

Under the Turkish legislation, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution. Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

The bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. These assumptions are reviewed yearly. As of 31 December 2017, the Bank's employee termination benefit liability is TL 2,330 (31 December 2016: TL 780).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2017 unused vacation liability of the Bank is TL 2,389 (31 December 2016: 1,389).

The Bank is not employing its personnel by means of limited-period contracts.

#### b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2017 the number of personnel who benefit from the Fund is 880.

In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9.80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers' decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20<sup>th</sup> provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of "two years" in Clause (2), Article 1 of the temporary 20th provision of the law numbered 5510 is revised as "four years" with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

### **b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability**

Based on the Council of Ministers' decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law.

The technical balance sheet report as of 31 December 2017 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

## **XVII. EXPLANATIONS ON TAXATION**

### **a. Current Tax**

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

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%.)

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business. (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. . (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%.)

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

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

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b. Deferred Tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

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

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

### XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

The Bank records borrowings in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

### XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

In the Ordinary General Meeting of the Bank held on July 13, 2017, the paid-up capital increased to TL 1,250,000 by TL 500,000 in cash and TL 3,000 in internal resources.

### XX. EXPLANATIONS ON ACCEPTANCES

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

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank as of the balance sheet date.

### XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, "Cash" includes cash, effectives, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

### XXIII. EXPLANATION ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note XII, of Section Four.

### XXIV. EXPLANATIONS ON OTHER MATTERS

#### *Developments related to TFRS 9 Transition Process*

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

The Bank set up a project team consisting of themselves from Finance, Risk and Information Technology Departments independent advisors for the purpose of adaptation of TFRS 9 into its financial reporting process. As a result of statistical models, calculation methods and applying new methods that is developed by project team, expected transition impact about accounting policy was calculated. Such change in accounting policy is not expected to have a significant impact on the Bank's equity. The controls and developments regarding the implementation of TFRS 9 are in progress.

## SECTION FOUR

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

#### I. EXPLANATIONS ON SHAREHOLDER'S EQUITY

As of 31 December 2017 current period capital amount of the Bank is TL 1,259,583 and capital adequacy standard ratio is 13.06%. As of 31 December 2016 capital amount of the Bank is TL 706,161 and capital adequacy standard ratio is 12.46%.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information Related To The Components of Shareholders' Equity:

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,250,000	
Share issue premiums	-	
Reserves	9,691	
Gains recognized in equity as per TAS	-	
Profit	158,902	
Current Period Profit	158,902	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,418,593</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	14,912	
Improvement costs for operating leasing	15,987	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50,624	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>81,523</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1,337,070</b>	

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</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 (-)	12,656	
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 (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>12,656</b>	
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1,324,414</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	36,348	
<b>Tier II Capital Before Deductions</b>	<b>36,348</b>	
<b>Deductions From Tier II Capital</b>	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>36,348</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,360,762</b>	

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	101,179	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of 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, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences 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>TOTAL CAPITAL</b>		
Total Capital	1,259,583	
Total risk weighted amounts	9,643,523	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	13.87	
Tier 1 Capital Adequacy Ratio (%)	13.73	
Capital Adequacy Ratio (%)	13.06	
<b>BUFFERS</b>		
<b>Total Additional Tier 1 Capital Requirement Ratio (a + b + c)</b>	<b>1.25</b>	
Total Tier I Capital Ratio (%)	1.25	
Capital conservation buffer requirement (%)	0.00	
Bank specific counter-cyclical buffer requirement (%)	0.00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	9.36	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36,348	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36,348	
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>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(\*)</sup>The amount to be taken into consideration under the transition decrees.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information related to the debt instruments which will be included in the calculation of equity:

None.

### Information on reconciliation between balance sheet balances and the items of the total capital and equity table:

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions. In the calculation of Total Capital, general provision up to 1.25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovable properties that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from total capital.

	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	747,000
Share Premium	-
Share Cancellation Profits	-
Reserves	-
Income recognized under equity in accordance with TAS	30,673
Profit	30,673
Current Period Profit	-
Prior Period Profit	-
Free Provisions for Possible Risks	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>777,673</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>-</b>
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	13,052
Leasehold Improvements on Operational Leases (-)	16,001
Goodwill and intangible asset and the related deferred tax liability (-)	-
Net Deferred Tax Asset/Liability (-)	13,742
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) (-)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>42,795</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>734,878</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</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 (-)	9,162	
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 (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>9,162</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)</b>	<b>725,716</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	17,287	
<b>Tier II Capital Before Deductions</b>	<b>17,287</b>	
<b>Deductions From Tier II Capital</b>	<b>-</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>17,287</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>743,003</b>	



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	36,842	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of 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, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences 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>TOTAL CAPITAL</b>		
Total Capital	706,161	
Total risk weighted amounts	5,666,714	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12.97	
Tier 1 Capital Adequacy Ratio	12.81	
Capital Adequacy Ratio	12.46	
<b>BUFFERS</b>		
Total Tier I Capital Ratio (%)	3.13	
Capital conservation buffer requirement	0.63	
Bank specific counter-cyclical buffer requirement	2.50	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	8.47	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	17,287	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	17,287	
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>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information on reconciliation between balance sheet balances and the items of the total capital and equity table:

Current Period	Balance Sheet Value	Amount Considered in Equity Calculation
Shareholder's equity	1,403,681	1,403,681
Operating lease development costs	15,987	(15,987)
Goodwill and intangible assets	63,280	(63,280)
General provisions	99,082	36,348
Subordinated loans	-	-
Other values deducted from equity	101,178	(101,178)
Equity	-	1,259,583

## II. EXPLANATIONS ON CREDIT RISK

The Credit risk states the debtor or institution's probability of loss which may decrease in credit standing partially or completely and prevent the requirements of the engagement liabilities on the time due to any reason.

Loan allocation authorization belongs to Board of Directors however relying on the authorization given by the Board of Directors, limits of credit customers determined within the scope of General Management's Credit Committee and the authorization limits which was given by Board of Directors, Financial and non-financial informations, credit needs, sectoral and identical features which belongs to credit customers evaluates accordingly allocate the limits.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. Debtors and debtor groups are monitored weekly within the scope of risk limitation appetite.

The limits which is identified as related credit portfolio approved by the Board of Directors and revised when required. The identified limits will be distributed by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

After the allocation of limit within the commercial portfolios, firms are continued to be monitored and the changes in the financial structures and market relations of the credit firms are followed.

Documents required to be received are clearly stated by the regulations in the application of funds and limit allocation, and these topic documents are evidently mentioned in regularity that received or not received which is controlled by audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and good security, the Bank's credit risk expected to be significantly decline.

Bank applies internal ratings processes as a decision support system for analyzing credit standing and determining credit allocation for Corporate/Entrepreneur consumer loans.

## **Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

The Bank makes provision as proposed with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks provide allocation which is determined by considering the needs of both clients and departments, with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are executed by monetary transactions.

The Bank calculate specific provisions which is classified as an illiquid claim considering with related deposits received from customers as stated in “Methods and Principles for the Determination of Loans and other Receivables to be Reserved for and Allocation for Reserves”.

The receivable of the Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is 50.43% and 60.57% (31 December 2016: 57.63% and 67.30%).

The receivable of the Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 56.73% and 71.10% (31 December 2016: 74.75% and 87.76%).

The receivable of the Bank from its top 100 and 200 cash and non-cash receivables loan customers share in total cash and non-cash receivables loans ratio is 41.28% and 52.90% (31 December 2016: 64.19% and 75.14%).

The Banks general loan loss provision amount for its credit risk is TL 99,082 (31 December 2016: TL 52,263).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	2,178,097	-	84,658	-	-	1,270,572	8,382,582
European Union Countries	-	-	-	-	-	58,927	-
OECD Countries <sup>(1)</sup>	-	-	-	-	-	750	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	3,983	-
Other Countries	-	-	-	-	-	76,780	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>2,178,097</b>	<b>-</b>	<b>84,658</b>	<b>-</b>	<b>-</b>	<b>1,411,015</b>	<b>8,382,582</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
Domestic	1,482,353	-	8,680	-	-	752,133	4,659,408
European Union Countries	-	-	-	-	-	233,710	-
OECD Countries <sup>(1)</sup>	-	-	-	-	-	449	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	8	-
Other Countries	-	-	-	-	-	2,952	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>1,482,353</b>	<b>-</b>	<b>8,680</b>	<b>-</b>	<b>-</b>	<b>989,255</b>	<b>4,659,408</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(2)</sup> Consists of assets and liabilities that cannot be distributed according to a consistent framework.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	1,033,272	1,294,917	7,793	2,027	-	-	-	-	103,069	14,356,987
	-	-	-	-	-	-	-	-	-	58,927
	-	-	-	-	-	-	-	-	-	750
	-	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	-	-	-	3,983
	-	-	-	-	-	-	-	-	-	76,780
	-	-	-	-	-	-	-	-	100	100
	-	-	-	-	-	-	-	-	-	-
	<b>1,033,272</b>	<b>1,294,917</b>	<b>7,793</b>	<b>2,027</b>	-	-	-	-	<b>103,169</b>	<b>14,497,530</b>

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	264,899	801,553	4,102	-	-	-	-	-	73,713	8,046,841
	-	-	-	-	-	-	-	-	-	233,710
	-	-	-	-	-	-	-	-	-	449
	-	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	-	-	-	8
	-	-	-	-	-	-	-	-	-	2,952
	-	-	-	-	-	-	-	-	50	50
	-	-	-	-	-	-	-	-	-	-
	<b>264,899</b>	<b>801,553</b>	<b>4,102</b>	-	-	-	-	-	<b>73,763</b>	<b>8,284,013</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Risk Profile by Sectors or Counterparties

	Risk Classes						
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
<b>Sectors/Counter Parties</b>							
Agriculture	-	-	-	-	-	-	79,855
Farming and Stockbreeding	-	-	-	-	-	-	77,031
Forestry	-	-	-	-	-	-	1,418
Fishing	-	-	-	-	-	-	1,406
Manufacturing	-	-	-	-	-	-	3,447,915
Mining and Quarrying	-	-	-	-	-	-	91,600
Production	-	-	-	-	-	-	3,212,657
Electric, Gas and Water	-	-	-	-	-	-	143,658
Construction	-	-	-	-	-	-	1,946,310
Services	2,178,097	-	82,903	-	-	1,411,015	2,827,739
Wholesale and Retail Trade	-	-	-	-	-	-	1,716,082
Hotel Food and Beverage Services	-	-	-	-	-	-	25,548
Transportation and Telecommunication	-	-	-	-	-	-	74,349
Financial Institutions	2,178,097	-	82,900	-	-	1,411,015	185,623
Real Estate and Leasing Services	-	-	-	-	-	-	701,029
Self-Employment Services	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	29,830
Health and Social Services	-	-	3	-	-	-	95,278
Other	-	-	1,755	-	-	-	80,763
<b>Total</b>	<b>2,178,097</b>	<b>-</b>	<b>84,658</b>	<b>-</b>	<b>-</b>	<b>1,411,015</b>	<b>8,382,582</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	11,587	5,767	-	-	-	-	-	-	-	80,833	16,376	97,209
	7,439	5,542	-	-	-	-	-	-	-	73,636	16,376	90,012
	4,148	-	-	-	-	-	-	-	-	5,566	-	5,566
	0	225	-	-	-	-	-	-	-	1,631	-	1,631
	260,712	127,328	47	229	-	-	-	-	-	1,739,873	2,096,358	3,836,231
	3,122	-	-	-	-	-	-	-	-	45,244	49,478	94,722
	256,586	122,465	47	229	-	-	-	-	-	1,547,561	2,044,423	3,591,984
	1,004	4,863	-	-	-	-	-	-	-	147,068	2,457	149,525
	102,837	329,227	2,534	205	-	-	-	-	-	1,973,162	407,951	2,381,113
	424,957	242,649	5,212	1,432	-	-	-	-	100	4,977,404	2,196,700	7,174,104
	324,489	111,785	5,212	1,432	-	-	-	-	-	1,864,225	294,775	2,159,000
	11,493	8,209	-	-	-	-	-	-	-	32,992	12,258	45,250
	21,148	798	-	-	-	-	-	-	-	95,713	582	96,295
	884	-	-	-	-	-	-	-	100	2,203,450	1,655,169	3,858,619
	59,107	109,863	-	-	-	-	-	-	-	723,955	146,044	869,999
	-	-	-	-	-	-	-	-	-	-	-	-
	3,250	11,659	-	-	-	-	-	-	-	37,271	7,468	44,739
	4,586	335	-	-	-	-	-	-	-	19,798	80,404	100,202
	233,179	589,946	-	161	-	-	-	-	103,069	955,908	52,965	1,008,873
	<b>1,033,272</b>	<b>1,294,917</b>	<b>7,793</b>	<b>2,027</b>	-	-	-	-	<b>103,169</b>	<b>9,727,180</b>	<b>4,770,350</b>	<b>14,497,530</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Risk Classes						
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
<b>Sectors/Counter Parties</b>							
Agriculture	-	-	-	-	-	-	36,258
Farming and Stockbreeding	-	-	-	-	-	-	29,916
Forestry	-	-	-	-	-	-	6,170
Fishing	-	-	-	-	-	-	172
Manufacturing	-	-	6,489	-	-	-	2,089,278
Mining and Quarrying	-	-	-	-	-	-	46,840
Production	-	-	6,489	-	-	-	1,918,055
Electric, Gas and Water	-	-	-	-	-	-	124,383
Construction	-	-	-	-	-	-	853,759
Services	1,482,353	-	-	-	-	989,255	1,631,954
Wholesale and Retail Trade	-	-	-	-	-	-	981,203
Hotel Food and Beverage Services	-	-	-	-	-	-	88,373
Transportation and Telecommunication	-	-	-	-	-	-	338,699
Financial Institutions	1,482,353	-	-	-	-	989,255	55,072
Real Estate and Leasing Services	-	-	-	-	-	-	144,163
Self-Employment Services	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	11,396
Health and Social Services	-	-	-	-	-	-	13,048
Other	-	-	2,191	-	-	-	48,159
<b>Total</b>	<b>1,482,353</b>	<b>-</b>	<b>8,680</b>	<b>-</b>	<b>-</b>	<b>989,255</b>	<b>4,659,408</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.



Risk Classes

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	3,565	6,267	40	-	-	-	-	-	-	46,029	101	46,130
	2,341	1,877	40	-	-	-	-	-	-	34,073	101	34,174
	1,219	4,390	-	-	-	-	-	-	-	11,779	-	11,779
	5	-	-	-	-	-	-	-	-	177	-	177
	72,612	240,146	615	-	-	-	-	-	-	1,300,865	1,108,275	2,409,140
	3,595	11,177	-	-	-	-	-	-	-	57,458	4,154	61,612
	68,625	228,755	615	-	-	-	-	-	-	1,118,418	1,104,121	2,222,539
	392	214	-	-	-	-	-	-	-	124,989	-	124,989
	16,810	118,737	-	-	-	-	-	-	-	673,378	315,928	989,306
	58,270	115,516	1,277	-	-	-	-	-	50	2,851,452	1,427,223	4,278,675
	44,011	68,550	1,277	-	-	-	-	-	-	768,276	326,765	1,095,041
	2,910	260	-	-	-	-	-	-	-	33,583	57,960	91,543
	2,269	441	-	-	-	-	-	-	-	141,304	200,105	341,409
	401	1,801	-	-	-	-	-	-	50	1,736,027	792,905	2,528,932
	7,267	33,387	-	-	-	-	-	-	-	142,087	42,730	184,817
	-	-	-	-	-	-	-	-	-	-	-	-
	87	10,991	-	-	-	-	-	-	-	15,716	6,758	22,474
	1,325	86	-	-	-	-	-	-	-	14,459	-	14,459
	113,642	320,887	2,170	-	-	-	-	-	73,713	521,149	39,613	560,762
	<b>264,899</b>	<b>801,553</b>	<b>4,102</b>	-	-	-	-	-	<b>73,763</b>	<b>5,392,873</b>	<b>2,891,140</b>	<b>8,284,013</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1,602,564	632	-	61,297	453,287
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	80,437	4,220
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,327,759	83,232	-	-	25
Conditional and unconditional exposures to corporates	380,314	828,448	1,437,815	1,644,591	4,091,412
Conditional and unconditional retail exposures	22,012	68,225	106,903	160,522	675,609
Conditional and unconditional exposures secured by real estate property	8,957	23,070	39,936	70,256	1,152,698
Past due receivables	7,793	-	-	-	-
Receivables defined in high risk category by BRSA	2027	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	41,124	-	-	-	-
<b>Grand Total</b>	<b>3,392,550</b>	<b>1,003,607</b>	<b>1,584,654</b>	<b>2,017,103</b>	<b>6,377,251</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

Rating Scores are used in the following risk classes;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

### Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	2,211,492	-	937,054	674,564	1,249,465	1,032,453	8,390,475	2,027	-	-	-	79,267
2	Exposures after Credit Risk Mitigation	3,030,371	-	971,009	674,564	1,518,727	740,926	7,559,906	2,027	-	-	-	79,267

Prepared with the numbers after conversion rate to credit.

### Information on Significant Sectors or Counterparty Based:

**Impaired Credits;** are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Special Provision” calculation is made within the scope of Regulation on Provisions.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

**Past Due Credits;** are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment for these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture				
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	9,718	17,308	346	5,453
Mining and Quarrying	-	1,304	26	-
Production	9,718	16,004	320	5,453
Electricity, Gas and Water	-	-	-	-
Construction	5,214	10,393	208	2,023
Services	12,800	8,041	161	8,607
Wholesale and Retail Trade	12,800	5,795	116	8,607
Accommodation and Dining	-	2,246	45	-
Transportation and Telecom,	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	7,109	2,107	142	2,005
<b>Total</b>	<b>34,841</b>	<b>37,849</b>	<b>857</b>	<b>18,088</b>

### Information about Value Adjustment and Change in Provisions:

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	3,832	14,746	(490)	-	18,088
2	General Provisions	52,263	46,895	(76)	-	99,082

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	37	1,159
Banks	278,581	468,454
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	519,454	409,964
Held-to-maturity Investments	-	-
Loans	11,374,744	5,557,942
Receivables From Leasing Transactions	372,944	221,373
Other Assets	-	-
<b>Total credit risk exposure of balance sheet items</b>	<b>12,545,760</b>	<b>6,658,892</b>
Financial Guarantees	6,111,538	3,507,969
Commitments	132,756	48,498
<b>Total credit risk exposure of off-balance sheet items</b>	<b>6,244,294</b>	<b>3,556,467</b>
<b>Total credit risk exposure</b>	<b>18,790,054</b>	<b>10,215,359</b>

### Information about credit quality per class of financial assets:

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	278,581	-	278,581	468,454	-	468,454
Financial Assets at Fair Value Through Profit or Loss	37	-	37	1,159	-	1,159
Loans	11,318,542	39,449	11,357,991	5,521,127	30,164	5,551,291
Corporate/Entrepreneurial Loans	9,952,953	37,565	9,990,518	4,763,415	28,884	4,792,299
Consumer Loans	1,365,589	1,884	1,367,473	757,712	1,280	758,992
Specialized Loans	-	-	-	-	-	-
Available-for-sale Financial Assets	519,454	-	519,454	414,683	-	414,683
Held-to-maturity Investments	-	-	-	-	-	-

### III. EXPLANATIONS ON COUNTER-CYCLICAL CAPITAL BUFFER CALCULATIONS RISK

According to the Board resolution of BRSA, the transactions made between the banks are not involved to the counter-cyclical buffer ratio calculation. Within this scope as of 31 December 2017 the Bank does not have any receivables from abroad apart from the Banks, however the Bank discretely uses the uppermost ratio determined by BRSA, which is 0%.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### IV. EXPLANATIONS ON THE CURRENCY RISK

**a) Whether the Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:**

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks, Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments.

Moreover, dealer's positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

**b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:**

None.

**c) Management policy for foreign currency risk:**

"Liquidity Gap Analysis" are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

**d) Current foreign exchange bid rates of the Bank for the last 5 business days prior to the financial statement date:**

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
25.12.2017	3.7960	4.5060	2.9045	0.5995	0.4503	3.8013	2.9530	0.4522	5.0556	1.0118	3.3170
26.12.2017	3.8037	4.5124	2.9082	0.6003	0.4512	3.8067	2.9642	0.4518	5.0602	1.0139	3.3250
27.12.2017	3.8172	4.5426	2.9343	0.6042	0.4563	3.8252	2.9895	0.4554	5.0983	1.0175	3.3350
28.12.2017	3.7688	4.5012	2.9088	0.5987	0.4530	3.8119	2.9624	0.4519	5.0473	1.0045	3.3060
29.12.2017	3.7803	4.5331	2.9236	0.6028	0.4560	3.8321	2.9800	0.4562	5.0886	1.0077	3.3260

**e) Simple arithmetic average of the Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:**

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
3.6411	4.1123	2.7615	0.5473	0.4222	3.6605	2.7783	0.4360	4.6731	0.9652	3.2136

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information on the foreign currency risk of the Bank:

	EUR	USD	Other FC <sup>(4)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	241,011	1,000,225	96,650	1,337,886
Banks	170,847	43,049	61,365	275,261
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	7,712	-	7,712
Loans <sup>(1)</sup>	2,115,434	1,633,582	-	3,749,016
Subsidiaries, Associates, Entities Under Common	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	122	-	122
<b>Total Assets</b>	<b>2,527,292</b>	<b>2,684,690</b>	<b>158,015</b>	<b>5,369,997</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	212	123	-	335
Current and profit sharing accounts FC	1,176,999	2,346,390	154,925	3,678,314
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	699,236	930,700	-	1,629,936
Marketable securities issued	-	-	-	-
Miscellaneous payables	3,542	4,920	-	8,462
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	1,962	2,784	61	4,807
<b>Total liabilities</b>	<b>1,881,951</b>	<b>3,284,917</b>	<b>154,986</b>	<b>5,321,854</b>
<b>Net balance sheet position</b>	645,341	(600,227)	3,029	<b>48,143</b>
<b>Net off-balance sheet position</b>	(634,634)	629,444	-	<b>(5,190)</b>
Financial derivative assets	-	629,444	-	629,444
Financial derivative liabilities	634,634	-	-	634,634
<b>Non-cash Loans</b>	<b>1,604,487</b>	<b>1,294,816</b>	<b>38,860</b>	<b>2,938,163</b>
<b>Prior Period</b>				
Total Assets	1,473,863	1,513,755	56,584	3,044,202
Total Liabilities	1,422,716	1,573,932	54,888	3,051,536
<b>Net Balance Sheet Position</b>	<b>51,147</b>	<b>(60,177)</b>	<b>1,696</b>	<b>(7,334)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>(129,260)</b>	<b>130,412</b>	<b>-</b>	<b>1,152</b>
Financial Derivative Assets	-	130,412	-	130,412
Financial Derivative Liabilities	129,260	-	-	129,260
<b>Non-cash Loans</b>	<b>930,417</b>	<b>1,200,728</b>	<b>35,490</b>	<b>2,166,635</b>

<sup>(1)</sup> TL 665,300 equivalent of USD loans, and TL 1,364,984 equivalent of EUR loans are originated as foreign currency indexed loans.

<sup>(2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(3)</sup> Derivative Financial Assets held for trading and liabilities are not included in the table.

<sup>(4)</sup> Of the foreign currencies presented in the other foreign currency column of assets 93% is Gold, 4% is GBP and remaining 3% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 95% is Gold, 4% is GBP and the remaining 1% is other foreign currencies.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

#### Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 7,181 all of which are 100% risk weighted (31 December 2016: 4,719).

### VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on weekly unconsolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

#### 1) Liquidity Risk:

##### a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. Therefore, the assets and the liabilities of the bank and the dividend ratios correspond to each other.

The bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### **b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

### **c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

### **d) Evaluation of the banks cash flow rates and its sources:**

The Bank's main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

## **2) Liquidity Coverage Ratio:**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

The Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers, Bank's principal funding source represented by participation funds.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Current Period	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>2,018,345</b>	<b>1,283,032</b>	<b>2,018,345</b>	<b>1,283,032</b>
High quality liquid assets	-	-	2,018,345	1,283,032
<b>CASH OUTFLOWS</b>	<b>13,514,181</b>	<b>5,333,357</b>	<b>3,430,342</b>	<b>1,768,038</b>
Real person deposits and retail deposits	4,591,572	1,821,619	420,669	182,162
Stable deposit	769,765	-	38,488	-
Deposit with low stability	3,821,807	1,821,619	382,181	182,162
Unsecured debts except real person deposits and retail deposits	4,153,603	1,651,717	2,238,483	966,394
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4,153,603	1,651,717	2,238,483	966,394
Secured debts	-	-	-	-
Other cash outflows	4,769,006	1,860,021	771,190	619,482
Derivative liabilities and margin obligations	526,520	520,140	526,520	520,140
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	130,168	129,394	39,054	38,818
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4,112,318	1,210,487	205,616	60,524
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>3,430,342</b>	<b>1,768,038</b>
<b>CASH INFLOWS</b>	<b>2,225,933</b>	<b>1,091,482</b>	<b>1,865,202</b>	<b>1,080,505</b>
Secured receivables	-	-	-	-
Unsecured claims	1,700,461	584,029	1,339,730	573,052
Other cash inflows	525,472	507,453	525,472	507,453
<b>TOTAL CASH INFLOWS</b>	<b>2,225,933</b>	<b>1,091,482</b>	<b>1,865,202</b>	<b>1,080,505</b>
<b>Applied maximum rate values</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>2,018,345</b>	<b>1,283,032</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>1,565,140</b>	<b>687,533</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>187</b>

<sup>(\*)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Prior Period	Consideration Ratio Not Applied Total Value <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>880,253</b>	<b>559,751</b>	<b>705,398</b>	<b>385,323</b>
High quality liquid assets	-	-	705,398	385,323
<b>CASH OUTFLOWS</b>	<b>6,260,670</b>	<b>2,337,819</b>	<b>1,527,873</b>	<b>635,354</b>
Real person deposits and retail deposits	2,293,909	791,038	222,430	79,104
Stable deposit	139,215	-	6,961	-
Deposit with low stability	2,154,694	791,038	215,469	79,104
Unsecured debts except real person deposits and retail deposits	2,028,558	788,795	1,129,676	446,343
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	2,028,558	788,795	1,129,676	446,343
Secured debts	-	-	-	-
Other cash outflows	1,938,203	757,986	175,767	109,907
Derivative liabilities and margin obligations	69,556	62,399	69,556	62,399
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	51,114	50,912	15,334	15,274
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	1,817,533	644,675	90,877	32,234
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>1,527,873</b>	<b>635,354</b>
<b>CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Secured receivables	-	-	-	-
Unsecured claims	1,200,669	336,832	1,008,206	333,107
Other cash inflows	71,005	59,692	71,005	59,692
<b>TOTAL CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
<b>Applied maximum rate values</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>705,398</b>	<b>385,323</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>448,662</b>	<b>242,555</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>186</b>

<sup>(1)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistri- buted <sup>(*)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	323,220	1,320,469	-	-	-	-	-	1,643,689
Banks	278,581	-	-	-	-	-	-	278,581
Financial Assets at Fair Value Through Profit and Loss	37	-	-	-	-	-	-	37
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2,462	-	2,406	61,297	453,289	-	4,719	524,173
Loans Given	-	1,444,299	841,762	2,870,892	5,212,023	1,005,768	-	11,374,744
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	155,975	8,934	515	3,174	280,271	80,050	-	528,919
<b>Total Assets</b>	<b>760,275</b>	<b>2,773,702</b>	<b>844,683</b>	<b>2,935,363</b>	<b>5,945,583</b>	<b>1,085,818</b>	<b>4,719</b>	<b>14,350,143</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	339	5,007	-	-	-	-	-	5,346
Current and Participation Accounts	1,650,828	6,769,575	1,248,662	346,236	3,948	-	-	10,019,249
Funds Provided from Other Financial Instruments	-	628,415	539,900	1,244,308	194,491	-	-	2,607,114
Money Market Borrowings	-	32,462	-	-	-	-	-	32,462
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	35,716	35,716
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	1,650,256	1,650,256
<b>Total Liabilities</b>	<b>1,651,167</b>	<b>7,435,459</b>	<b>1,788,562</b>	<b>1,590,544</b>	<b>198,439</b>	<b>-</b>	<b>1,685,972</b>	<b>14,350,143</b>
<b>Liquidity Gap</b>	<b>(890,892)</b>	<b>(4,661,757)</b>	<b>(943,879)</b>	<b>1,344,819</b>	<b>5,747,144</b>	<b>1,085,818</b>	<b>(1,681,253)</b>	<b>-</b>

<sup>(\*)</sup> Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders' equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistri- -buted <sup>(*)</sup>	Total
<b>Prior Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,201,298	-	-	-	-	-	-	1,201,298
Banks	468,454	-	-	-	-	-	-	468,454
Financial Assets at Fair Value Through Profit and Loss	-	401	758	-	-	-	-	1,159
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	38,459	88,862	282,643	-	-	414,683
Loans Given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	5,246	-	2,061	88,803	118,614	101,247	315,971
<b>Total Assets</b>	<b>1,674,471</b>	<b>666,343</b>	<b>342,551</b>	<b>1,445,320</b>	<b>3,105,341</b>	<b>624,234</b>	<b>101,247</b>	<b>7,959,507</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	3,946	18,531	-	-	-	-	-	22,477
Current and Participation Accounts	829,114	3,749,936	715,251	317,985	1,239	-	-	5,613,525
Funds Provided from Other Financial Instruments	-	72,429	393,745	664,570	156,477	-	-	1,287,221
Money Market Borrowings	-	133,668	-	-	-	-	-	133,668
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	17,027	17,027
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	885,589	885,589
<b>Total Liabilities</b>	<b>833,060</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	<b>-</b>	<b>902,616</b>	<b>7,959,507</b>
<b>Liquidity Gap</b>	<b>841,411</b>	<b>(3,308,221)</b>	<b>(766,445)</b>	<b>462,765</b>	<b>2,947,625</b>	<b>624,234</b>	<b>(801,369)</b>	<b>-</b>

<sup>(\*)</sup> Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders' equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Presentation of liabilities according to their remaining maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Current Period <sup>(1)</sup></b>						
Current account and funds collected from banks via participation accounts	5,007	-	-	-	-	5,007
Other current and profit sharing accounts	6,769,575	1,248,662	346,236	3,948	-	8,368,421
Funds borrowed from other financial institutions	628,415	539,900	1,244,308	194,491	-	2,607,114
Funds borrowed from Interbank money market	32,462	-	-	-	-	32,462
<b>Total</b>	<b>7,435,459</b>	<b>1,788,562</b>	<b>1,590,544</b>	<b>198,439</b>	<b>-</b>	<b>11,013,004</b>
<b>Prior Period <sup>(1)</sup></b>						
Current account and funds collected from banks via participation accounts	18,531	-	-	-	-	18,531
Other current and profit sharing accounts	3,749,936	715,251	317,985	1,239	-	4,784,411
Funds borrowed from other financial institutions	72,429	393,745	664,570	156,477	-	1,287,221
Funds borrowed from Interbank money market	133,668	-	-	-	-	133,668
<b>Total</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	<b>-</b>	<b>6,223,831</b>

### VII. EXPLANATIONS ON LEVERAGE RATIO

As of 31 December 2017, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 6.6%. This ratio is above the required minimum rate (31 December 2016: 6.9%).

Leverage ratio disclosure as follows:

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>Balance sheet assets</b>		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	13,721,862	7,131,442
(Assets deducted from main capital)	(81,514)	(50,794)
Total risk amount of the balance sheet assets	13,640,348	7,080,648
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	630	1,737
Potential credit risk amount of derivative financial instruments and credit derivatives	6,357	1,191
Total risk amount of derivative financial instruments and credit derivative	6,987	2,928
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	160,316	65,628
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	160,316	65,628
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	6,207,549	3,340,325
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	6,207,549	3,340,325
<b>Equity and total risk</b>		
Main capital	1,318,315	720,194
Total risk amount	20,015,200	10,489,529
<b>Leverage ratio</b>		
Leverage ratio	6.6	6.9

<sup>(1)</sup> Amounts in the table are obtained on the basis of three-month weighted average.

## **Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### **VIII. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

### **IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette no, 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (“IRB”) have not been presented.

Within the scope of risk management, there are many risks that affect our bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers’ financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period, The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

Our bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 1. Explanations on Risk Management and Risk-weighted Assets:

#### a) Overview of Risk-weighted Assets

	Overview of RWA	Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	9,308,304	5,513,251	744,664
2	Standardized approach (SA)	9,308,304	5,513,251	744,664
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,091	1,290	407
5	Standardized approach for counterparty credit risk (SA-CCR)	5,091	1,290	407
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	44,918	20,700	3,593
17	Standardized approach (SA)	44,918	20,700	3,593
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk <sup>(*)</sup>	285,210	131,473	22,817
20	Basic Indicator Approach	285,210	131,473	22,817
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>9,643,523</b>	<b>5,666,714</b>	<b>771,481</b>



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 2. Linkages Between Financial Statements and Regulatory Exposures

#### a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values under scope of regulatory consolidation	Carrying values of items in accordance with TAS			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and balances at central bank	1,643,689	1,643,689	-	1,337,886	-
Financial assets held for trading	37	-	37	-	-
Financial assets designated at fair value through profit or loss	-	-	-	4	-
Banks	278,581	278,581	-	275,261	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	524,173	524,173	501,421	7,712	-
Loans and receivables	11,374,744	11,374,744	-	1,718,732	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	100	100	-	-	-
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	372,944	372,944	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	47,235	31,248	-	-	15,987
Intangible assets (net)	63,280	-	-	-	63,280
Investment properties (net)	-	-	-	-	-
Tax assets	14,093	14,093	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	3,561	3,561	-	-	-
Other assets	27,706	27,706	-	122	-
<b>Total Assets</b>	<b>14,350,143</b>	<b>14,270,839</b>	<b>501,458</b>	<b>3,339,717</b>	<b>79,267</b>
<b>Liabilities</b>					
Deposits	10,024,595	-	-	3,678,649	-
Derivative financial liabilities held for trading	6,280	-	-	6,280	-
Loans	2,607,114	-	-	1,629,936	-
Debt to money markets	32,462	-	32,462	-	-
Debt securities in issue	-	-	-	-	-
Funds	-	-	-	-	-
Various Debts	35,716	-	-	8,462	-
Other Debts	70,570	-	-	1,202	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	-	-	-	-	-
Provisions	142,290	-	-	3,605	-
Tax liability	27,435	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Equity	1,403,681	-	-	-	-
<b>Total Liabilities</b>	<b>14,350,143</b>	<b>-</b>	<b>32,462</b>	<b>5,328,134</b>	<b>-</b>

(C) Indicating Bank's unconsolidated financial statements.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework	Total
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>14,350,143</b>	<b>14,270,839</b>	-	<b>501,458</b>	<b>3,339,717</b>
Liabilities carrying value amount under regulatory scope of consolidation	32,462	-	-	32,462	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>14,317,681</b>	<b>14,270,839</b>	-	<b>468,996</b>	-
Off-balance sheet amounts	7,508,372	6,182,382	-	1,325,989	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>	-	-	-	-	-

### 3. Explanations on Credit Risk

#### 3.1) General information about credit risk

##### a) General qualitative information about credit risk

Effective management of credit risk is one of the key elements of a comprehensive approach to risk management. Corporate, individual and SME loans, finance lease receivables, other elements constituting the bank's assets and non-cash transactions constitute the basis of the items which constitute credit risk, which are used depending on the activities of our bank. Taking into consideration the risk appetite of our bank in the activities carried out in this direction is important in terms of enabling the effective management of credit risk.

Credit risk limits has been designed in accordance with the level of risk that the Bank may be exposed to, its activities and the size and complexity of its products and services and is determined by taking the views and recommendations of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly monitored periodically, and adapting to changes in market conditions, the Bank's strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance has been audited and a policy has been developed in line with the Bank's strategies and targets.

Credit risk calculations are carried out carefully and meticulously and controls are carried out in accordance with the legislation. In the present case, calculations are made using the standard method and infrastructure studies are continuing to use advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit departments, taking into account legal requirements at each stage.

Detailed reporting including the relationship with credit risk and other risks exposed to the Board of Directors and Senior Managers is periodically shared and the credit risk is monitored effectively by the risk management unit.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Credit quality of assets

	Defaulted exposures	Non-defaulted exposures	Provisions/Amortization and impairment	Net value
Loans	34,841	11,730,936	18,088	11,747,689
Debt instruments	-	524,845	7,853	516,992
Off-balance sheet receivables	-	6,182,098	177	6,181,921
<b>Total</b>	<b>34,841</b>	<b>18,437,879</b>	<b>26,118</b>	<b>18,446,602</b>

(\*) Financial Lease amount of TL 372,944 is included to the table.

### c) Default receivables and change in debt instrument stock

1	Prior report period default loans and debt instrument amount	10,483
2	Default credits and debt instruments since the last reporting period	24,358
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>34,841</b>

### d) Additional disclosures about the credit quality of assets

#### i. The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes

The Bank provides special and general provisions for loans and other receivables in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks for Loans and Other Receivables and the Provisions to be Made".

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

The Bank automatically transfers the loans that are over 90 days past due to the provisions of the Provisions Regulation to the follow-up accounts and allocates the counterparty of the related class.

#### iii. Definitions of methods used when setting the allowance

Within the framework of the Provisions Regulation and related provisions, the Bank allocates general provision at 20%, 50% and 100% special allowances for receivables over 90 days, at the ratios specified in the regulation for the receivables specified in the regulation.

#### iv. The Banks own definition of a restructured exposure

As of 31 December 2017, the Bank has no restructured exposure (31 December 2016 : None).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### v. Breakdown of receivables according to geographical areas, breakdown by sector and remaining demand, geographical segments and sectoral provision amount and related provisions and write-offs:

	Loans and Receivables	Loans Under Follow Up	Special Provision	Total
Domestic	11,282,385	34,841	18,088	11,299,138
European countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other foreign countries	75,606	-	-	75,606
<b>Total</b>	<b>11,357,991</b>	<b>34,841</b>	<b>18,088</b>	<b>11,374,744</b>

	Loans and Receivables	Loans under follow up	Special Provisions	Total
Agriculture	207,642	-	-	207,642
Farming and Stockbreeding	150,319	-	-	150,319
Forestry	52,615	-	-	52,615
Fishery	4,708	-	-	4,708
Manufacturing	4,477,817	9,718	5,453	4,482,082
Mining and Quarrying	286,181	-	-	286,181
Production	4,026,740	9,718	5,453	4,031,005
Electricity, Gas and Water	164,896	-	-	164,896
Construction	1,501,198	5,214	2,023	1,504,389
Services	3,505,472	12,800	8,607	3,509,665
Wholesale and Retail Trade	1,402,871	12,800	8,607	1,407,064
Accommodation and Dining	74,150	-	-	74,150
Transportation and Telecom	427,308	-	-	427,308
Financial Institutions	-	-	-	-
Real Estate and Rental Services	1,461,198	-	-	1,461,198
Professional Services	-	-	-	-
Educational Services	34,531	-	-	34,531
Health and Social Services	105,414	-	-	105,414
Other	1,665,862	7,109	2,005	1,670,966
<b>Total</b>	<b>11,357,991</b>	<b>34,841</b>	<b>18,088</b>	<b>11,374,744</b>

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
<b>Current Period</b>								
Loans given	-	1,444,299	841,762	2,870,892	5,212,023	1,005,768	-	11,374,744

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
<b>Prior Period</b>								
Loans given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### vi. Aging analysis for past due receivables

Past due but not impaired loans aging analysis based on credit class as follows:

Current Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables	-	-	-	-
Corporate/Entrepreneurial Loans	35,808	7,192	4,553	47,553
Consumer loans	1,429	801	-	2,230
<b>Total</b>	<b>37,237</b>	<b>7,993</b>	<b>4,553</b>	<b>49,783</b>

### 3.2) Credit risk mitigation

#### a) Qualitative disclosure requirements related to credit risk mitigation techniques

It is taken into consideration that the collateralization process of the bank's lending processes may create a risk. In the bank guarantee policy, residual risks are managed by observing all the risks such as not being able to get the collateral received on time or turning it into cash, the guarantor refusing or delaying the payment, insufficient legal documents of the legal documents for obtaining the desired legal result.

The transactions that the bank makes in the context of market risk are not covered.

Financial collaterals are taken into consideration in mitigating credit risk in the Bank and as a rule, real estate mortgages are not considered as collateral. Mortgage-backed receivables are a separate risk class and the financial collateral used in the Bank consists of cash blockage, public guarantee fund and borrowing of public debts.

#### b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	9,934,785	1,812,904	971,403	1,390,238	914,450	-	-
Debt instruments	516,992	-	-	-	-	-	-
<b>Total</b>	<b>10,451,777</b>	<b>1,812,904</b>	<b>971,403</b>	<b>1,390,238</b>	<b>914,450</b>	<b>-</b>	<b>-</b>
Default	34,841	-	-	-	-	-	-

### 3.3) Credit risk under standardized approach

#### a) Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The Bank uses the ratings issued by Fitch Ratings International Rating Agency in its risk classes for Receivables from Central Government or Central Banks, Receivables from Regional and Local Governments and Administrative Units and Non-Commercial, Receivables from Banks in the risk category, Fitch Ratings notes are used for receivables from resident banks and no rating agency notes are used for receivables from domestic resident banks. Country Notes used for Receivables from Central Government or Central Banks, Receivables from Regional or Local Governments and Administrative Units and Non-Commercial Enterprises are 3 in the Credit Quality Level, while the notes used in the risk classes of Banks and Intermediary Institutions are from 1 to 6 matched with credit quality levels.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Standard Approach - Exposure to credit risk and credit risk mitigation effects

Risk classes	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Exposures to central governments or central banks	2,178,097	-	3,077,345	112,088	129,914	4%
Exposures to regional governments or local authorities	-	-	15,203	1,960	8,582	50%
Exposures to public sector entities	84,058	1,237	84,058	600	84,641	100%
Exposures to multilateral development Banks	-	-	-	-	-	0%
Exposures to international organizations	-	-	-	-	-	0%
Exposures to institutions	1,410,764	276	1,410,764	251	428,318	30%
Exposures to corporates	4,849,702	5,513,892	4,179,866	3,450,504	7,482,028	98%
Retail exposures	790,764	495,340	546,150	210,835	556,881	74%
Exposures secured by residential property	652,679	45,011	652,678	22,205	236,257	35%
Exposures secured by commercial Real Estate	524,560	126,443	524,561	95,473	310,017	50%
Past-due loans	7,794	-	7,793	-	6,581	84%
Higher-risk categories by the Agency Board	2,027	-	2,027	-	3,041	150%
Exposures in the form of covered Bonds	-	-	-	-	-	0%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
Other assets	103,169	-	103,169	-	62,045	60%
Investments in equities	-	-	-	-	-	0%
<b>Total</b>	<b>10,603,614</b>	<b>6,182,199</b>	<b>10,603,614</b>	<b>3,893,916</b>	<b>9,308,305</b>	<b>64%</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### c) Standard Approach: Receivables based on risk classes and risk weighted

Risk classes/Risk Weight	0%	10%	20%	35% (secured by real estate) (*)	50% (secured by real estate) (*)	50% (*)	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
Exposures to regional governments or local authorities	2,929,605	-	-	-	-	259,828	-	-	-	-	-	3,189,433
Exposures to regional governments or local authorities	-	-	-	-	-	17,163	-	-	-	-	-	17,163
Exposures to public sector entities	17	-	-	-	-	-	-	84,641	-	-	-	84,658
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	924,341	-	-	486,448	-	226	-	-	-	1,411,015
Exposures to corporates	48,271	-	42,782	-	-	131,691	-	7,407,626	-	-	-	7,630,370
Retail exposures	11,354	-	3,886	-	-	819	740,926	-	-	-	-	756,985
Exposures secured by residential property	-	-	-	674,564	319	-	-	-	-	-	-	674,883
Exposures secured by commercial real estate	-	-	-	-	620,034	-	-	-	-	-	-	620,034
Past-due loans	-	-	-	-	-	2,424	-	5,369	-	-	-	7,793
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	2,027	-	-	2,027
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	41,124	-	-	-	-	-	-	62,045	-	-	-	103,169
<b>Total</b>	<b>3,030,371</b>	<b>-</b>	<b>971,009</b>	<b>674,564</b>	<b>620,353</b>	<b>898,373</b>	<b>740,926</b>	<b>7,559,907</b>	<b>2,027</b>	<b>-</b>	<b>-</b>	<b>14,497,530</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### X. EXPLANATIONS ON HEDGE TRANSACTIONS

In order to ensure that the Bank is not significantly affected by the adverse effects of its operations, it is essential that the risk levels be limited to limits consistent with the risk profile and risk tolerance.

Risk limits are determined by the General Manager, the Audit Committee and relevant Senior Managers, and approved by the Board of Directors.

Risk limits have been determined in accordance with the level of risk that the Bank may have, its activities, the size and complexity of its products and services, Limits are regularly monitored and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are carried out in the Bank and the liquidity risk of FX and TL is limited by the transactions made.

#### 4) Credit Risks under the IRB (based on internal ratings)

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 prepared by BRSA and published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016, The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB - Credit risk amounts on the basis of Portfolio and Default Probability (DP)

IRB - The effect of the credit derivatives used as Credit Risk Reduction (CRR) on the Risk Weighted Amounts (RWA)

The conversion table of the RWA under the approach of IRB

IRB - Backtesting every Default Probability (DP) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach

### XI. EXPLANATION ON COUNTERPARTY CREDIT RISK

#### a) Qualitative disclosures about counterparty credit risk

In order to establish the counterparty credit risk that the bank may face, it is essential that risk measurement and monitoring activities are carried out and their results are taken into account in the strategic decision making process.

Within the scope of management of counterparty credit risk; monitoring and control functions of the counterparty credit risk in line with the structure, size and complexity of the products and activities of the counterparty.

The counterparty of the counterparty will ensure that the credit risk level is above the minimum limits set in the legal regulations style directing is essential.

Bank risk measurement system takes measures to ensure that the work is carried out in accordance with legal regulations, in a manner that is consistent with its fields of activity and product range, is reliable, In this context, counterparty credit risk measurement and monitoring activities for at least; calculation of counterparty credit risk weighted asset and legal capital liability and monitoring of Bank's compliance level with allocated limits is done.



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Evaluation of counterparty credit risk according to measurement methods

	Replacement cost	Potential future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
1 Standardized Approach - CCR (For Derivatives)	37	6,604		1.4	6,641	3,216
2 Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>3,216</b>

(\*) Effective expected position amount

### c) Capital requirement for loan valuation adjustments

	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge		
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardized CVA capital charge	6,641	1,875
<b>4 Total subject to the CVA capital charge</b>	<b>6,641</b>	<b>1,875</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk <sup>(*)</sup>
Claims from central governments and central banks	501,421	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	347	6,294	-	-	-	-	3,216
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>501,421</b>	<b>-</b>	<b>347</b>	<b>6,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,216</b>

(\*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

### d) Risk classification and counterparty credit risk on the basis of Default Probability (DP) (IRB)

None.

### e) Collaterals for counterparty credit risk

	Collateral used in derivative transactions				Other transaction guarantees	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	32,462	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	501,421
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,462</b>	<b>501,421</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### f) Credit Derivatives

None.

### g) Risk Weighted Amounts (RWA) of the Counterparty Credit Risks within the scope of Internal Model Method

None.

### h) Risks to the Central Counterparty

None.

## 5. Securitization Explanations

As of 31 December 2017, there is no securitization position in the Bank (31 December 2016: None).

## 6. Explanations on Market risk

### a) Qualitative information to be disclosed to the public regarding market risk

The Bank ensures effective management of the risk of concentration in the market due to market risk and market risk components in line with the volume, nature and complexity of its operations, taking into account the best practices, within the framework of BRSA regulations.

The Bank ensures that measurement, monitoring, limiting, stress testing and scenario analysis work in compliance with the structure and complexity of its positions with respect to the management of the market risk, and report the results. Evaluation of new products and services in terms of market risk is essential.

In this context, as a minimum;

- The accounts and positions of the bank exposed to market risk and the market developments affecting the value of these accounts and positions are monitored on a minimum daily basis,
- Calculation of the amount subject to market risk of the Bank under the purchase and sale accounts,
- Analysis of the effects of ordinary and extraordinary up and down movements in the markets on the Bank's accounts and positions exposed to market risk,
- Retrospective test analysis of internal models used for monitoring purposes in the calculation of the amount subject to market risk,
- Regular calculation and follow-up of risk limits in relation to market risk,

In the Bank, the Board of Directors, the Audit Committee and the General Manager fulfill the duties, powers and responsibilities within the scope of market risk management in the framework defined in the legislation. All units, including those within the scope of Internal Systems, fulfill their duties, powers and responsibilities within the framework of market risk management within the framework of the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process and their Regulations.

In order to be able to demonstrate the market risk that the bank may face, it is essential that the implementation and results of risk measurement and monitoring activities be taken into account in the Bank's strategic decision-making process.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

In the framework of these principles, the following minimum analyzes shall be made for measurement and monitoring activities.

As a minimum under Market Risks:

- Standard Method: Market Risk Reporting Set published by BRSA in accordance with the disclosures.
- Risk Exposure Value Analysis: Historical Simulation, Parametric, EWMA or using a different method deemed appropriate by the Bank.
- Internal Capital Requirement: The parameters, which are determined by BRSA and/or by the Bank, and which could affect the financial power of the Bank and the stress tests and/or scenario analysis related to these parameters and the capital level that compensates the risks that the Bank has been exposed or would be exposed are calculated with a predictive perspective with the appropriate methods.

### b) Standard Approach

	<b>Risk Weighted Amounts</b>
Outright products	-
1 Interest rate risk (general and specific)	15,763
2 Equity risk (general and specific)	-
3 Foreign exchange risk	29,155
4 Commodity risk	-
Options	-
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitization	-
<b>9 Total</b>	<b>44,918</b>

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 prepared by BRSA and published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2017. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of market risks:

Quantitative information for public disclosure for the banks using Internal Model Approach

Market Risk RWA (Risk Weighted Amounts) Conversion Table for the Internal Model Approach

Internal Model Approach for commerce account

The comparison between Value at Risk expectations and Profit and Loss

### 7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Bank is calculated on an annual basis by the Basic Indicator Method. In the Basic Indicator Method, the parameter that determines the operational risk base amount is gross. Annual gross income consists of net profit share income, dividend income from net fees and commissions income, shares other than subsidiaries and participation shares, addition of trading income/loss (net) and other operating income, Profit/loss, extraordinary income and insurance compensations.

	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>Total/Number of positive gross income years</b>	<b>Rate(%)</b>	<b>Total</b>
Gross income	71,409	232,815	482,004	262,076	15	<b>39,311</b>
Amount subject to Operational Risk	-	-	-	-	-	<b>285,210</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XII. EXPLANATIONS ON OPERATING SEGMENTS

Organizational and internal reporting structure of the Bank is determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments".

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

#### Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>Current Period</b>					
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	127,919	757,833	65,030	30,610	981,392
Profit Shares from Loans	127,919	757,833	-	-	885,752
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	48,634	-	48,634
Other Profit Shares	-	-	16,396	30,610	47,006
<b>Profit Shares Expense</b>	187,203	283,549	67,554	-	538,306
Profit Shares Expense on Participation Funds	187,203	283,549	382	-	471,134
Profit Shares Expense on Funds Borrowed	-	-	64,114	-	64,114
Profit Shares Expense on Money Market Transactions	-	-	3,058	-	3,058
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	(59,284)	474,284	(2,524)	30,610	443,086
<b>Net Fees and Commission Income/Expense</b>	2,000	35,266	-	(6,923)	30,343
Fees and Commissions Received	2,000	35,266	-	8,477	45,743
Fees and Commissions Paid	-	-	-	15,400	15,400
<b>Dividend Income</b>	-	-	-	-	-
<b>Trading Income/Loss (Net)</b>	-	-	11,556	-	11,556
<b>Other Operating Income</b>	-	2	-	2,661	2,663
<b>Provision for Loans or Other Receivables Losses</b>	9,420	61,562	-	19,161	90,143
<b>Other Operating Expense</b>	-	366	-	197,165	197,531
<b>Income Before Tax</b>	(66,704)	447,624	9,032	(189,978)	199,974
<b>Tax Provision</b>	-	-	-	(41,072)	(41,072)
<b>Net Profit/Loss</b>	(66,704)	447,624	9,032	(231,050)	158,902
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	37	-	37
Banks and Other Financial Institutions	-	-	278,581	-	278,581
Financial Assets Available for Sale (Net)	-	-	524,173	-	524,173
Loans	1,367,454	8,891,170	1,116,120	-	11,374,744
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets	-	-	-	2,172,508	2,172,508
<b>Total Segment Assets</b>	<b>1,367,454</b>	<b>8,891,170</b>	<b>1,919,011</b>	<b>2,172,508</b>	<b>14,350,143</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	6,370,882	3,653,713	-	-	10,024,595
Derivative Financial Liabilities Held for Trading	-	-	6,280	-	6,280
Funds Borrowed	-	-	2,607,114	-	2,607,114
Money Market Funds	-	-	32,462	-	32,462
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	142,290	142,290
Other Liabilities	-	-	-	133,721	133,721
Shareholders' Equity	-	-	-	1,403,681	1,403,681
<b>Total Segment Liabilities</b>	<b>6,370,882</b>	<b>3,653,713</b>	<b>2,645,856</b>	<b>1,679,692</b>	<b>14,350,143</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

**Table for Segment Reporting:**

Prior Period 1 January - 31 December 2016	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>31 December 2016</b>					
<b>Profit Shares Income</b>	<b>51,842</b>	<b>304,443</b>	<b>29,211</b>	<b>5,246</b>	<b>390,742</b>
Profit Shares from Loans	51,842	304,443	-	-	356,285
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	24,499	-	24,499
Other Profit Shares	-	-	4,359	5,246	9,605
<b>Profit Shares Expense</b>	<b>83,476</b>	<b>64,859</b>	<b>32,550</b>	<b>-</b>	<b>180,885</b>
Profit Shares Expense on Participation Funds	83,476	64,859	-	-	148,335
Profit Shares Expense on Funds Borrowed	-	-	25,052	-	25,052
Profit Shares Expense on Money Market Transactions	-	-	7,498	-	7,498
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(31,634)</b>	<b>239,584</b>	<b>(3,339)</b>	<b>5,246</b>	<b>209,857</b>
<b>Net Fees and Commission Income/Expense</b>	<b>3,528</b>	<b>12,749</b>	<b>-</b>	<b>(2,072)</b>	<b>14,205</b>
Fees and Commissions Received	3,528	12,749	-	4,310	20,587
Fees and Commissions Paid	-	-	-	6,382	6,382
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>7,030</b>	<b>-</b>	<b>7,030</b>
<b>Other Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,739</b>	<b>1,739</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>3,473</b>	<b>39,372</b>	<b>-</b>	<b>8,925</b>	<b>51,770</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>140,563</b>	<b>140,579</b>
<b>Income Before Tax</b>	<b>(31,579)</b>	<b>212,945</b>	<b>3,691</b>	<b>(144,575)</b>	<b>40,482</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,809)</b>	<b>(9,809)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,673</b>	<b>30,673</b>
<b>SEGMENT ASSETS</b>					
<b>31 December 2016</b>					
Financial Assets at FV Through P/L	-	-	1,159	-	1,159
Banks and Other Financial Institutions	-	-	468,454	-	468,454
Financial Assets Available for Sale (Net)	-	-	414,683	-	414,683
Loans	411,111	4,661,275	485,556	-	5,557,942
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	50	-	50
Other Assets	-	-	-	1,517,219	1,517,219
<b>Total Segment Assets</b>	<b>411,111</b>	<b>4,661,275</b>	<b>1,369,902</b>	<b>1,517,219</b>	<b>7,959,507</b>
<b>SEGMENT LIABILITIES</b>					
<b>31 December 2016</b>					
Funds Collected	3,501,012	2,134,990	-	-	5,636,002
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	1,287,221	-	1,287,221
Money Market Funds	-	-	133,668	-	133,668
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	64,574	64,574
Other Liabilities	-	-	-	73,421	73,421
Shareholders' Equity	-	-	-	764,621	764,621
<b>Total Segment Liabilities</b>	<b>3,501,012</b>	<b>2,134,990</b>	<b>1,420,889</b>	<b>902,616</b>	<b>7,959,507</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XIII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

#### a) Information regarding the fair value of financial assets and liabilities:

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>12,177,498</b>	<b>6,441,079</b>	<b>12,177,498</b>	<b>6,441,079</b>
Due from Interbank Money Market	-	-	-	-
Banks	278,581	468,454	278,581	468,454
Available-for-sale Financial Assets	524,173	414,683	524,173	414,683
Held-to-maturity Investments	-	-	-	-
Loans	11,374,744	5,557,942	11,374,744	5,557,942
<b>Financial Liabilities</b>	<b>12,667,425</b>	<b>6,940,250</b>	<b>12,667,425</b>	<b>6,940,250</b>
Current account and funds collected from banks via participation accounts	5,346	22,477	5,346	22,477
Other current and profit sharing accounts	10,019,249	5,613,525	10,019,249	5,613,525
Funds Borrowed from Other Financial Institutions	2,607,114	1,287,221	2,607,114	1,287,221
Issued Marketable Securities	-	-	-	-
Miscellaneous Payables	35,716	17,027	35,716	17,027

Due from Interbank Money Market, Banks and Banks deposits considered to be equal to carrying values of their fair values because Due from Interbank Money Market, Banks and Banks deposits mostly consist from short term transactions.

Market price differences are considered on determining the available for sale financial assets book value and fair value. If the price formation does not occur within the active market conditions, indicator prices calculated by Central Bank are considered instead.

The fair value of financial assets held to maturity is determined based on quoted market prices for marketable securities of the same quality in terms of market prices or other terms such as when the price cannot be determined.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 "Financial Instruments: Explanations" Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank's balance sheet, are presented with respect to such basis of classification in the table below.

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at FV Through P/L</b>	-	37	-	37
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	37	-	37
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	511,742	7,712	-	519,454
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	511,742	7,712	-	519,454
<b>Total Assets</b>	511,742	7,749	-	519,491
Trading Derivative Financial Liabilities	-	6,280	-	6,280
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	6,280	-	6,280
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at FV Through P/L</b>	1,159	-	-	1,159
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	1,159	-	-	1,159
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	409,964	4,719	-	414,683
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	409,964	-	-	409,964
<b>Total Assets</b>	411,123	4,719	-	415,842
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	-	-	-

#### XIV. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

The Bank does not provide trading, custody and fund management services on behalf of and account of the customers. The Bank does not make any lenient transaction contracts.



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	18,236	22,888	18,396	14,154
Central Bank of the Republic of Turkey	287,567	1,314,998	614,993	553,755
Other	-	-	-	-
<b>Total</b>	<b>305,803</b>	<b>1,337,886</b>	<b>633,389</b>	<b>567,909</b>

##### 1.a.1) Information on required reserves:

Banks, which were established in Turkey and opened with the aim of opening branches in Turkey, were tied to the Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. The items on the Communiqué, based on the accounting standards and recording forms of the banks and the firms, except for the liabilities to the CBRT, Undersecretariat of Treasury, domestic banks and the Turkey headquarters and branches of the banks established by international agreements; forms the liabilities that require to maintain reserves.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No, 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10.5%; for deposits up to 6-months maturity 7.5%; for deposits up to 1-year maturity 5.5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10.5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; according to CBRT's Communiqué about Required Reserves No, 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	282,078	18	613,239	15
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(*)</sup>	5,489	1,314,980	1,754	553,740
<b>Total</b>	<b>287,567</b>	<b>1,314,998</b>	<b>614,993</b>	<b>553,755</b>

<sup>(\*)</sup> TL 659,896 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2016: 197,419).

##### 2. a) Information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements:

There is no information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	33	4	7	1,152
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>33</b>	<b>4</b>	<b>7</b>	<b>1,152</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	3,320	210,669	6,561	227,676
Foreign Banks	-	64,592	-	234,217
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>3,320</b>	<b>275,261</b>	<b>6,561</b>	<b>461,893</b>

### b) Information on foreign banks accounts:

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	58,968	233,717	-	-
USA, Canada	3,983	8	-	-
OECD Countries <sup>(1)</sup>	709	442	-	-
Off-shore Banking Regions	-	-	-	-
Other	932	50	-	-
<b>Total</b>	<b>64,592</b>	<b>234,217</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 4. a) Explanation regarding the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	33,531	173,569
Assets Blocked/Given as Collateral	459,837	13,311
<b>Total</b>	<b>493,368</b>	<b>186,880</b>

### b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	527,845	410,212
Quoted in Stock Exchange	520,133	403,044
Not Quoted in Stock Exchange	7,712	7,168
Share Certificates	4,719	4,719
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	4,719	4,719
Provision for Impairment (-)	8,391	248
<b>Total</b>	<b>524,173</b>	<b>414,683</b>

(<sup>1</sup>) The Credit Guarantee Fund amounting to TL 4,719 is presented on the non-traded line.

## 5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	759,146	-	480,455	-
Legal Entities	759,146	-	480,455	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1,112	-	441	-
<b>Total</b>	<b>760,258</b>	<b>-</b>	<b>480,896</b>	<b>-</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Loans						
Exports Loan	586,847	-	-	-	-	-
Imports Loans	204,174	-	-	-	-	-
Enterprise Loans	7,312,724	-	-	35,703	-	-
Consumer Loans	1,360,278	-	-	1,848	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	1,111,295	-	-	-	-	-
Other	379,992	-	-	298	-	-
Directed Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Profit Share Income Accruals and Rediscount	363,232	-	-	1,600	-	-
<b>Total</b>	<b>11,318,542</b>	-	-	<b>39,449</b>	-	-

As of 31 December 2017, there are no loans and other receivables with revised contract terms (31 December 2016 : None).

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>No, of extensions</b>		
1 or 2 Times Extended	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
<b>Total</b>	-	-

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	-	-
6 Months - 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### c) Breakdown of Cash-loans based on maturity:

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables Under Close Monitoring <sup>(1)</sup>	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and other receivables	Loans and other receivables with revised contract terms
Short term loans and other receivables	4,515,890	-	11,877	-
Loans	4,515,890	-	11,877	-
Other Receivables	-	-	-	-
Medium and Long-term loans and other receivables	6,439,420	-	25,972	-
Loans	6,439,420	-	25,972	-
Other receivables	-	-	-	-

<sup>(1)</sup> TL 364,832 accrual and rediscount amounts are not included related to loans in the table.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans -TL</b>	<b>2,911</b>	<b>1,358,103</b>	<b>1,361,014</b>
Housing Loans	1,016	1,242,469	1,243,485
Vehicle Loans	1,433	56,849	58,282
Consumer Loans	462	58,785	59,247
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans -TL</b>	<b>42</b>	<b>1,070</b>	<b>1,112</b>
Housing Loans	-	-	-
Vehicle Loans	-	19	19
Consumer Loans	42	1,051	1,093
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total <sup>(1)</sup></b>	<b>2,953</b>	<b>1,359,173</b>	<b>1,362,126</b>

<sup>(1)</sup> Dividend rediscount amounting to TL 5,347 not included in the table.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Information on commercial installment loans and corporate credit cards:

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>29,835</b>	<b>175,252</b>	<b>205,087</b>
Business Loans	-	23,544	23,544
Vehicle Loans	29,835	151,708	181,543
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>7,847</b>	<b>43,694</b>	<b>51,541</b>
Business Loans	-	-	-
Vehicle Loans	7,847	43,694	51,541
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>37,682</b>	<b>218,946</b>	<b>256,628</b>

### e) Loans according to types of borrowers:

	Current Period	Prior Period
Public	758,279	25,000
Private	10,234,880	5,319,762
Profit Share Income Accruals and Rediscount	364,832	206,529
<b>Total</b>	<b>11,357,991</b>	<b>5,551,291</b>

### f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	10,917,553	5,344,762
Foreign Loans	75,606	-
Profit Share Income Accruals and Rediscount	364,832	206,529
<b>Total</b>	<b>11,357,991</b>	<b>5,551,291</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### g) Loans Granted to Subsidiaries and Participations:

As of 31 December 2017, the bank has no loans granted to subsidiaries and participations (31 December 2016: None).

### h) Specific Provisions Provided Against Loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	1,449	82
Loans and receivables with doubtful collectability	2,866	2,635
Uncollectible loans and receivables	13,773	1,115
<b>Total</b>	<b>18,088</b>	<b>3,832</b>

### i) Information on non-performing receivables (net):

#### i.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 31 December 2017 the bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled (31 December 2016: None).

#### i.2) Information on the movement of total non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Ending balance of prior period</b>	406	8,961	1,116
Additions in the current period (+)	35,170	1,982	13
Transfers from other categories of non-performing loans (+)	-	23,944	20,783
Transfers to other categories of non-performing loans (-)	23,944	20,783	-
Collections in the current period (-)	4,048	4,542	4,217
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>7,584</b>	<b>9,562</b>	<b>17,695</b>
Specific provisions (-)	1,449	2,866	13,773
<b>Net balance at the balance sheet</b>	<b>6,135</b>	<b>6,696</b>	<b>3,922</b>

#### i.3) Non-performing loans and other receivables in foreign currencies:

As of 31 December 2017, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2016: None).



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### j) Gross and net non-performing loans and other receivables per customer categories:

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current Period (Net)</b>	<b>6,135</b>	<b>6,696</b>	<b>3,922</b>
Loans to individuals and corporates (Gross)	7,584	9,146	17,695
Specific provision (-)	1,449	2,450	13,773
Loans to individuals and corporates (Net)	6,135	6,696	3,922
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	416	-
Specific provision (-)	-	416	-
Other loans and receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>326</b>	<b>6,325</b>	-
Loans to individuals and corporates (Gross)	408	8,929	1,115
Specific provision (-)	82	2,604	1,115
Loans to individuals and corporates (Net)	326	6,325	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	31	-
Specific provision (-)	-	31	-
Other loans and receivables (Net)	-	-	-

### k) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of the Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

### l) Explanations on write-off policy:

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

### 6. Information on held-to-maturity investments:

#### a) Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked:

As of 31 December 2017, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked (31 December 2016: None).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Information on held-to-maturity government bonds and treasury bills:

As of 31 December 2017, Bank has no held-to-maturity government bonds (31 December 2016: None).

### c) The Bank has no held-to-maturity investments (31 December 2016: None).

### d) Movements of held-to-maturity investments:

	Current Period	Prior Period
<b>Beginning Balance</b>	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	-	7,896
Disposals through Sales and Redemptions	-	7,896
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	-	-

### 7. Information on subsidiaries (net):

As of 31 December 2017, there are no subsidiary of the bank (31 December 2016: None).

### 8. Information on joint ventures (net):

#### a) Information on unconsolidated associates:

As of 31 December 2017 there are no unconsolidated associates (31 December 2016: None).

#### b) Information on consolidated subsidiaries:

	Name	Address (City/ Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established as of 22 January 2016 by approval of Banking Regulations and Supervision Agency and Capital Market Board on purpose of issuing lease certificate according to no. 28760 Gazette, Lease Certificate Announcement of Capital Market Board (III-61.1) dated 7 June 2013. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Bank. The Company has started to operate after the registration on 8 September 2017.

	Total Assets	Shareholder's Equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior Period Income/ Loss	Fair Value	Needed shareholders' Equity
1 <sup>(*)</sup>	557,873	53	-	26,922	-	2	1	-	-
2 <sup>(*)</sup>	51	37	-	-	-	(13)	-	-	-

(\*) Audited financial statements used.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### c) Information on consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the beginning of the year</b>	<b>50</b>	<b>-</b>
<b>Movements during the year</b>	<b>50</b>	<b>50</b>
Purchases	50	50
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Specific provision for impairment (-)	-	-
<b>Balance at the end of the year</b>	<b>100</b>	<b>50</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) Paid Capital Increases made during the period are classified under "Purchases" account.

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	50

### e) Subsidiaries that are quoted on the stock exchange:

As of 31 December 2017, the Bank has no subsidiaries that are quoted on the stock Exchange, (31 December 2016: None).

### 9. Information on entities under common control (joint ventures):

As of 31 December 2017, there are no entities under common control of the bank (31 December 2016: None).

### 10. Information on finance lease receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	1,550	1,508	30,000	29,769
1-5 Years	290,718	248,978	115,828	106,645
More than 5 Years	187,183	122,458	119,957	84,959
<b>Total</b>	<b>479,451</b>	<b>372,944</b>	<b>265,785</b>	<b>221,373</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 11. Information on derivative financial assets for hedging purposes:

As of 31 December 2017, the bank has no derivative financial assets for hedging purposes, (31 December 2016: None).

### 12. Information on investment property:

As of 31 December 2017, the bank has no investment property (31 December 2016: None).

### 13. Information on assets held for sale and tangibles corresponding discontinuing operations:

As of 31 December 2017, the bank's assets held for sale and tangibles corresponding discontinuing operations is TL 3,561 (31 December 2016: None).

	Current Period	Prior Period
Net book value at the beginning of the period	-	-
Changes during the period (Net)	3,561	-
Depreciation value	-	-
Decrease in value	-	-
<b>Net book value at the end of the period</b>	<b>3,561</b>	<b>-</b>

### 14. Explanations on property and equipment:

	Immovable	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	-	-	-	20,608	35,820	56,428
Accumulated Depreciation (-)	-	-	-	4,606	8,179	12,785
<b>Net Book Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,002</b>	<b>27,641</b>	<b>43,643</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	-	-	-	16,002	27,641	43,643
Change During the Period (Net)	-	-	-	(15)	3,607	3,592
Cost	-	-	-	4,643	11,318	15,961
Amortization Amount (Net) (-)	-	-	-	4,658	7,711	12,369
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	25,251	47,138	72,389
Accumulated Depreciation at Period End (-)	-	-	-	9,264	15,890	25,154
<b>Closing Net Book Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,987</b>	<b>31,248</b>	<b>47,235</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 15. Information on intangible assets:

	Current Period			Prior Period		
	Book value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible rights	69,787	6,507	63,280	26,357	3,452	22,905
<b>Total</b>	<b>69,787</b>	<b>6,507</b>	<b>63,280</b>	<b>26,357</b>	<b>3,452</b>	<b>22,905</b>

- In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None
- The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- Book value of intangible assets with restrictions on use or pledged: None.
- Amount of commitments given for acquisition of intangible asset: None.
- Intangible assets based on revalued asset type: None.
- Total amount of research and development expenses recorded in the period, if any: None.
- Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- Information on the goodwill: None.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 16. Information on deferred tax asset:

The Bank's deferred tax asset is TL 16,094 (31 December 2016 : TL 6,410) and to be netting with the deferred tax liability and reflect as TL 14,093 in the financial statements as of 31 December 2016. (31 December 2016 : TL 4,876 deferred tax liability)

	Current Period	Prior Period
Deferred tax asset	16,094	6,410
Deferred tax liability	2,001	1,534
Net deferred tax asset	14,093	4,876
<b>Net deferred tax income/loss</b>	<b>5,835</b>	<b>4,540</b>
	Current Period	Prior Period
Severance pay	466	156
Short-term employee rights	138	114
Revaluation of financial assets	296	1,099
Other	13,193	3,507
<b>Net deferred tax asset</b>	<b>14,093</b>	<b>4,876</b>
	Current Period	Prior Period
<b>As of January 1</b>	4,876	(652)
Deferred tax Income/(Loss) (Net)	5,835	4,540
Deferred Tax Accounted for Under Equity	3,382	988
<b>Deferred tax asset</b>	<b>14,093</b>	<b>4,876</b>

### 17. Information on other assets:

As of 31 December 2017, other assets of banks not exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

#### 1. a) Information on funds collected:

##### a. 1) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	169,913	-	-	-	-	-	-	-	169,913
II. Real persons profit sharing accounts TL	-	339,006	2,206,716	26,540	-	29,403	67,732	-	2,669,397
III. Other current accounts-TL	431,271	-	-	-	-	-	-	-	431,271
Public sector	99,145	-	-	-	-	-	-	-	99,145
Commercial sector	317,668	-	-	-	-	-	-	-	317,668
Other institutions	14,432	-	-	-	-	-	-	-	14,432
Commercial and other institutions	23	-	-	-	-	-	-	-	23
Banks and participation banks	3	-	-	-	-	-	-	-	3
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	-	3
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	288,729	2,247,646	321,549	-	156,951	60,491	-	3,075,366
Public sector	-	166,212	581,393	196,370	-	25,827	-	-	969,802
Commercial sector	-	117,818	1,472,701	118,790	-	13,825	10,444	-	1,733,578
Other institutions	-	4,699	188,545	6,389	-	117,299	50,047	-	366,979
Commercial and other institutions,	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5,007	-	-	-	-	-	5,007
V. Real persons current accounts-FC	162,883	-	-	-	-	-	-	-	162,883
VI. Real persons profit sharing accounts-FC	-	150,266	1,350,227	36,220	-	41,553	61,061	-	1,639,327
VII. Other current accounts-FC	824,647	-	-	-	-	-	-	-	824,647
Commercial residents in Turkey	816,850	-	-	-	-	-	-	-	816,850
Commercial residents in Abroad	7,462	-	-	-	-	-	-	-	7,462
Banks and participation banks	335	-	-	-	-	-	-	-	335
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	263	-	-	-	-	-	-	-	263
Participation banks	72	-	-	-	-	-	-	-	72
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	37,478	848,801	18,769	-	-	-	-	905,048
Public sector	-	1,948	15,379	-	-	-	-	-	17,327
Commercial sector	-	35,503	580,639	18,744	-	-	-	-	634,886
Other institutions	-	27	244,731	25	-	-	-	-	244,783
Commercial and other institutions,	-	-	8,052	-	-	-	-	-	8,052
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	62,451	-	77,863	2,277	-	1,310	2,842	-	146,743
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>1,651,165</b>	<b>815,479</b>	<b>6,731,253</b>	<b>405,355</b>	<b>-</b>	<b>229,217</b>	<b>192,126</b>	<b>-</b>	<b>10,024,595</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### a.1) Information on maturity structure of funds collected:

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	117,874	-	-	-	-	-	-	-	117,874
II. Real persons profit sharing accounts TL	-	187,577	1,323,135	25,311	-	15,106	47,811	-	1,598,940
III. Other current accounts-TL	389,976	-	-	-	-	-	-	-	389,976
Public sector	79,305	-	-	-	-	-	-	-	79,305
Commercial sector	300,781	-	-	-	-	-	-	-	300,781
Other institutions	9,890	-	-	-	-	-	-	-	9,890
Commercial and other institutions, Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	151,803	1,403,895	93,307	-	7,249	13,761	-	1,670,015
Public sector	-	103,874	463,565	32,036	-	-	-	-	599,475
Commercial sector	-	46,674	696,543	30,357	-	6,167	11,944	-	791,685
Other institutions	-	1,255	243,787	30,914	-	1,082	1,817	-	278,855
Commercial and other institutions, Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	58,097	-	-	-	-	-	-	-	58,097
VI. Real persons profit sharing accounts-FC	-	62,655	605,255	38,679	-	26,531	51,688	-	784,808
VII. Other current accounts-FC	243,408	-	-	-	-	-	-	-	243,408
Commercial residents in Turkey	239,462	-	-	-	-	-	-	-	239,462
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,946	-	-	-	-	-	-	-	3,946
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	3,946	-	-	-	-	-	-	-	3,946
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	27,383	588,263	104,768	-	-	-	-	720,414
Public sector	-	290	1,389	-	-	-	-	-	1,679
Commercial sector	-	27,090	475,748	104,768	-	-	-	-	607,606
Other institutions	-	3	92,595	-	-	-	-	-	92,598
Commercial and other institutions, Banks and participation banks	-	-	18,531	-	-	-	-	-	18,531
IX. Precious metal funds	23,705	-	27,239	289	-	856	381	-	52,470
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+....+IX+X+XI)</b>	<b>833,060</b>	<b>429,418</b>	<b>3,947,787</b>	<b>262,354</b>	<b>-</b>	<b>49,742</b>	<b>113,641</b>	<b>-</b>	<b>5,636,002</b>



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### a.2) Exceeding Amounts of Insurance Limit:

#### i) Information's on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit	Exceeding the limit of saving Deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	2,166,684	1,273,216	2,609,688	1,337,842
TL accounts	1,651,791	1,014,137	1,187,518	702,666
FC accounts	514,893	259,079	1,422,170	635,176
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

#### ii. Amounts which are not under the guarantee of insurance:

#### Profit Share Accounts of the real persons who are not under the guarantee of Saving Deposits Insurance Fund:

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	431	263
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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

### Negative differences table regarding to derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative financial liabilities held for trading				
Futures Market	-	6,280	-	-
Swap	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>6,280</b>	<b>-</b>	<b>-</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 3. Information on funds borrowed

#### a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	410,436	-	-	-
Domestic Banks and Institutions	566,742	523,098	101,459	477,478
Foreign Banks, Institutions and Funds	-	1,106,838	-	708,284
<b>Total</b>	<b>977,178</b>	<b>1,629,936</b>	<b>101,459</b>	<b>1,185,762</b>

#### b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	977,178	291,782	101,459	400,611
Medium and Long-Term	-	1,338,154	-	785,151
<b>Total</b>	<b>977,178</b>	<b>1,629,936</b>	<b>101,459</b>	<b>1,185,762</b>

#### c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

70% of liabilities consist of current and share profit account.

### 4. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic</b>	<b>32,462</b>	<b>-</b>	<b>133,668</b>	<b>-</b>
Financial Institutions	32,462	-	133,668	-
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
<b>Total</b>	<b>32,462</b>	<b>-</b>	<b>133,668</b>	<b>-</b>

### 5. Information on securities issued :

None (31 December 2016 : None).

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

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

### 7. Information on financial lease obligations:

None.

### 8. Information on hedging derivative financial liabilities:

The Bank has no hedging derivative financial liabilities.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 9. Information on provisions:

#### a) Information on general provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>99,082</b>	<b>52,263</b>
I. For Loans and Receivables in Group I (Total)	89,433	47,667
Profit Sharing Accounts' Share	62,132	34,600
The Bank's Share	27,301	13,067
Other	-	-
I. Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
II. Loans and Receivables in Group II (Total)	714	595
Profit Sharing Accounts' Share	603	376
The Bank's Share	111	219
Other	-	-
II. Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provisions for Non Cash Loans	8,111	1,457
Other	824	2,544

#### b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 6,045 (31 December 2016: TL 174).

#### c) Information on special provisions related with uncompensated and non-liquidated non-cash loans:

Specific provisions for unindemnified non-cash loans amount to TL 177 (31 December 2016: TL 29).

#### d) Information on other provisions:

##### d.1) Information on free provisions for possible risks:

None (31 December 2016: None).

##### d.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:

The balance which forms the other provisions part, amount of TL 36,398 represents separated provisions from profit share amount of the participation account (31 December 2017: TL 9,810).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### e) Information on provisions for employee benefits:

#### e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2017, the amount payable consists of one month's salary limited to a maximum of TL 4,732 (full TL) (31 December 2016: TL 4,297 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 - "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period
Discount Rate (%)	4.77

#### e.2) Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
<b>Balance at the 1 January</b>	<b>780</b>	<b>-</b>
Changes during the period	1,550	859
Paid during the period	-	-
Actuarial loss/(gain)	-	(79)
<b>Balance at the end of the period</b>	<b>2,330</b>	<b>780</b>

As of 31 December 2017, the Bank has a TL 2,389 short-run employees' rights provision (31 December 2017 TL 1,389).

#### e.3) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest rate 9.8% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2017, no technical deficit has been reported.

### 10. Explanations on tax liability:

#### a) Explanations on current tax liability:

##### a.1) Information on tax provisions:

As of 31 December 2017, the Bank's corporate income tax liability is TL 12,990 after deducting temporary taxes paid during the period from the tax provisions (31 December 2016 : 2,886).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	12,990	2,886
Taxation on Income From Securities	7,251	3,389
Property Tax	132	88
Banking Insurance Transactions Tax (BITT)	5,074	2,312
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	571	236
Other	1,140	841
<b>Total</b>	<b>27,158</b>	<b>9,752</b>

### a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	-	6
Social Security Premiums - Employer	2	9
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	92	34
Unemployment Insurance - Employer	183	67
Other	-	-
<b>Total</b>	<b>277</b>	<b>116</b>

### b) Information on deferred tax liabilities, if any:

The Bank's deferred tax liability amounts to TL 2,001 (31 December 2016: TL 1,534) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 14,093 (31 December 2016: TL 4,876) is presented in the financial statements.

### 9. Information on payables for assets held for sale and discontinued operations:

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2016 : None).

### 11. Explanations on subordinated debts:

The Bank does not have any subordinated debts (31 December 2016 : None).

### 12. Information on shareholders' equity:

#### a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	1,250,000	747,000
Preferred stock	-	-

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

The Bank does not have a registered capital system.

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

Accordingly to the decision of the Bank's ordinary meeting of the general assembly, which took place on 13 July 2017, TL 11,439 of balance sheet profit amounting to TL 40,482 is separated as fiscal charge. After the deduction of TL 11,983 of prior year net loss, TL 708 of remaining TL 14,150 net profit's 5% is separated as legal reserve. TL 6,000 from the remaining balance is decided to be paid as a bonus to the personnel. Over 10% of this amount, TL 600 is decided to be separated as contingency reserve. Finally, the last remaining TL 6,843 is decided to be left to the Bank. Paid-in capital is raised by TL 500,000 in cash and TL 3,000 in internal resources.

### d) Information on additions from capital reserves to capital in the current period:

At the Ordinary General Assembly Meeting of the Bank held on July 13, 2017, it was decided to increase the capital from the internal resources of 3,000 TL (31 December 2016: None).

### e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2016: None).

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

The Bank has no any uncertainty related to profitability and liquidity for the prior period.(31 December 2016 : None)

### g) Information on preferred shares:

As of 31 December 2017, the Bank has no preferred stocks (31 December 2017: None).

### h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(14,901)	(11)	(963)	(107)
Revaluation Difference	(18,955)	(11)	(1,573)	(107)
Deferred Tax Effect	4,054	-	610	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(14,901)</b>	<b>(11)</b>	<b>(963)</b>	<b>(107)</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS

#### 1. Information on off-balance sheet liabilities:

##### a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	61,911	13,223
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	64,845	34,817
Loan Granting Commitments	1,966	458
Asset Purchase Commitments	-	-
Tax and Funds Liabilities Arising From Export Commitments	4,034	-
<b>Total</b>	<b>132,756</b>	<b>48,498</b>

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

The Bank has no possible losses arising from the off-balance sheet items (31 December 2016: None).

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

	Current Period	Prior Period
Guarantee Letters	5,322,130	2,772,734
Letter of Credits	4,784	7,484
Bank Acceptances	447,193	188,475
Other Contingencies	337,431	539,276
<b>Total</b>	<b>6,111,538</b>	<b>3,507,969</b>

##### b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Temporary Guarantees	603,757	400,357
Letters of Certain Guarantees	2,715,331	1,031,833
Letters of Advance Guarantees	399,756	386,135
Letters of Guarantees given to Customs Offices	45,753	32,197
Other Letters of Guarantees	1,557,533	922,212
<b>Total</b>	<b>5,322,130</b>	<b>2,772,734</b>

##### b.3) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,557,532</b>	<b>922,212</b>
With Original Maturity of One Year or Less	775,726	-
With Original Maturity of More than One Year	781,806	922,212
Other Non-Cash Loans	4,554,006	2,585,757
<b>Total</b>	<b>6,111,538</b>	<b>3,507,969</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### c) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	8,342	-	22,951	1	3,518	-	-	-
Farming and Raising Livestock	5,256	-	22,951	1	3,518	-	-	-
Forestry	3,021	-	-	-	-	-	-	-
Fishing	65	-	-	-	-	-	-	-
Manufacturing	488,281	15	2,031,214	69	154,819	12	1,056,107	49
Mining and Quarrying	13,043	-	12,224	-	10,562	1	2,986	-
Production	398,007	13	2,006,707	68	144,257	11	1,053,121	49
Electric, Gas and Water	77,231	2	12,283	1	-	-	-	-
Construction	1,574,071	50	407,646	14	699,949	52	501,191	23
Services	1,040,680	33	446,492	15	362,391	28	510,134	24
Wholesale and Retail Trade	537,314	17	349,915	12	329,458	25	275,016	13
Hotel, Food and Beverage Services	14,605	1	18,603	1	9,531	1	62,561	3
Transportation and Telecommunication	38,920	1	1,164	-	22,768	2	172,557	8
Financial Institutions	5,846	-	317	-	-	-	-	-
Real Estate and Leasing Services	441,401	14	69,025	2	55	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	89	-	7,468	-	89	-	-	-
Health and Social Services	2,505	-	-	-	490	-	-	-
Other	62,002	2	29,859	1	120,657	8	99,203	4
<b>Total</b>	<b>3,173,376</b>	<b>100</b>	<b>2,938,162</b>	<b>100</b>	<b>1,341,334</b>	<b>100</b>	<b>2,166,635</b>	<b>100</b>



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	3,117,804	2,919,306	55,571	18,857
Letters of Guarantee	3,114,354	2,136,897	55,571	15,308
Bank Acceptances	-	4,784	-	-
Letters of Credit	-	443,644	-	3,549
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	3,450	333,981	-	-

### 2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	1,264,078	259,672
Forward Transactions	1,264,078	259,672
Swap Transactions	-	-
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>1,264,078</b>	<b>259,672</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>1,264,078</b>	<b>259,672</b>

The bank has no derivative transaction held for cash flow hedges. There are no income and expenses before ex ante and accounted on the basis of this prediction; however operations that is inferred as not actualize and by the reason of unrelated with income statements in the current period.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
<b>Financial assets for trading</b>						
Foreign Exchange derivatives:	(3,672)	(1,518)	-	-	-	(5,190)
- Addition	313,645	315,799	-	-	-	629,444
- Disposal	(317,317)	(317,317)	-	-	-	(634,634)
<b>Hedging Transactions</b>						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
<b>Total cash addition</b>	<b>313,645</b>	<b>315,799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>629,444</b>
<b>Total cash disposal</b>	<b>(317,317)</b>	<b>(317,317)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(634,634)</b>
<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets for trading</b>						
Foreign exchange derivatives:	394	758	-	-	-	1,152
- Addition	37,044	93,368	-	-	-	130,412
- Disposal	(36,650)	(92,610)	-	-	-	(129,260)
<b>Hedging Transactions</b>						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
<b>Total cash addition</b>	<b>37,044</b>	<b>93,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,412</b>
<b>Total cash disposal</b>	<b>(36,650)</b>	<b>(92,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129,260)</b>

### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts to TL 64,845 (31 December 2016: 34,817 TL).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

### 4. Explanations on services in the name of others:

The Bank provides custody services for purchases and sales of government bonds on behalf of real and legal persons, intermediates in repurchase and sale transactions, and provides safe deposit box services. The Bank does not provide consultancy and management services.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

#### 1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share on loans <sup>(1)</sup></b>	<b>835,038</b>	<b>50,714</b>	<b>333,620</b>	<b>22,665</b>
Short term loans	257,556	8,131	149,469	4,033
Medium and long term loans	577,142	42,583	184,151	18,632
Profit share on non-performing loans	340	-	-	-
Premiums received from resource utilization support fund	-	-	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans.

#### b) Information on profit share received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	353	-
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>-</b>

#### c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	48,298	336	23,834	267
Investments Held-to-Maturity	-	-	398	-
<b>Total</b>	<b>48,298</b>	<b>336</b>	<b>24,232</b>	<b>267</b>

#### d) Information on profit share income received from associates and subsidiaries:

None (31 December 2016: None).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 2. a) Information on profit share expense on borrowing:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	2,855	15,750	2,065	11,617
Central Bank of the Republic of Turkey	510	-	-	-
Domestic banks	2,345	12,706	2,065	6,405
Foreign banks	-	3,044	-	5,212
Head Office and Branches	-	-	-	-
Other Institutions	25,409	20,100	6,395	4,975
<b>Total</b>	<b>28,264</b>	<b>35,850</b>	<b>8,460</b>	<b>16,592</b>

### b) Information on profit share expense given to associates and subsidiaries:

None (31 December 2016 : None).

### c) Information on profit share expense paid to securities issued:

As of 31 December 2017, profit share expense paid to securities issued is TL 25,409 (31 December 2016: None).

### d) Distribution of profit share on funds based on maturity of funds :

Current Period	Profit Sharing Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
<b>Account name</b>						
TL						
Collected funds from banks through current and profit share accounts	-	382	-	-	-	382
Real person's non-trading profit sharing account	22,143	154,037	2,551	2,151	5,314	186,196
Public sector profit sharing account	12,124	41,864	7,226	628	3,738	65,580
Commercial sector profit sharing account	12,841	106,338	10,505	1,412	1,180	132,276
Other institutions profit sharing account	364	26,903	800	4,401	188	32,656
<b>Total</b>	<b>47,472</b>	<b>329,524</b>	<b>21,082</b>	<b>8,592</b>	<b>10,420</b>	<b>417,090</b>
FC						
Collected funds from banks through current and profit share accounts	-	1,007	-	-	-	1,007
Real person's non-trading profit sharing account	2,083	23,498	905	687	1,120	28,293
Public sector profit sharing account	15	309	-	-	-	324
Commercial sector profit sharing account	1,166	16,985	2,149	-	-	20,300
Other institutions profit sharing account	55	3,482	-	-	-	3,537
Precious Metal Accounts	583	-	-	-	-	583
<b>Total</b>	<b>3,902</b>	<b>45,281</b>	<b>3,054</b>	<b>687</b>	<b>1,120</b>	<b>54,044</b>
<b>General Total</b>	<b>51,374</b>	<b>374,805</b>	<b>24,136</b>	<b>9,279</b>	<b>11,540</b>	<b>471,134</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 3. Informations on dividend income:

None (31 December 2016 : None).

### 4. a. Information on trading income/loss (Net):

	Current Period	Prior Period
<b>Income</b>	<b>2,847,899</b>	<b>1,170,436</b>
Foreign exchange gains	2,832,166	1,159,044
Gain on derivative financial instruments	15,707	11,392
Gain on capital market transactions	26	-
<b>Losses (-)</b>	<b>2,836,343</b>	<b>1,163,406</b>
Foreign Exchange losses	2,793,077	1,162,689
Losses on derivative financial instruments	42,389	717
Losses on capital market transactions	877	-
<b>Net</b>	<b>11,556</b>	<b>7,030</b>

### b. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(26,682)	10,675
<b>Total</b>	<b>(26,682)</b>	<b>10,675</b>

### 5. Information on other operating income:

**Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income:**

There is no information on factors covering the recent developments which has significant effect on the banks income and the extent of effect on income.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Current Period	Prior Period
Specific Provisions on Loan and Other Receivables	14,721	3,832
Group III Loans and Receivables	1,449	82
Group IV Loans and Receivables	2,841	2,603
Group V Loans and Receivables	10,431	1,147
General Provision Expenses	46,896	38,687
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	165	142
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	165	142
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	28,361	9,109
<b>Total</b>	<b>90,143</b>	<b>51,770</b>

(\*) The balance which forms the other item part, amount of TL 26,313 represents the separated profit share amount of the participation accounts.

### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	86,969	65,101
Reserve for Employee Termination Benefits	1,550	780
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	12,456	9,722
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	3,055	2,275
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	60,668	42,824
Operational Leasing Expenses	18,882	12,291
Maintenance Expenses	4,521	392
Advertisement Expenses	14,949	10,823
Other Expenses	22,316	19,318
Loss on Sales of Assets	-	-
Other(*)	32,833	19,877
<b>Total</b>	<b>197,531</b>	<b>140,579</b>

(\*) The balance which forms the other item part, TL 20,805 (31 December 2016: TL 8,503) represents TMSF Premium amount and audit and consultancy fees and TL 9,264 (31 December 2017: TL 11,374) represents taxes, fees and funds and other services expenses.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 8. Information on profit/loss from continued and discontinued operations before taxes:

As of 31 December 2017, The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Profit Share Income	443,086	209,857
Other Operating Expenses (-)	30,343	14,205
Provision for Loan or Other Receivables Losses (-)	-	-
Other Operating Income	11,556	7,030
Net Fees and Commissions Income	2,663	1,739
Dividend Income	90,143	51,770
Trading Income/Expense (Net)	197,531	140,579
<b>Income/(Loss) from Continuing Operations</b>	<b>199,974</b>	<b>40,482</b>

### 9. Information on tax provision for continued and discontinued operations:

As of 31 December 2017, the Bank's total tax provision expense amounting to TL 41,072(31 December 2016: TL 9,809) is consisted from TL 46,907(31 December 2016: TL 14,349) of current tax expense, and TL 5,835(31 December 2016: TL 4,540) is deferred tax income.

### 10. Information on net profit/loss from continued and discontinued operations:

As of 31 December 2017, the Bank's net profit from continued operations is TL 158,902 (31 December 2016 : TL 30,673 net loss).

### 11. Information on net profit/loss:

#### a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations, Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

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

None (31 December 2016 : None).

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

#### a) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2017, which was carried out on 13 July 2017, from TL 11,439 net profit, TL 40,482 is transferred as fiscal charge. Prior year's net loss TL 11,983 is deducted and TL 14,150 is remained as net profit. 5% of this amount, TL 708 is separated as legal reserve. TL 6,000 was decided to be paid to employees and 10% of this amount, TL 600 has been allocated as reserves. remaining amount, TL 6,843, has been left in the Bank. Paid-in capital is raised by TL 500,000 in cash and TL 3,000 in internal resources.

The Bank is planning to distribute its profit for 2017 in line with the Articles of Incorporation in 2017. However, as of the date of preparation of the financial statements, no decision on profit distribution has been made.

#### b) Explanations on Available For Sale Financial Assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the "Marketable Securities Revaluation Fund" under equity. In accordance with TAS 39 and due to the change in the Bank's intention to hold the previously classified as available for sale securities to maturity the Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a "Marketable Securities Valuation Differences" and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

#### c) Profit reserves:

As of balance sheet date, profit reserves are TL 9,691, legal reserves are TL 1,308, extraordinary reserves are TL 3,843, and other profit reserves are TL 4,540.



## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

#### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 121,921 is composed mainly from interest received from loans and securities amounting to TL 823,676 and interest paid to deposit and money market operations which is amounting to TL 491,718 Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is calculated approximately TL 51,176 as of 31 December 2017, (31 December 2016: TL (146,984))

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

#### Period opening and end cash and cash equivalents balance:

Period opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	32,550	8,623
Central Bank of the Republic of Turkey and Other Banks	1,081,708	136,514
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>1,114,258</b>	<b>145,137</b>
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	41,124	32,550
Central Bank of the Republic of Turkey and Other Banks	560,676	1,081,708
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>601,800</b>	<b>1,114,258</b>

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK

1) a) Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

#### Current Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	558,924	-	-	-
Balance at end of period	-	-	758,988	-	-	-
<b>Profit share and commission income</b>	-	-	<b>8,248</b>	-	-	-

#### Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	337,726	-	-	-
Balance at end of period	-	-	558,924	-	-	-
<b>Profit share and commission income</b>	-	-	<b>11,533</b>	-	-	-

b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and profit sharing accounts</b>						
Balance at beginning of period	-	-	1,796	891	-	-
Balance at end of period	-	-	8,159	1,796	-	-
<b>Profit share expense</b>	-	-	<b>2,314</b>	<b>2</b>	-	-

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 2) Information on forward transactions, option agreements and similar transactions between the Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	259,672	159,609	-	-
Closing Balance	-	-	1,264,078	259,672	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>6,280</b>	<b>10,675</b>	<b>-</b>	<b>-</b>
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3) Information on remunerations provided to top management:

The Bank has paid TL 2,717 to top management as total benefit (31 December 2016: TL 2,625).

## VIII. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

None.

## IX. EXPLANATIONS AND NOTES TO THE DOMESTIC, FOREIGN-OFF SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

### 1) Informations on domestic and foreign branches and representatives of the Bank:

	Number	Number of Employees	Country of Incorporation	Total assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	63	890			
Foreign Representative Office	-	-			
Foreign branch	-	-			
Off-shore Banking Region Branches	-	-			

<sup>(1)</sup> The number of employees in Head Office are included in the number of employees in domestic branches.

### 2) Explanations on domestic and abroad branch and agency openings or closings, significantly organization altering of the Bank:

The Bank opened 19 (31 December 2016: 22 Branches) domestic branches during the year 2017.

## Notes to the Unconsolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

##### I. INFORMATION ON THE BANK'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 26 May 2017	Note	Explanation
Long Term Foreign Currency Credit Rating	BB +	It is in a speculative level under the investment class.
Short Term Foreign Currency Credit Rating	B	It is in a speculative level under the investment class.
Long Term Turkish Lira Credit Rating	BBB-	It is in an investmentable level. Indicates that the Bank's creditworthiness is "good".
Short Term Turkish Lira Credit Rating	F3	It is in an investmentable level. Indicates that the debt payment power is sufficient.
National Long Term Credit Rating	AAA(tur)	Top level investment grade.
Support	3	The probability of external support is reasonable.

##### II. OTHER EXPLANATIONS ON GROUP'S OPERATIONS

None.

### SECTION SEVEN

#### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

##### I. EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT

As of 31 December 2017, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.(the Turkish member of KPMG International Cooperative, a Swiss Entity) and Audit Report dated 5 February 2018 is presented preceding the financial statements.

##### II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Ziraat Katılım Bankası A.Ş.

**Consolidated Financial Statements as of 31 December 2017  
Together With Independent Auditors' Report**

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, see Note I in section three)

# Independent Auditor's Report



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel: +90 (212) 316 6000  
Fax: +90 (212) 316 6060  
www.kpmg.com.tr

To the Board of Directors of Ziraat Katılım Bankası A.Ş.

## A) Audit of Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Ziraat Katılım Bankası A.Ş. ("the Bank") and its financial subsidiaries (together the "Group") which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated statement of income, 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 consolidated notes, comprising a summary of significant accounting policies and other explanatory information.

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 Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

### *Basis for Opinion*

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

### *Other Matter*

The consolidated financial statements of the Bank as at and for the year ended 31 December 2016 was audited by another auditor who expressed an unmodified opinion on those consolidated statements on 17 February 2017.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSAs Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

#### **B) Other Legal and Regulatory Requirements**

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

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

#### **Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



Erdal Tıkmak SMMM  
Partner

5 February 2018  
İstanbul, Turkey

Ziraat Participation Bank A.Ş.

## Consolidated Financial Report of Ziraat Katılım Bankası A.Ş. As of and for the Year Ended 31 December 2017

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
Hayri Efendi Cad. Bahçekapı No: 12 34112 Fatih/İSTANBUL  
Phone: (212) 404 11 00  
Facsimile: (212) 404 10 81  
Website: www.ziraatkatilim.com.tr  
E-mail: bilgi@ziraatkatilim.com.tr

The consolidated year-end financial report in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

### SUBSIDIARIES

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.  
ZKB VARLIK KİRALAMA A.Ş.

The consolidated financial reports, and explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and annexes interpretations thereof and are denominated as TL thousand unless otherwise specified, are held to subject to independent audit and presented enclosed.

Hüseyin AYDIN  
Chairman of the Board

Metin ÖZDEMİR  
Member of the Board,  
CEO

Cemalettin BAŞLI  
Member of the Board,  
Member of the Audit Committee

Feyzi ÇUTUR  
Member of the Board,  
Member of the Audit Committee

Osman KARAKÜTÜK  
Financial Coordination and Human Resources  
Deputy General Manager

Gürkan ÇAKIR  
Vice President  
of Financial Reporting

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

Name-Surname/Position: Tuncay KAMIŞ/Financial Reporting Manager  
Telephone: 0 212 404 13 35  
Facsimile: 0 212 404 10 81



# Contents

	Page No
<b>SECTION ONE</b>	
<b>General Information about the Group</b>	
I. History of the parent bank including its incorporation date, initial legal status and amendments to legal status	177
II. Shareholding structure, shareholders jointly or individually having direct or indirect, control over the management and supervision of the parent bank and the disclosures on any related changes in the current period, if any and information about the group that the parent bank belongs to	177
III. Explanations on the titles of chairman and members of the board of directors, members of the audit committee, general managers and assistant general managers and their shareholdings in the parent bank	178
IV. Information about the persons and institutions that have qualified shares attributable to the parent bank	178
V. Explanations of the parent bank's services and field of operations	178
VI. Differences between the communique 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	179
VII. Existing or potential, actual or legal obstacles to immediate transfer of shareholder's equity or repayment of debt between the parent bank and its subsidiaries	179
<b>SECTION TWO</b>	
<b>Consolidated Financial Statements</b>	
I. Consolidated balance sheet	180
II. Consolidated statement of off-balance sheet accounts	182
III. Consolidated income Statement	183
IV. Consolidated statement of profit and loss accounted for under equity	184
V. Consolidated statement of cash flows	185
VI. Consolidated statement of changes in shareholders' equity	186
VII. Consolidated statement of profit distribution	190
<b>SECTION THREE</b>	
<b>Accounting Principles</b>	
I. Explanations on basis of presentation	191
II. Explanations on usage strategy of financial assets and foreign currency transactions	191
III. Explanations on investments in associates, subsidiaries and joint ventures	192
IV. Explanations on forward and option contracts and derivative instruments	193
V. Explanations on profit share income and expense	193
VI. Explanations on fees and commission income and expenses	193
VII. Explanations on financial assets	194
VIII. Explanations on impairment of financial assets	195
IX. Explanations on offsetting of financial assets and liabilities	195
X. Explanations on sales and repurchase agreements and lending of securities	195
XI. Information on assets held for sale and discontinued operations and explanations on liabilities related with these assets	196
XII. Explanations on goodwill and other intangible assets	196
XIII. Explanations on tangible assets	196
XIV. Explanations on leasing transactions	197
XV. Explanations on provisions and contingent liabilities	197
XVI. Explanations on liabilities relating to employee benefits	197
XVII. Explanations on taxation	199
XVIII. Explanations on additional disclosures on borrowings	200
XIX. Explanations on issuance of share certificates	201
XX. Explanations on avalized drafts and acceptances	201
XXI. Explanations on government grants	201
XXII. Explanation on cash and cash equivalents	201
XXIII. Explanation on segment reporting	201
XXIV. Explanations on other matters	201

# Contents

	Page No
<b>SECTION FOUR</b>	
<b>Information on Financial Structure</b>	
I. Explanations on shareholders' equity	202
II. Explanations on credit risk	208
III. Explanations on countercyclical capital buffer calculations risk	219
IV. Explanations on the consolidated currency risk	220
V. Equity share position risk on banking accounts	222
VI. Explanations on the consolidated liquidity risk management and consolidated liquidity coverage ratio	222
VII. Explanations on leverage ratio	228
VIII. Explanations on securitization positions	229
IX. Explanations on risk management	229
X. Explanations on hedge transactions	238
XI. Explanation on counterparty credit risk	238
XII. Explanations on consolidated operating segments	243
XIII. Explanations related to presentation of financial assets and liabilities at fair value	245
XIV. Explanations on activities carried out on behalf and account of other parties	246
<b>SECTION FIVE</b>	
<b>Explanations and Notes Related to the Consolidated Financial Statements</b>	
I. Explanations and notes related to consolidated assets	247
II. Explanations and notes related to consolidated liabilities	261
III. Explanations and notes related to the consolidated off-balance sheet accounts	269
IV. Explanations and notes related to the consolidated income statement	273
V. Explanations and notes related to changes in shareholders' equity	278
VI. Explanations and notes related to statement of cash flows	279
VII. Explanations and notes related to the risk group of the parent bank	280
VIII. Significant events and matters arising subsequent to balance sheet date	281
IX. Information on the bank's domestic and foreign branches and foreign representatives of the bank	281
<b>SECTION SIX</b>	
<b>Other Explanations and Notes</b>	
I. Information on the bank's rating that has been determined by international rating agencies	282
II. Other explanations on group's operations	282
<b>SECTION SEVEN</b>	
<b>Explanations on the Independent Auditor's Report</b>	
I. Explanations on the independent auditor's report	282
II. Explanations and notes prepared by the independent auditors	282

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE GROUP

##### I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS:

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TL 675,000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Parent Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Parent Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on July 13, 2017, the paid-in capital of the Parent Bank has been raised to TL 1,250,000 by increasing the amount of cash by TL 500,000 and by increasing the amount of internal resources by TL 3,000. Governance body of the bank is in Istanbul.

Main operation field of the Parent Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Parent Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency (“BRSA”) within the scope of Participation Banking fundamentals.

The Parent Bank’s main partner T.C Ziraat Bankası A.Ş has been transferred to the Turkey Asset Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

##### II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE PARENT BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE PARENT BANK BELONGS TO:

As of 31 December 2017 and 31 December 2016, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2017		31 December 2016	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. <sup>(*)</sup>	1,250,000	99.9999996	747,000	99.9999996
Ziraat Sigorta A.Ş.	-	0.0000001	-	0.0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001	-	0.0000001
Ziraat Teknoloji A.Ş.	-	0.0000001	-	0.0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001	-	0.0000001
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>	<b>747,000</b>	<b>100.00</b>

(\*) All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### III. EXPLANATIONS ON THE TITLES OF CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE PARENT BANK:

Name	Title
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Salim ALKAN	Member, President of Corporate Management Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL <sup>(*)</sup>	Information Technologies and Operation
Osman KARAKÜTÜK <sup>(**)</sup>	Treasury and Internal Operations
Temel Tayyar YEŞİL <sup>(***)</sup>	Marketing
Tahir DEMİRKIRAN	Loan Allocation and Management

<sup>(\*)</sup> As of 24 August 2017 was transferred to Information Technologies and Operation Assistant General Manager.

<sup>(\*\*)</sup> As of 15 August 2017 was transferred to Treasury and Internal Operations Assistant General Manager.

<sup>(\*\*\*)</sup> As of 18 July 2017 was transferred to Marketing Assistant General Manager.

Chairman and members of the Board of Directors have no Bank's share capital.

### IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK:

Name/Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. <sup>(*)</sup>	1,250,000	99.9999996	1,250,000	-
Ziraat Sigorta A.Ş.	-	0.0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001	-	-
Ziraat Teknoloji A.Ş.	-	0.0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001	-	-
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>	<b>1,250,000</b>	<b>-</b>

<sup>(\*)</sup> As of 31 December 2016, the main shareholder of the bank is the Undersecretariat of Treasury, which is also the only shareholder of Ziraat Bank A.Ş. All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş. has been transferred to the Turkey Asset Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

### V. EXPLANATIONS OF THE PARENT BANK'S SERVICES AND FIELD OF OPERATIONS:

Operation field of the Parent Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

## **Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Parent Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, three months, six months and annually).

Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

Parent Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 22 January 2016, Ziraat Katılım Varlık Kiralama A.Ş. ("Company") was established to issue leasing certificates within the framework of the Communiqué on Leasing Certificates (III-61.1) issued by the Capital Markets Board ("CMB") in the Official Gazette dated 7 June 2013 and numbered 28760 with the permission from the Banking Regulation and Supervision Board and the CMB with TL 50 equity which is owned by the Parent Bank. In 19 July 2017, ZKB Varlık Kiralama Anonim Şirketi was established with paid-in capital of TL 50 by Parent Bank. The company started its operations in 8 September 2017 after its registration is completed. The Parent Bank and subsidiaries consolidated with the Parent Bank are together referred as the "Group".

As of 31 December 2017, Group operates with 890 workers (31 December 2016: 655).

### **VI. DIFFERENCES BETWEEN THE COMMUNIQUE 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**

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

### **VII. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF SHAREHOLDER'S EQUITY OR REPAYMENT OF DEBT BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES**

None.

## **SECTION TWO**

### **THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS**

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

## Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	THOUSAND OF TURKISH LIRA					
			Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
ASSETS			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	305,803	1,337,886	1,643,689	633,389	567,909	1,201,298
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	33	4	37	7	1,152	1,159
2.1	Financial Assets Held for Trading		33	4	37	7	1,152	1,159
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		33	4	37	7	1,152	1,159
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	(3)	3,320	275,261	278,581	6,561	461,893	468,454
<b>IV.</b>	<b>MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	516,461	7,712	524,173	407,515	7,168	414,683
5.1	Securities Representing a Share in Capital		4,719	-	4,719	4,719	-	4,719
5.2	Public Sector Debt Securities		-	-	-	-	-	-
5.3	Other Marketable Securities		511,742	7,712	519,454	402,796	7,168	409,964
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	(5)	9,656,012	1,718,732	11,374,744	4,949,028	608,914	5,557,942
6.1	Loans and receivables		9,639,259	1,718,732	11,357,991	4,942,377	608,914	5,551,291
6.1.1	Loans to Risk Group of the Bank		400,452	358,536	758,988	505,998	52,926	558,924
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		9,238,807	1,360,196	10,599,003	4,436,379	555,988	4,992,367
6.2	Non-performing loans		34,841	-	34,841	10,483	-	10,483
6.3	Specific provisions (-)		18,088	-	18,088	3,832	-	3,832
<b>VII.</b>	<b>INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	-	-	-	-	-	-
<b>VIII.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-
8.1	Accounted with Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		-	-	-	-	-	-
8.2.1	Financial investments		-	-	-	-	-	-
8.2.2	Non-financial investments		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>X.</b>	<b>ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	-	-	-	-	-	-
10.1	Consolidated under equity method		-	-	-	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	372,944	-	372,944	221,373	-	221,373
11.1	Finance Lease Receivables		479,451	-	479,451	265,785	-	265,785
11.2	Operating Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income (-)		106,507	-	106,507	44,412	-	44,412
<b>XII.</b>	<b>DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE</b>	(11)	-	-	-	-	-	-
12.1	Fair Value Hedges		-	-	-	-	-	-
12.2	Cash Flow Hedges		-	-	-	-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIII.</b>	<b>TANGIBLE ASSETS (Net)</b>	(14)	47,235	-	47,235	43,643	-	43,643
<b>XIV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(15)	63,280	-	63,280	22,905	-	22,905
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		63,280	-	63,280	22,905	-	22,905
<b>XV.</b>	<b>REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVI.</b>	<b>TAX ASSET</b>	(16)	14,093	-	14,093	4,876	-	4,876
16.1	Current Tax Asset		-	-	-	-	-	-
16.2	Deferred Tax Asset		14,093	-	14,093	4,876	-	4,876
<b>XVII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	3,561	-	3,561	-	-	-
17.1	Held for Sale		3,561	-	3,561	-	-	-
17.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XVIII.</b>	<b>OTHER ASSETS</b>	(17)	27,580	122	27,702	22,980	143	23,123
	<b>TOTAL ASSETS</b>		<b>11,010,322</b>	<b>3,339,717</b>	<b>14,350,039</b>	<b>6,312,277</b>	<b>1,647,179</b>	<b>7,959,456</b>

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

## Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

III. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	THOUSAND OF TURKISH LIRA					
			Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
LIABILITIES AND EQUITY			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FUND COLLECTED</b>	<b>(1)</b>	<b>6,345,837</b>	<b>3,678,649</b>	<b>10,024,486</b>	<b>3,776,737</b>	<b>1,859,209</b>	<b>5,635,946</b>
1.1	Fund Collected Held By the Risk Group of the Bank		8,156	3	8,159	1,785	11	1,796
1.2	Other		6,337,681	3,678,646	10,016,327	3,774,952	1,859,198	5,634,150
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>-</b>	<b>6,280</b>	<b>6,280</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>419,374</b>	<b>1,629,936</b>	<b>2,049,310</b>	<b>-</b>	<b>1,185,762</b>	<b>1,185,762</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>	<b>(4)</b>	<b>32,462</b>	<b>-</b>	<b>32,462</b>	<b>133,668</b>	<b>-</b>	<b>133,668</b>
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>557,804</b>	<b>-</b>	<b>557,804</b>	<b>101,459</b>	<b>-</b>	<b>101,459</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>27,253</b>	<b>8,462</b>	<b>35,715</b>	<b>13,217</b>	<b>3,809</b>	<b>17,026</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>(6)</b>	<b>69,368</b>	<b>1,202</b>	<b>70,570</b>	<b>45,594</b>	<b>933</b>	<b>46,527</b>
<b>VIII.</b>	<b>FINANCE LEASE PAYABLES</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operating Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Fair Value Hedges		-	-	-	-	-	-
9.2	Cash Flow Hedges		-	-	-	-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>X.</b>	<b>PROVISIONS</b>	<b>(9)</b>	<b>138,685</b>	<b>3,605</b>	<b>142,290</b>	<b>62,750</b>	<b>1,824</b>	<b>64,574</b>
10.1	General Provisions		99,082	-	99,082	52,263	-	52,263
10.2	Restructuring Provisions		-	-	-	-	-	-
10.3	Employee Benefits Provisions		4,719	-	4,719	2,169	-	2,169
10.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5	Other Provisions		34,884	3,605	38,489	8,318	1,824	10,142
<b>XI.</b>	<b>TAX LIABILITY</b>	<b>(10)</b>	<b>27,441</b>	<b>-</b>	<b>27,441</b>	<b>9,873</b>	<b>-</b>	<b>9,873</b>
11.1	Current Tax Liability		27,441	-	27,441	9,873	-	9,873
11.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Held for Sale		-	-	-	-	-	-
12.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(13)</b>	<b>1,403,692</b>	<b>(11)</b>	<b>1,403,681</b>	<b>764,728</b>	<b>(107)</b>	<b>764,621</b>
14.1	Paid-in Capital		1,250,000	-	1,250,000	747,000	-	747,000
14.2	Capital Reserves		(14,901)	(11)	(14,912)	(963)	(107)	(1,070)
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Differences		(14,901)	(11)	(14,912)	(963)	(107)	(1,070)
14.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
14.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
14.2.10	Other Capital Reserves		-	-	-	-	-	-
14.3	Profit Reserves		9,691	-	9,691	-	-	-
14.3.1	Legal Reserves		1,308	-	1,308	-	-	-
14.3.2	Statutory Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		3,843	-	3,843	-	-	-
14.3.4	Other Profit Reserves		4,540	-	4,540	-	-	-
14.4	Profit or Loss		158,902	-	158,902	18,691	-	18,691
14.4.1	Prior Years Profit/Loss		-	-	-	(11,982)	-	(11,982)
14.4.2	Net Period Profit/Loss		158,902	-	158,902	30,673	-	30,673
			-	-	-	-	-	-
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,021,916</b>	<b>5,328,123</b>	<b>14,350,039</b>	<b>4,908,026</b>	<b>3,051,430</b>	<b>7,959,456</b>

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

## Consolidated Statement of Off-Balance Sheet Accounts As of 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ACCOUNTS	Note (Section Five III)	THOUSAND TURKISH LIRA					
		Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET ACCOUNTS (I+II+III)</b>	<b>(1)</b>	<b>3,274,276</b>	<b>4,234,096</b>	<b>7,508,372</b>	<b>1,380,632</b>	<b>2,435,507</b>	<b>3,816,139</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>3,173,375</b>	<b>2,938,163</b>	<b>6,111,538</b>	<b>1,341,334</b>	<b>2,166,635</b>	<b>3,507,969</b>
1.1 Letters of Guarantee		3,169,925	2,152,205	5,322,130	1,329,163	1,443,571	2,772,734
1.1.1 Guarantees Subject to State Tender Law		111,858	696,422	808,280	7,214	603,083	610,297
1.1.2 Guarantees Given for Foreign Trade Operations		2,910,565	-	2,910,565	1,208,028	-	1,208,028
1.1.3 Other Letters of Guarantee		147,502	1,455,783	1,603,285	113,921	840,488	954,409
1.2 Bank Acceptances		-	4,784	4,784	-	7,484	7,484
1.2.1 Import Letter of Acceptance		-	4,784	4,784	-	7,484	7,484
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	447,193	447,193	-	188,475	188,475
1.3.1 Documentary Letters of Credit		-	447,193	447,193	-	188,475	188,475
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		3,450	329,962	333,412	12,000	520,131	532,131
1.7 Other Collaterals		-	4,019	4,019	171	6,974	7,145
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>100,901</b>	<b>31,855</b>	<b>132,756</b>	<b>39,298</b>	<b>9,200</b>	<b>48,498</b>
2.1 Irrevocable Commitments		100,901	31,855	132,756	39,298	9,200	48,498
2.1.1 Forward asset purchase commitments		30,056	31,855	61,911	4,023	9,200	13,223
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		64,845	-	64,845	34,817	-	34,817
2.1.7 Tax and Fund Liabilities from Export Commitments		1,966	-	1,966	458	-	458
2.1.8 Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		4,034	-	4,034	-	-	-
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>-</b>	<b>1,264,078</b>	<b>1,264,078</b>	<b>-</b>	<b>259,672</b>	<b>259,672</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		-	1,264,078	1,264,078	-	259,672	259,672
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	1,264,078	1,264,078	-	259,672	259,672
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	629,444	629,444	-	130,412	130,412
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	634,634	634,634	-	129,260	129,260
3.2.2 Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>12,684,779</b>	<b>946,613</b>	<b>13,631,392</b>	<b>6,580,645</b>	<b>334,443</b>	<b>6,915,088</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>447,409</b>	<b>252,379</b>	<b>699,788</b>	<b>197,945</b>	<b>103,513</b>	<b>301,458</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		119,399	-	119,399	1,167	-	1,167
4.3 Checks Received for Collection		307,270	2,778	310,048	185,546	2,162	187,708
4.4 Commercial Notes Received for Collection		20,465	4,592	25,057	11,232	190	11,422
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		275	97,500	97,775	-	47,704	47,704
4.8 Custodians		-	147,509	147,509	-	53,457	53,457
<b>V. PLEDGES RECEIVED</b>		<b>12,237,370</b>	<b>694,234</b>	<b>12,931,604</b>	<b>6,382,700</b>	<b>230,930</b>	<b>6,613,630</b>
5.1 Marketable Securities		1,189,468	331,670	1,521,138	6,979	-	6,979
5.2 Guarantee Notes		864,266	35,828	900,094	572,824	22,136	594,960
5.3 Commodity		830,495	27	830,522	419,001	-	419,001
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		8,755,047	-	8,755,047	4,855,316	-	4,855,316
5.6 Other Pledged Items		598,094	326,709	924,803	528,580	208,794	737,374
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>15,959,055</b>	<b>5,180,709</b>	<b>21,139,764</b>	<b>7,961,277</b>	<b>2,769,950</b>	<b>10,731,227</b>

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



## Consolidated Income Statement For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Note (Section Five IV)	THOUSAND OF TURKISH LIRA	
		Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
<b>III. CONSOLIDATED INCOME STATEMENT</b>			
<b>INCOME AND EXPENSE ITEMS</b>			
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>981,392</b>	<b>390,742</b>
1.1 Profit share on loans		885,752	356,285
1.2 Profit share on reserve deposits		16,396	4,359
1.3 Profit share on banks		-	353
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		48,634	24,499
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		48,634	24,101
1.5.4 Investments held-to-maturity		-	398
1.6 Finance lease income		29,782	4,973
1.7 Other profit share income		828	273
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>538,306</b>	<b>180,885</b>
2.1 Expense on profit sharing accounts		471,134	148,335
2.2 Profit share expense on funds borrowed		38,705	25,052
2.3 Profit share expense on money market borrowings		3,058	7,498
2.4 Expense on securities issued		25,409	-
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>443,086</b>	<b>209,857</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>30,343</b>	<b>14,205</b>
4.1 Fees and commissions received		45,743	20,587
4.1.1 Non-cash loans		35,266	12,749
4.1.2 Other		10,477	7,838
4.2 Fees and commissions paid		15,400	6,382
4.2.1 Non-cash loans		4	1
4.2.2 Other		15,396	6,381
<b>V. DIVIDEND INCOME</b>	(3)	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>11,556</b>	<b>7,030</b>
6.1 Capital market transaction gains/(losses)		(851)	-
6.2 Gains/(losses) from derivative financial instruments		(26,682)	10,675
6.3 Foreign exchange gains/(losses)		39,089	(3,645)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>2,663</b>	<b>1,739</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>487,648</b>	<b>232,831</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>90,143</b>	<b>51,770</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>197,531</b>	<b>140,579</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>199,974</b>	<b>40,482</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. GAIN/(LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)</b>	(8)	<b>199,974</b>	<b>40,482</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)</b>	(9)	<b>(41,072)</b>	<b>(9,809)</b>
16.1 Current Tax Provision		(46,907)	(14,349)
16.2 Deferred Tax Provision		5,835	4,540
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>158,902</b>	<b>30,673</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>158,902</b>	<b>30,673</b>
23.1 Group profit/loss		158,902	30,673
23.2 Minority shares profit/loss		-	-
Earnings per share income/loss (full TL)		0,1615	0,0426

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

## Consolidated Statement of Profit and Loss Items Accounted Under Shareholders' Equity for the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

		THOUSAND TURKISH LIRA	
		Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
<b>IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>			
<b>I.</b>	<b>ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS</b>	<b>(17,225)</b>	<b>(3,228)</b>
<b>II.</b>	<b>TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>III.</b>	<b>INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV.</b>	<b>FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>-</b>	<b>-</b>
<b>V.</b>	<b>PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>	<b>-</b>
<b>VII.</b>	<b>THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>3,382</b>	<b>646</b>
<b>X.</b>	<b>TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)</b>	<b>(13,843)</b>	<b>(2,582)</b>
<b>XI.</b>	<b>PROFIT/LOSS</b>	<b>158,902</b>	<b>30,673</b>
11.1	Change in fair value of marketable securities (transfer to profit/loss)	-	-
11.2	Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3	Reclassification of hedge of net investments in foreign operations to income statement	-	-
11.4	Other	158,902	30,673
<b>XII.</b>	<b>TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>145,059</b>	<b>28,091</b>

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

## Consolidated Statement of Cash Flow For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

		Note (Section Five)	THOUSAND TURKISH LIRA	
			Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
<b>VI, CONSOLIDATED STATEMENT OF CASH FLOWS</b>				
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>		<b>121,921</b>	<b>(82,076)</b>
1.1.1	Profit share income received		823,676	197,015
1.1.2	Profit share expense paid		(491,718)	(161,638)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		45,743	20,587
1.1.5	Other income		762	10,480
1.1.6	Collections from previously written off loans		12,807	54
1.1.7	Payments to personnel and service suppliers		(86,969)	(65,101)
1.1.8	Taxes paid		(29,546)	(16,340)
1.1.9	Others		(152,834)	(67,133)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>		<b>(1,451,586)</b>	<b>1,108,717</b>
1.2.1	Net (increase)/decrease in held for trading financial assets		1,118	(417)
1.2.2	Net (increase) decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(755,341)	(488,504)
1.2.4	Net (increase) decrease in loans		(5,824,304)	(3,892,066)
1.2.5	Net (increase) decrease in other assets		(8,140)	(91,363)
1.2.6	Net increase (decrease) in bank deposits		(17,131)	-
1.2.7	Net increase (decrease) in other deposits		4,371,041	4,365,509
1.2.8	Net increase (decrease) in funds borrowed		885,232	1,016,741
1.2.9	Net increase (decrease) in due payables		-	-
1.2.10	Net increase (decrease) in other liabilities		(104,061)	198,817
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>(1,329,665)</b>	<b>1,026,641</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(155,126)</b>	<b>(305,963)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		-	-
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(59,478)	(15,724)
2.4	Fixed assets sales		-	-
2.5	Cash paid for purchase of financial assets available for sale		(95,648)	(286,056)
2.6	Cash obtained from sale of financial assets available for sale		-	-
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	(4,183)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>921,158</b>	<b>101,459</b>
3.1	Cash obtained from funds borrowed and securities issued		1,100,000	-
3.2	Cash used for repayment of funds borrowed and securities issued		(669,064)	-
3.3	Capital Instruments Issued		500,000	101,459
3.4	Dividends paid		(6,000)	-
3.5	Payments for finance leases		(8,318)	-
3.6	Other		4,540	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>51,176</b>	<b>146,984</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>(512,457)</b>	<b>969,121</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	(1)	<b>1,114,258</b>	<b>145,137</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	(1)	<b>601,801</b>	<b>1,114,258</b>

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

## Consolidated Statement of Changes in Shareholders Equity For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA Audited	Note (Section Five V)	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves
Prior Period 1 January 2016 - 31 December 2016							
<b>I. Balances at the beginning of period</b>		675,000	-	-	-	-	-
<b>II. Corrections according to Turkish Accounting Standard No.8</b>		-	-	-	-	-	-
2.1 Corrections of errors		-	-	-	-	-	-
2.2 Changes in accounting policies		-	-	-	-	-	-
<b>III. Adjusted beginning balance (I + II)</b>		675,000	-	-	-	-	-
<b>Changes in the period</b>		-	-	-	-	-	-
<b>IV. Increase/decrease related to mergers</b>		-	-	-	-	-	-
<b>V. Valuation difference of available-for-sale securities</b>		-	-	-	-	-	-
<b>VI. Hedging transactions (effective portion)</b>		-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-
6.2 Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
<b>VII. Revaluation fund on tangible assets</b>		-	-	-	-	-	-
<b>VIII. Revaluation fund on intangible assets</b>		-	-	-	-	-	-
<b>IX. Capital bonus of associates, subsidiaries and joint ventures</b>		-	-	-	-	-	-
<b>X. Foreign exchange differences</b>		-	-	-	-	-	-
<b>XI. Changes related to sale of assets</b>		-	-	-	-	-	-
<b>XII. Changes related to reclassification of assets</b>		-	-	-	-	-	-
<b>XIII. Effect of changes in equities of associates</b>		-	-	-	-	-	-
<b>XIV. Capital increase</b>		72,000	-	-	-	-	-
14.1 Cash		72,000	-	-	-	-	-
14.2 Domestic sources		-	-	-	-	-	-
<b>XV. Issuances of share certificates</b>		-	-	-	-	-	-
<b>XVI. Abolition profit of share certificates</b>		-	-	-	-	-	-
<b>XVII. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-
<b>XVIII. Others</b>		-	-	-	-	-	-
<b>XIX. Current period net profit/loss</b>		-	-	-	-	-	-
<b>XX. Profit distribution</b>		-	-	-	-	-	-
20.1 Dividends		-	-	-	-	-	-
20.2 Transferred to reserves		-	-	-	-	-	-
20.3 Others		-	-	-	-	-	-
<b>Balances at the end of period (III+IV+V+.....+XVIII+XIX+XX)</b>		747,000	-	-	-	-	-

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

	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Excluding Minority Shareholders	Minority Shareholders	Total Shareholders' Equity
	-	-	-	(11,982)	1,512	-	-	-	-	664,530	-	664,530
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	(11,982)	1,512	-	-	-	-	664,530	-	664,530
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(2,582)	-	-	-	-	(2,582)	-	(2,582)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	72,000	-	72,000
	-	-	-	-	-	-	-	-	-	72,000	-	72,000
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	30,673	-	-	-	-	-	-	30,673	-	30,673
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	30,673	(11,982)	(1,070)	-	-	-	-	764,621	-	764,621

## Consolidated Statement of Changes in Shareholders Equity For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA Audited	Note (Section Five)	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves
Current Period 1 January 2017 - 31 December 2017							
I.	Balances at the beginning of the period	747,000	-	-	-	-	-
Changes in the period							
II.	Increase/decrease related to mergers	-	-	-	-	-	-
III.	Valuation difference of available-for-sale securities	-	-	-	-	-	-
IV.	Hedging transactions (effective portion)	-	-	-	-	-	-
4.1	Cash flow hedge	-	-	-	-	-	-
4.2	Hedging of a net investment in foreign subsidiaries	-	-	-	-	-	-
V.	Revaluation fund on tangible assets	-	-	-	-	-	-
VI.	Revaluation fund on intangible assets	-	-	-	-	-	-
VII.	Capital bonus of associates, subsidiaries and joint ventures	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-
IX.	Changes related to sale of assets	-	-	-	-	-	-
X.	Changes related to reclassification of assets	-	-	-	-	-	-
XI.	Effect of changes in equities of associates	-	-	-	-	-	-
XII.	Capital increase	503,000	-	-	-	-	-
12.1	Cash	500,000	-	-	-	-	-
12.2	Domestic sources	3,000	-	-	-	-	-
XIII.	Issuances of share certificates	-	-	-	-	-	-
XIV.	Abolition profit of share certificates	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-
XVII.	Current period net profit/loss	-	-	-	-	-	-
XVIII.	Profit distribution	-	-	-	-	1,308	-
18.1	Dividends	-	-	-	-	-	-
18.2	Transferred to reserves	-	-	-	-	1,308	-
18.3	Others	-	-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		1,250,000	-	-	-	1,308	-

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

Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Excluding Minority Shareholders	Minority Shareholders	Total Shareholders' Equity
-	-	30,673	(11,982)	(1,070)	-	-	-	-	764,621	-	764,621
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(13,842)	-	-	-	-	(13,842)	-	(13,842)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(3,000)	-	-	-	-	-	500,000	-	500,000
-	-	-	(3,000)	-	-	-	-	-	500,000	-	500,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	158,902	-	-	-	-	-	-	158,902	-	158,902
3,843	4,540	(30,673)	14,982	-	-	-	-	-	(6,000)	-	(6,000)
-	-	-	(6,000)	-	-	-	-	-	(6,000)	-	(6,000)
3,843	4,540	-	(9,691)	-	-	-	-	-	-	-	-
-	-	(30,673)	30,673	-	-	-	-	-	-	-	-
3,843	4,540	158,902	-	(14,912)	-	-	-	-	1,403,681	-	1,403,681

## Consolidated Statement of Cash Flows For the Period Of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION		Audited Current Period <sup>(*)</sup> (31/12/2017)	Audited Prior Period <sup>(**)</sup> (31/12/2016)
<b>I.</b>	<b>DISTRIBUTION OF THE CURRENT YEAR INCOME</b>		
1.1	Current Year Income (Loss)	199,974	40,482
1.2	Taxes and Duties Payable (-) <sup>(***)</sup>	46,907	14,349
1.2.1	Corporate Tax (Income Tax)	46,907	14,349
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	-	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>153,067</b>	<b>26,133</b>
1.3	Prior Year Losses (-)	-	11,983
1.4	First Legal Reserves (-)	-	708
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>153,067</b>	<b>13,442</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 (-)	-	6,000
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 (-)	-	600
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	6,843
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>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.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners of Ordinary Shares	0,1556	0,0349
3.2	To Owners of Ordinary Shares (%)	15,5551	3,4984
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
<b>IV.</b>	<b>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 (%)	-	-

(\*) Profit distribution is decided by the General Assembly. As of reporting date, General Assembly meeting has not been held yet on the profit distribution for the year 2017.

(\*\*) Deferred tax related to current year, amount of TL 4,540 is not subject to profit distribution.

(\*\*\*) It is shown in full TL amounts.

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



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### SECTION THREE

#### ACCOUNTING PRINCIPLES

##### I. EXPLANATIONS ON BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards and Turkish Financial Reporting Standards (“IFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (“all referred as BRSA Principles”).

The publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Unless otherwise specified, all balances in the financial statements and footnotes are expressed in thousand Turkish Lira (“TL”).

The preparation of consolidated financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgements and estimates are explained in related notes.

The accounting policies and valuation principles applied in the preparation of these consolidated financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV.

##### 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, these 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.

##### II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Parent Bank resources consists of shareholders equity. Bank evaluates its resources with commodity transactions, lease certificates and credits in high-yield and short-term. The Parent Bank’s liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

The Parent Bank is monitoring risks of liquidated receivables, doubtful fees, commission and other receivables with loans have the characteristics of loss and participation accounts make loan available risk belong to bank that are monitored in other receivables accounts with equities and make loans available special current accounts that are foreign currency and balance receivables, on the date of transition exchange to TL. Foreign currency credits make loans that are participation accounts and foreign exchange loans, risk that is belong to participation accounts appreciate with current accounts to exchange differences monitoring on the foreign exchange transactions profit or loss.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Bank.

The Parent Bank performs Balance Sheet and Equity Management by Asset-Liability Committee with the inclusion of risk limits by considering market structure and by aiming to maximize profit.

### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

#### a. Consolidation principles applied:

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

#### 1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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 subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary.

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

Title	Address (City/Country)	Main Activities	Parent Bank's Share Percentage (%)	31 December 2017
				Parent Bank's Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Turkey	Rent Certificate Issue	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Turkey	Rent Certificate Issue	100	100

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Ziraat Katılım Varlık Kiralama A.Ş was established and registered to the trade registry in January 22, 2016 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Ziraat Katılım Varlık Kiralama A.Ş has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

### 2. Consolidation principles of associates and joint ventures:

As of the date of 31 December 2017, there is no jointly controlled subsidiaries.

3. Principles applied during share transfer, merger and acquisition: None.

4. Transactions with minority shareholders: None.

### b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

There is no subsidiaries and associates within the scope of The Parent's Bank consolidation.

## IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Parent Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements.

The Parent Bank's derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts in line with TAS 39 "Financial Instruments: Recognition and Measurement". The Bank has no embedded derivative instruments separated from the articles of association.

Derivative instruments are recognized at fair value on contractual date and subsequently re-valued at their fair values and associated with the income statement. 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 "Trading Derivative Financial Assets" and if the fair value difference is negative, it is disclosed under "Financial Liabilities at Fair Value through Profit or Loss" in "Trading Derivative Financial Liabilities". Fair value changes are recorded under "Derivative Financial Transactions Gains/Losses" in income statement.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

## V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no profit share income accrual is calculated for non-performing loans. Realized profit share accruals calculated for non-performing loans and recognized as income are reversed and profit share income related to these loans is recognized as profit only when collected.

The Parent Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

## VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, and intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

### VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial assets mainly constitute the Bank's commercial activities and operations. Financial assets are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

#### a. Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss have two sub categories: "trading financial assets" and "financial assets through at fair value through profit/loss at initial recognition".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Parent Bank does not have any financial assets classified as "financial assets at fair value through profit or loss" other than those held for trading purposes.

#### b. Financial assets available for sale:

Available-for-sale financial assets refer to 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 assets are initially recognized at cost value. The cost of the securities is recognized as fair value.

Available-for-sale financial assets are subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as "Marketable Securities Value Increase Fund". When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortized cost using the internal rate of return method or appropriate valuation methods.

#### c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method. Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

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Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira (“TL”) accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

### d. Held to maturity financial assets:

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted in the profit and loss table as profit share income gained by securities.

Held to maturity assets are initially recognized at cost value.

### VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

If revalued amounts of financial assets at fair value through profit/loss is less than the prior revalued amounts, initially, value of prior records regarding the value increase are adjusted according to the recent value and if the impairment loss is more than the prior value increase, difference is reflected to “Impairment Expense for Marketable Securities”. If there is an increase in value, initially recognized impairment loss is reversed.

If financial assets available for sale are subject to permanent impairment, the amount is charged to “Impairment Expense for Marketable Securities” account in accordance with the related Turkish Accounting Standard.

Loans and other receivables are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables, and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated 1 November 2006.

The provisions released in the same year are accounted by crediting the provision expenses account and the released parts of the previous years’ provisions are recorded to the “Other Operating Income” account.

### IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when, and only when the Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

### X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as a held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

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

As of the 31 December 2017, the Parent Bank's held for sale assets is TL 3,561 (31 December 2016: None).

### XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the parent bank has no goodwill within the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

The Group recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

### XIII. EXPLANATIONS ON TANGIBLE ASSETS

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.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

Vehicles and Fixtures:	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets that are held for sale.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

#### *Group's Transactions as a Lessee*

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized. As of 31 December 2017, the parent bank does not contain any financial leasing transactions.

#### *Group's Transactions as a lessor*

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

### XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

The Group provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

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 in which the change occurs.

### XVI. EXPLANATIONS ON LIABILITIES RELATING TO EMPLOYEE BENEFITS

#### **a. Defined contribution plans:**

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits", and liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

Under the Turkish legislation, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation. According to the related legislation, depending on the status and position of the employee in the Bank

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

The Parent bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. These assumptions are reviewed yearly. As of 31 December 2017, the Parent Bank's employee termination benefit liability is TL 2,330 (31 December 2016: 780).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2016 the Parent Bank unused vacation liability is TL 2,389 (31 December 2016: 1,389).

The Group is not employing its personnel by means of limited-period contracts.

### **b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability**

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2017 the number of personnel who benefit from the Fund is 880.

In accordance with 23<sup>rd</sup> provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1<sup>st</sup> paragraph of the 1<sup>st</sup> article of the 23<sup>rd</sup> provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9.80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

In accordance with 58<sup>th</sup> article and 7<sup>th</sup> provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers' decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20<sup>th</sup> provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of "two years" in Clause (2), Article 1 of the temporary 20<sup>th</sup> provision of the law numbered 5510 is revised as "four years" with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Based on the Council of Ministers' decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law.

The technical balance sheet report as of 31 December 2017 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

### XVII. EXPLANATIONS ON TAXATION

#### a. Current Tax

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

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Taxes which does not accrue on time because the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business. (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

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

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

### b. Deferred Tax

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

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

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

### XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

The Group records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, are recognized using the internal rate of return method in the following periods after the initial recognition. The Parent Bank has no borrowing that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the parent bank. The Parent Bank has issued borrowings as Sukuk issuances, this

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these Sukuk issuances are provided to the qualified investors without being released through an IPO and the parent bank takes place during this operation as a fund user.

### XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

In the Ordinary General Meeting of the Bank held on July 13, 2017, the paid-up capital increased to TL 1,250,000 by TL 500,000 in cash and TL 3,000 in internal resources.

### XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Group are presented in the “Off-Balance Sheet” accounts.

### XXI. EXPLANATIONS ON GOVERNMENT GRANTS

There are no government incentives utilized by the group as of the balance sheet date.

### XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, gold, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

### XXIII. EXPLANATION ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments” together with organizational and internal reporting structure of the Bank, are disclosed in Note XII. of Section Four.

### XXIV. EXPLANATIONS ON OTHER MATTERS

#### *Developments related to TFRS 9 Transition Process*

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

The Bank set up a project team consisting of themselves from Finance, Risk and Information Technology Departments independent advisors for the purpose of adaptation of TFRS 9 into its financial reporting process. As a result of statistical models, calculation methods and applying new methods that is developed by project team, expected transition impact about accounting policy was calculated. Such change in accounting policy is not expected to have a significant impact on the Bank’s equity. The controls and developments regarding the implementation of TFRS 9 are in progress.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### SECTION FOUR

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

##### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of the 31 December 2017, current period equity balance of the Group is TL 1,259,583 (31 December 2016: 706,161) and capital adequacy standard ratio is 13.06% (31 December 2016: 12.46%).

##### Information Related To The Consolidated Components of Shareholders' Equity:

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,250,000	
Share issue premiums	-	
Reserves	9,691	
Gains recognized in equity as per TAS	-	
Profit	158,902	
Current Period Profit	158,902	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,418,593</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	14,912	
Improvement costs for operating leasing	15,987	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50,624	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>81,523</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1,337,070</b>	

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</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 (-)	-	
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 (-)	12,656	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	<b>12,656</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)</b>	<b>12,656</b>	
<b>TIER II CAPITAL</b>	<b>1,324,414</b>	
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	
<b>Tier II Capital Before Deductions</b>	<b>36,348</b>	
<b>Deductions From Tier II Capital</b>	<b>36,348</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>36,348</b>	
<b>Total Tier II Capital</b>	<b>36,348</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,360,762</b>	

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	101,179	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of 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, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences 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>TOTAL CAPITAL</b>		
Total Capital	1,259,583	
Total risk weighted amounts	9,643,419	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	13,87	
Tier 1 Capital Adequacy Ratio	13,73	
Capital Adequacy Ratio	13,06	
<b>BUFFERS</b>		
Total Tier 1 Capital Ratio (%)	1,25	
Capital conservation buffer requirement	1,25	
Bank specific counter-cyclical buffer requirement	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	9,36	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36,348	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36,348	
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>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information related to the debt instruments which will be included in the calculation of equity:

None.

### Information on reconciliation between balance sheet balances and the items of the total capital and equity table:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provisions. In the calculation of Total Capital, general provision up to 1.25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovable properties that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from total capital.

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	747,000	
Share issue premiums	-	
Reserves	-	
Gains recognized in equity as per TAS	-	
Profit	30,673	
Current Period Profit	30,673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>777,673</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	13,052	
Improvement costs for operating leasing	16,001	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	13,742	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>42,795</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>734,878</b>	

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</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 (-)	9,162	
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 (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>9,162</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)</b>	<b>725,716</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	17,287	
<b>Tier II Capital Before Deductions</b>	<b>17,287</b>	
<b>Deductions From Tier II Capital</b>	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>17,287</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>743,003</b>	



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	36,842	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of 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, where the bank does not own more than 10% of the issued common share capital of the entity 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 (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences 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>TOTAL CAPITAL</b>		
Total Capital	706,161	
Total risk weighted amounts	5,666,714	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12.97	
Tier 1 Capital Adequacy Ratio	12.81	
Capital Adequacy Ratio	12.46	
<b>BUFFERS</b>		
Total Tier I Capital Ratio (%)	3.13	
Capital conservation buffer requirement	0.63	
Bank specific counter-cyclical buffer requirement	2.50	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	8.47	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	17,287	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	17,287	
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>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information on reconciliation between balance sheet balances and the items of the total capital and equity table:

Current Period	Balance Sheet Value	Amount Considered in Equity Calculation
Shareholder's equity	1,403,681	1,403,681
Operating lease development costs	15,987	(15,987)
Goodwill and intangible assets	63,280	(63,280)
General provisions	99,082	36,348
Subordinated loans	-	-
Other values deducted from equity	101,178	(101,178)
Equity	-	1,259,583

## II. EXPLANATIONS ON CREDIT RISK

The Credit risk states the debtor or institution's probability of loss which may decrease in credit standing partially or completely and prevent the requirements of the engagement liabilities on the time due to any reason.

Loan allocation authorization belongs to Board of Directors however relying on the authorization given by the Board of Directors, limits of credit customers determined within the scope of General Management's Credit Committee and the authorization limits which was given by Board of Directors. Financial and non-financial information, credit needs, sectoral and identical features which belongs to credit customers evaluates accordingly allocate the limits.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. Debtors and debtor groups are monitored weekly within the scope of risk limitation appetite.

The limits which is identified as related credit portfolio approved by the Board of Directors and revised when required. The identified limits will be distributed by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

After the allocation of limit within the commercial portfolios, firms are continued to be monitored and the changes in the financial structures and market relations of the credit firms are followed.

Documents required to be received are clearly stated by the regulations in the application of funds and limit allocation, and these topic documents are evidently mentioned in regularity that received or not received which is controlled by audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and good security, the Bank's credit risk expected to be significantly decline.

The Parent Bank applies internal ratings processes as a decision support system for analyzing credit standing and determining credit allocation for Corporate/Entrepreneur consumer loans.

## **Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

The Parent Bank makes provision as proposed with the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

Identification of limits for domestic and foreign banks provide allocation which is determined by considering the needs of both clients and departments, with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are executed by monetary transactions.

The Parent Bank calculate specific provisions which is classified as an illiquid claim considering with related deposits received from customers as stated in "Methods and Principles for the Determination of Loans and other Receivables to be Reserved for and Allocation for Reserves".

The receivable of the Parent Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is 50.43% and 60.57% (31 December 2016: 57.63% and 67.30%).

The receivable of the Parent Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 56.73% and 71.10% (31 December 2016: 74.75% and 87.76%).

The receivable of the Parent Bank from its top 100 and 200 cash and non-cash receivables loan customers share in total cash and non-cash receivables loans ratio is 41.28% and 52.90% (31 December 2016: 69.19% and 75.14%).

The Parent Banks general loan loss provision amount for its credit risk is TL 99,082 (31 December 2016: TL 52,263).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	2,178,097	-	84,658	-	-	1,270,572	8,382,582
European Union Countries	-	-	-	-	-	58,927	-
OECD Countries <sup>(1)</sup>	-	-	-	-	-	750	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	3,983	-
Other Countries	-	-	-	-	-	76,780	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>2,178,097</b>		<b>84,658</b>			<b>1,411,015</b>	<b>8,382,582</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
Domestic	1,482,353	-	8,680	-	-	752,133	4,659,408
European Union Countries	-	-	-	-	-	233,710	-
OECD Countries <sup>(1)</sup>	-	-	-	-	-	449	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	8	-
Other Countries	-	-	-	-	-	2,952	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>1,482,353</b>		<b>8,680</b>			<b>989,255</b>	<b>4,659,408</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(2)</sup> Consists of assets and liabilities that cannot be distributed according to a consistent framework.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	1,033,272	1,294,917	7,793	2,027	-	-	-	-	103,065	14,356,982
	-	-	-	-	-	-	-	-	-	58,927
	-	-	-	-	-	-	-	-	-	750
	-	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	-	-	-	3,983
	-	-	-	-	-	-	-	-	-	76,780
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	<b>1,033,272</b>	<b>1,294,917</b>	<b>7,793</b>	<b>2,027</b>	-	-	-	-	<b>103,065</b>	<b>14,497,425</b>

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	264,899	801,553	4,102	-	-	-	-	-	73,713	8,046,841
	-	-	-	-	-	-	-	-	-	233,710
	-	-	-	-	-	-	-	-	-	449
	-	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	-	-	-	8
	-	-	-	-	-	-	-	-	-	2,952
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	<b>264,899</b>	<b>801,553</b>	<b>4,102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,713</b>	<b>8,283,963</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Risk Profile by Sectors or Counterparties

	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
<b>Current Period</b>								
<b>Sectors/Counter Parties</b>								
Agriculture	-	-	-	-	-	-	79,855	11,587
Farming and Stockbreeding	-	-	-	-	-	-	77,031	7,439
Forestry	-	-	-	-	-	-	1,418	4,148
Fishing	-	-	-	-	-	-	1,406	-
Manufacturing	-	-	-	-	-	-	3,447,915	260,712
Mining and Quarrying	-	-	-	-	-	-	91,600	3,122
Production	-	-	-	-	-	-	3,212,657	256,586
Electric, Gas and Water	-	-	-	-	-	-	143,658	1,004
Construction	-	-	-	-	-	-	1,946,310	102,837
Services	2,178,097	-	82,903	-	-	1,411,015	2,827,739	424,957
Wholesale and Retail Trade	-	-	-	-	-	-	1,716,082	324,489
Hotel Food and Beverage Services	-	-	-	-	-	-	25,548	11,493
Transportation and Telecommunication	-	-	-	-	-	-	74,349	21,148
Financial Institutions	2,178,097	-	82,900	-	-	1,411,015	185,623	884
Real Estate and Leasing Services	-	-	-	-	-	-	701,029	59,107
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	29,830	3,250
Health and Social Services	-	-	3	-	-	-	95,278	4,586
Other	-	-	1,755	-	-	-	80,762	233,179
<b>Total</b>	<b>2,178,097</b>	<b>-</b>	<b>84,658</b>	<b>-</b>	<b>-</b>	<b>1,411,015</b>	<b>8,382,581</b>	<b>1,033,272</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	5,767	-	-	-	-	-	-	-	80,833	16,376	97,209
	5,542	-	-	-	-	-	-	-	73,636	16,376	90,012
	-	-	-	-	-	-	-	-	5,566	-	5,566
	225	-	-	-	-	-	-	-	1,631	-	1,631
	127,328	47	229	-	-	-	-	-	1,739,873	2,096,358	3,836,231
	-	-	-	-	-	-	-	-	45,244	49,478	94,722
	122,465	47	229	-	-	-	-	-	1,547,561	2,044,423	3,591,984
	4,863	-	-	-	-	-	-	-	147,068	2,457	149,525
	329,227	2,534	205	-	-	-	-	-	1,973,162	407,951	2,381,113
	242,649	5,212	1,432	-	-	-	-	-	4,977,304	2,196,700	7,174,004
	111,785	5,212	1,432	-	-	-	-	-	1,864,225	294,775	2,159,000
	8,209	-	-	-	-	-	-	-	32,992	12,258	45,250
	798	-	-	-	-	-	-	-	95,713	582	96,295
	-	-	-	-	-	-	-	-	2,203,350	1,655,169	3,858,519
	109,863	-	-	-	-	-	-	-	723,955	146,044	869,999
	-	-	-	-	-	-	-	-	-	-	-
	11,659	-	-	-	-	-	-	-	37,271	7,468	44,739
	335	-	-	-	-	-	-	-	19,798	80,404	100,202
	589,946	-	162	-	-	-	-	103,065	955,904	52,965	1,008,869
	<b>1,294,917</b>	<b>7,793</b>	<b>2,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,065</b>	<b>9,727,076</b>	<b>4,770,350</b>	<b>14,497,426</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Risk Classes							Conditional and unconditional receivables
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	
<b>Prior Period</b>								
<b>Sectors/Counter Parties</b>								
Agriculture	-	-	-	-	-	-	-	36,258
Farming and Stockbreeding	-	-	-	-	-	-	-	29,916
Forestry	-	-	-	-	-	-	-	6,170
Fishing	-	-	-	-	-	-	-	172
Manufacturing	-	-	6,489	-	-	-	-	2,089,278
Mining and Quarrying	-	-	-	-	-	-	-	46,840
Production	-	-	6,489	-	-	-	-	1,918,055
Electric, Gas and Water	-	-	-	-	-	-	-	124,383
Construction	-	-	-	-	-	-	-	853,759
Services	1,482,353	-	-	-	-	989,255	-	1,631,954
Wholesale and Retail Trade	-	-	-	-	-	-	-	981,203
Hotel Food and Beverage Services	-	-	-	-	-	-	-	88,373
Transportation and Telecommunication	-	-	-	-	-	-	-	338,699
Financial Institutions	1,482,353	-	-	-	-	989,255	-	55,072
Real Estate and Leasing Services	-	-	-	-	-	-	-	144,163
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	11,396
Health and Social Services	-	-	-	-	-	-	-	13,048
Other	-	-	2,191	-	-	-	-	48,159
<b>Total</b>	<b>1,482,353</b>	<b>-</b>	<b>8,680</b>	<b>-</b>	<b>-</b>	<b>989,255</b>	<b>-</b>	<b>4,659,408</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.



Risk Classes

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	3,565	6,267	40	-	-	-	-	-	-	46,029	101	46,130
	2,341	1,877	40	-	-	-	-	-	-	34,073	101	34,174
	1,219	4,390	-	-	-	-	-	-	-	11,779	-	11,779
	5	-	-	-	-	-	-	-	-	177	-	177
	72,612	240,146	615	-	-	-	-	-	-	1,300,865	1,108,275	2,409,140
	3,595	11,177	-	-	-	-	-	-	-	57,458	4,154	61,612
	68,625	228,755	615	-	-	-	-	-	-	1,118,418	1,104,121	2,222,539
	392	214	-	-	-	-	-	-	-	124,989	-	124,989
	16,810	118,737	-	-	-	-	-	-	-	673,378	315,928	989,306
	58,270	115,516	1,277	-	-	-	-	-	-	2,851,402	1,427,223	4,278,625
	44,011	68,550	1,277	-	-	-	-	-	-	768,276	326,765	1,095,041
	2,910	260	-	-	-	-	-	-	-	33,583	57,960	91,543
	2,269	441	-	-	-	-	-	-	-	141,304	200,105	341,409
	401	1,801	-	-	-	-	-	-	-	1,735,977	792,905	2,528,882
	7,267	33,387	-	-	-	-	-	-	-	142,087	42,730	184,817
	-	-	-	-	-	-	-	-	-	-	-	-
	87	10,991	-	-	-	-	-	-	-	15,716	6,758	22,474
	1,325	86	-	-	-	-	-	-	-	14,459	-	14,459
	113,642	320,887	2,170	-	-	-	-	-	73,713	521,149	39,613	560,762
	<b>264,899</b>	<b>801,553</b>	<b>4,102</b>	-	-	-	-	-	<b>73,713</b>	<b>5,392,823</b>	<b>2,891,140</b>	<b>8,283,963</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1,602,564	632	-	61,297	453,287
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	80,437	4,220
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,327,759	83,232	-	-	25
Conditional and unconditional exposures to corporates	380,314	828,448	1,437,815	1,644,591	4,091,412
Conditional and unconditional retail exposures	22,012	68,225	106,903	160,522	675,609
Conditional and unconditional exposures secured by real estate property	8,957	23,070	39,936	70,256	1,152,698
Past due receivables	7,793	-	-	-	-
Receivables defined in high risk category by BRSA	2,027	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other Receivables	41,124	-	-	-	-
<b>Grand Total</b>	<b>3,392,550</b>	<b>1,003,607</b>	<b>1,584,654</b>	<b>2,017,103</b>	<b>6,377,251</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

Rating Scores are used in the following risk classes;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

### Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	2,211,492	-	937,054	674,564	1,249,465	1,032,453	8,390,371	2,027	-	-	-	79,267
2	Exposures after Credit Risk Mitigation	3,030,371	-	971,009	674,564	1,518,727	740,926	7,559,802	2,027	-	-	-	79,267

Prepared with the amounts after conversion rate to credit.

### Information on Significant Sectors or Counterparty Based:

**Impaired Credits;** are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Special Provision” calculation is made within the scope of Regulation on Provisions.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

**Past Due Credits;** are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment for these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture				
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	9,718	17,308	346	5,453
Mining and Quarrying	-	1,304	26	
Production	9,718	16,004	320	5,453
Electricity, Gas and Water	-	-	-	-
Construction	5,214	10,393	208	2,023
Services	12,800	8,041	161	8,607
Wholesale and Retail Trade	12,800	5,795	116	8,607
Accommodation and Dining		2,246	45	
Transportation and Telecom.	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	7,109	2,107	142	2,005
<b>Total</b>	<b>34,841</b>	<b>37,849</b>	<b>857</b>	<b>18,088</b>

### Information about Value Adjustment and Change in Provisions:

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	3,832	14,746	(490)	-	18,088
2	General Provisions	52,263	46,895	(76)	-	99,082

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	37	1,159
Banks	278,581	468,454
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	519,454	409,964
Held-to-maturity Investments	-	-
Loans	11,374,744	5,557,942
Receivables From Leasing Transactions	372,944	221,373
Other Assets	-	-
<b>Total credit risk exposure of balance sheet items</b>	<b>12,545,760</b>	<b>6,658,892</b>
Financial Guarantees	6,111,538	3,507,969
Commitments	132,756	48,498
<b>Total credit risk exposure of off-balance sheet items</b>	<b>6,244,294</b>	<b>3,556,467</b>
<b>Total credit risk exposure</b>	<b>18,790,054</b>	<b>10,215,359</b>

### Information about credit quality per class of financial assets:

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	278,581	-	278,581	468,454	-	468,454
Financial Assets at Fair Value Through Profit or Loss	37	-	37	1,159	-	1,159
Loans :	11,318,542	39,449	11,357,991	5,521,127	30,164	5,551,291
Corporate/Entrepreneurial Loans	9,952,953	37,565	9,990,518	4,763,415	28,884	4,792,299
Consumer Loans	1,365,589	1,884	1,367,473	757,712	1,280	758,992
Specialized Loans	-	-	-	-	-	-
Available-for-sale Financial Assets	519,454	-	519,454	414,683	-	414,683
Held-to-maturity Investments	-	-	-	-	-	-

### III. EXPLANATIONS ON COUNTERCYCLICAL CAPITAL BUFFER CALCULATIONS RISK

According to the Board resolution of BRSA, the transactions made between the banks are not involved to the counter-cyclical buffer ratio calculation. Within this scope as of 31 December 2017 the Parent Bank does not have any receivables from abroad apart from the Banks, however the Parent Bank discretely uses the uppermost ratio determined by BRSA, which is 0%.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

**a) Whether the Parent Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:**

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments.

Moreover, dealer's positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

**b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:**

None.

**c) Management policy for foreign currency risk:**

"Liquidity Gap Analysis" are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

**d) Current foreign exchange bid rates of the Parent Bank for the last 5 business days prior to the financial statement date:**

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
25.12.2017	3.7960	4.5060	2.9045	0.5995	0.4503	3.8013	2.9530	0.4522	5.0556	1.0118	3.3170
26.12.2017	3.8037	4.5124	2.9082	0.6003	0.4512	3.8067	2.9642	0.4518	5.0602	1.0139	3.3250
27.12.2017	3.8172	4.5426	2.9343	0.6042	0.4563	3.8252	2.9895	0.4554	5.0983	1.0175	3.3350
28.12.2017	3.7688	4.5012	2.9088	0.5987	0.4530	3.8119	2.9624	0.4519	5.0473	1.0045	3.3060
29.12.2017	3.7803	4.5331	2.9236	0.6028	0.4560	3.8321	2.9800	0.4562	5.0886	1.0077	3.3260

**e) Simple arithmetic average of the Parent Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:**

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
3.6411	4.1123	2.7615	0.5473	0.4222	3.6605	2.7783	0.4360	4.6731	0.9652	3.2136

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Information on the foreign 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, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	241,011	1,000,225	96,650	1,337,886
Banks	170,847	43,049	61,365	275,261
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	7,712	-	7,712
Loans <sup>(1)</sup>	2,115,434	1,633,582	-	3,749,016
Subsidiaries, Associates, Entities Under Common, Control (Joint Ventures)	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	122	-	122
<b>Total Assets</b>	<b>2,527,292</b>	<b>2,684,690</b>	<b>158,015</b>	<b>5,369,997</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	212	123	-	335
Current and profit sharing accounts FC	1,176,999	2,346,390	154,925	3,678,314
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	699,236	930,700	-	1,629,936
Marketable securities issued	-	-	-	-
Miscellaneous payables	3,542	4,920	-	8,462
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	1,962	2,784	61	4,807
<b>Total liabilities</b>	<b>1,881,951</b>	<b>3,284,917</b>	<b>154,986</b>	<b>5,321,854</b>
<b>Net balance sheet position</b>	<b>645,341</b>	<b>(600,227)</b>	<b>3,029</b>	<b>48,143</b>
<b>Net off-balance sheet position</b>	<b>(634,634)</b>	<b>629,444</b>	<b>-</b>	<b>(5,190)</b>
Financial derivative assets	-	629,444	-	629,444
Financial derivative liabilities	634,634	-	-	634,634
<b>Non-cash Loans</b>	<b>1,604,487</b>	<b>1,294,816</b>	<b>38,860</b>	<b>2,938,163</b>
<b>Prior Period</b>				
Total Assets	1,473,863	1,513,755	56,584	3,044,202
Total Liabilities	1,422,716	1,573,933	54,888	3,051,537
<b>Net Balance Sheet Position</b>	<b>51,147</b>	<b>(60,177)</b>	<b>1,696</b>	<b>(7,334)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>(129,260)</b>	<b>130,412</b>	<b>-</b>	<b>1,152</b>
Financial Derivative Assets	-	130,412	-	130,412
Financial Derivative Liabilities	129,260	-	-	129,260
<b>Non-cash Loans</b>	<b>930,417</b>	<b>1,200,728</b>	<b>35,490</b>	<b>2,166,635</b>

<sup>(1)</sup> TL 665,300 equivalent of USD loans and TL 1,364,984 equivalent of EUR loans are originated as foreign currency indexed loan.

<sup>(2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(3)</sup> Derivative Financial Assets and Derivative Financial Liabilities are not included to the table.

<sup>(4)</sup> Of the foreign currencies presented in the other foreign currency column of assets 93% is Gold, 4% is GBP and the remaining 3% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 95% is Gold, 4% is GBP, and the remaining 1% is other foreign currencies.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 7,181 all of which are 100% risk weighted (31 December 2016: 4,719).

### VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

In the Parent Bank general principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on monthly consolidated and weekly consolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

#### 1) Liquidity Risk:

##### a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

The Parent Bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### **b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

### **c) The Parent Bank's internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the parent bank.

### **d) Evaluation of the Parent Bank's cash flow rates and its sources:**

The Parent banks main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

## **2) Liquidity Coverage Ratio:**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Parent Bank's main fund source, is provided from numerous customers.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>Current Period</b>				
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>2,018,345</b>	<b>1,283,032</b>	<b>2,018,345</b>	<b>1,283,032</b>
High quality liquid assets	-	-	2,018,345	1,283,032
<b>CASH OUTFLOWS</b>	<b>13,514,181</b>	<b>5,333,357</b>	<b>3,430,342</b>	<b>1,768,038</b>
Real person deposits and retail deposits	4,591,572	1,821,619	420,669	182,162
Stable deposit	769,765	-	38,488	-
Deposit with low stability	3,821,807	1,821,619	382,181	182,162
Unsecured debts except real person deposits and retail deposits	4,153,603	1,651,717	2,238,483	966,394
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4,153,603	1,651,717	2,238,483	966,394
Secured debts	-	-	-	-
Other cash outflows	4,769,006	1,860,021	771,190	619,482
Derivative liabilities and margin obligations	526,520	520,140	526,520	520,140
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	130,168	129,394	39,054	38,818
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4,112,318	1,210,487	205,616	60,524
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>3,430,342</b>	<b>1,768,038</b>
<b>CASH INFLOWS</b>	<b>2,225,933</b>	<b>1,091,482</b>	<b>1,865,202</b>	<b>1,080,505</b>
Secured receivables	-	-	-	-
Unsecured claims	1,700,461	584,029	1,339,730	573,052
Other cash inflows	525,472	507,453	525,472	507,453
<b>TOTAL CASH INFLOWS</b>	<b>2,225,933</b>	<b>1,091,482</b>	<b>1,865,202</b>	<b>1,080,505</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>2,018,345</b>	<b>1,283,032</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>1,565,140</b>	<b>687,533</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>187</b>

<sup>(\*)</sup> The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Prior Period	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>880,253</b>	<b>559,751</b>	<b>705,398</b>	<b>385,323</b>
High quality liquid assets			705,398	385,323
<b>CASH OUTFLOWS</b>	<b>6,260,670</b>	<b>2,337,819</b>	<b>1,527,873</b>	<b>635,354</b>
Real person deposits and retail deposits	2,293,909	791,038	222,430	79,104
Stable deposit	139,215	-	6,961	-
Deposit with low stability	2,154,694	791,038	215,469	79,104
Unsecured debts except real person deposits and retail deposits	2,028,558	788,795	1,129,676	446,343
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	2,028,558	788,795	1,129,676	446,343
Secured debts				
Other cash outflows	1,938,203	757,986	175,767	109,907
Derivative liabilities and margin obligations	69,556	62,399	69,556	62,399
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	51,114	50,912	15,334	15,274
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	1,817,533	644,675	90,877	32,234
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>1,527,873</b>	<b>635,354</b>
<b>CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Secured receivables	-	-	-	-
Unsecured claims	1,200,669	336,832	1,008,206	333,107
Other cash inflows	71,005	59,692	71,005	59,692
<b>TOTAL CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>705,398</b>	<b>385,323</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>448,662</b>	<b>242,555</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>186</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(*)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	323,220	1,320,469	-	-	-	-	-	1,643,689
Banks	278,581	-	-	-	-	-	-	278,581
Financial Assets at Fair Value Through Profit and Loss	37	-	-	-	-	-	-	37
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2,462	-	2,406	61,297	453,289	-	4,719	524,173
Loans Given	-	1,444,299	841,762	2,870,892	5,212,023	1,005,768	-	11,374,744
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	155,871	8,934	515	3,173	280,272	80,050	-	528,815
<b>Total Assets</b>	<b>760,171</b>	<b>2,773,702</b>	<b>844,683</b>	<b>2,935,362</b>	<b>5,945,584</b>	<b>1,085,818</b>	<b>4,719</b>	<b>14,350,039</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	339	5,007	-	-	-	-	-	5,346
Current and Participation Accounts	1,650,719	6,769,575	1,248,662	346,236	3,948	-	-	10,019,140
Funds Provided from Other Financial Instruments	-	620,612	89,900	1,144,308	194,490	-	-	2,049,310
Money Market Borrowings	-	32,462	-	-	-	-	-	32,462
Issued Marketable Securities	-	7,804	450,000	100,000	-	-	-	557,804
Sundry Creditors	-	-	-	-	-	-	35,715	35,715
Other Liabilities *	-	-	-	-	-	-	1,650,262	1,650,262
<b>Total Liabilities</b>	<b>1,651,058</b>	<b>7,435,460</b>	<b>1,788,562</b>	<b>1,590,544</b>	<b>198,438</b>	<b>-</b>	<b>1,685,977</b>	<b>14,350,039</b>
<b>Liquidity Gap</b>	<b>(890,887)</b>	<b>(4,661,758)</b>	<b>(943,879)</b>	<b>1,344,818</b>	<b>5,747,146</b>	<b>1,085,818</b>	<b>(1,681,258)</b>	<b>-</b>

(\*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders' equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(*)</sup>	Total
<b>Prior Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,201,298	-	-	-	-	-	-	1,201,298
Banks	468,454	-	-	-	-	-	-	468,454
Financial Assets at Fair Value Through Profit and Loss	-	401	758	-	-	-	-	1,159
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	38,459	88,862	282,643	-	-	414,683
Loans Given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	5,246	-	2,061	88,803	118,614	101,196	315,920
<b>Total Assets</b>	<b>1,674,471</b>	<b>666,343</b>	<b>342,551</b>	<b>1,445,320</b>	<b>3,105,341</b>	<b>624,234</b>	<b>101,196</b>	<b>7,959,456</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	3,890	18,531	-	-	-	-	-	22,421
Current and Participation Accounts	829,114	3,749,936	715,251	317,985	1,239	-	-	5,613,525
Funds Provided from Other Financial Instruments	-	72,429	292,286	664,570	156,477	-	-	1,185,762
Money Market Borrowings	-	133,668	-	-	-	-	-	133,668
Issued Marketable Securities	-	-	101,459	-	-	-	-	101,459
Sundry Creditors	-	-	-	-	-	-	17,027	17,027
Other Liabilities *	-	-	-	-	-	-	885,594	885,594
<b>Total Liabilities</b>	<b>833,004</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	<b>-</b>	<b>902,621</b>	<b>7,959,456</b>
<b>Liquidity Gap</b>	<b>841,467</b>	<b>(3,308,221)</b>	<b>(766,445)</b>	<b>462,765</b>	<b>2,947,625</b>	<b>624,234</b>	<b>(801,425)</b>	<b>-</b>

<sup>(\*)</sup> Equity, provisions and other liabilities included in other active accounts and liabilities that are not required to convert into cash in a short period of time, which are necessary for the continuation of banking activities such as fixed assets from the active accounts that constitute the balance sheet, are shown in this column. The undistributed column consists of equity and provision accounts.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### Presentation of liabilities according to their remaining maturities:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Current account and funds collected from banks via participation accounts	5,007	-	-	-	-	5,007
Other current and profit sharing accounts	6,769,575	1,248,661	346,235	3,949	-	8,368,421
Funds borrowed from other financial institutions	620,611	89,900	1,144,308	194,490	-	2,049,310
Funds borrowed from Interbank money market	32,462	-	-	-	-	32,462
<b>Total</b>	<b>7,427,655</b>	<b>1,338,561</b>	<b>1,490,543</b>	<b>198,439</b>	<b>-</b>	<b>10,455,198</b>
	18,531	-	-	-	-	18,531
<b>Prior Period</b>	<b>3,749,936</b>	<b>715,251</b>	<b>317,985</b>	<b>1,239</b>	<b>-</b>	<b>4,784,411</b>
Current account and funds collected from banks via participation accounts	72,429	393,745	664,570	156,477	-	1,287,221
Other current and profit sharing accounts	133,668	-	-	-	-	133,668
<b>Total</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	<b>-</b>	<b>6,223,831</b>

As of the 31 December 2017, the leverage ratio of the Group was calculated from the arithmetic average of the last three months is 6.6%. This ratio is above the required minimum rate.

### VII. EXPLANATIONS ON LEVERAGE RATIO

#### Leverage ratio disclosure as follows:

Balance sheet assets	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	13,721,760	7,131,391
(Assets deducted from main capital)	(81,514)	(50,794)
Total risk amount of the balance sheet assets	13,640,246	7,080,597
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	630	1,737
Potential credit risk amount of derivative financial instruments and credit derivatives	6,357	1,191
Total risk amount of derivative financial instruments and credit derivative	6,987	2,928
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	160,316	65,628
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	160,316	65,628
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	6,207,549	3,340,325
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	6,207,549	3,340,325
<b>Equity and total risk</b>		
Main capital	1,318,315	720,194
Total risk amount	20,015,098	10,489,478
<b>Leverage ratio</b>		
Leverage ratio	6.6	6.9

<sup>(\*)</sup> Amounts in the table are obtained on the basis of three-month weighted average.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

### IX. EXPLANATIONS ON RISK MANAGEMENT

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

Within the scope of risk management, there are many risks that affect our bank's financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers' financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

Our bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 1. Explanations on Risk Management and Risk-weighted Assets

#### a. Overview of Risk-weighted Assets

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	9,308,200	5,513,200	744,656
2	Standardized approach (SA)	9,308,200	5,513,200	744,656
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,091	1,290	407
5	Standardized approach for counterparty credit risk (SA-CCR)	5,091	1,290	407
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach (*)	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	44,918	20,700	3,593
17	Standardized approach (SA)	44,918	20,700	3,593
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	285,210	131,473	22,817
20	Basic Indicator Approach	285,210	131,473	22,817
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>9,643,419</b>	<b>5,666,663</b>	<b>771,473</b>



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 2. Linkages Between Financial Statements and Regulatory Exposures

#### a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values under scope of regulatory consolidation	Carrying values of items in accordance with TAS			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and balances at central bank	1,643,689	1,643,689	-	1,337,886	-
Financial assets held for trading	37	-	37	-	-
Financial assets designated at fair value through profit or loss	-	-	-	4	-
Banks	278,581	278,581	-	275,261	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	524,173	524,173	501,421	7,712	-
Loans and receivables	11,374,744	11,374,744	-	1,718,732	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	372,944	372,944	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	47,235	31,248	-	-	15,987
Intangible assets (net)	63,280	-	-	-	63,280
Investment properties (net)	-	-	-	-	-
Tax assets	14,093	14,093	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	3,561	3,561	-	-	-
Other assets	27,702	27,702	-	122	-
<b>Total Assets</b>	<b>14,350,039</b>	<b>14,270,735</b>	<b>501,458</b>	<b>3,339,717</b>	<b>79,267</b>
<b>Liabilities</b>					
Deposits	10,024,486	-	-	3,678,649	-
Derivative financial liabilities held for trading	6,280	-	-	6,280	-
Loans	2,049,310	-	-	1,629,936	-
Debt to money markets	32,462	-	32,462	-	-
Debt securities in issue	557,804	-	-	-	-
Funds	-	-	-	-	-
Various Debts	35,715	-	-	8,462	-
Other Debts	70,570	-	-	1,202	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	-	-	-	3,605	-
Provisions	142,290	-	-	-	-
Tax liability	27,441	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Equity	1,403,681	-	-	-	-
<b>Total Liabilities</b>	<b>14,350,039</b>	<b>-</b>	<b>32,462</b>	<b>5,328,134</b>	<b>-</b>

(<sup>c</sup>) Indicating the Parent Bank's consolidated financial statements.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework	Total
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>14,350,039</b>	<b>14,270,735</b>	-	<b>501,458</b>	<b>3,339,717</b>
Liabilities carrying value amount under regulatory scope of consolidation	32,462	-	-	32,462	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>14,317,577</b>	<b>14,270,735</b>	-	<b>468,996</b>	-
Off-balance sheet amounts	7,508,372	6,182,382	-	1,325,989	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3. Explanations on Credit Risk

#### 3.1) General information about credit risk

##### a) General qualitative information about credit risk

Effective management of credit risk is one of the key elements of a comprehensive approach to risk management. Corporate, individual and SME loans, finance lease receivables, other elements constituting the bank's assets and non-cash transactions constitute the basis of the items which constitute credit risk, which are used depending on the activities of our bank. Taking into consideration the risk appetite of our bank in the activities carried out in this direction is important in terms of enabling the effective management of credit risk.

Credit risk limits has been designed in accordance with the level of risk that the Bank may be exposed to, its activities and the size and complexity of its products and services and is determined by taking the views and recommendations of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly monitored periodically, and adapting to changes in market conditions, the Bank's strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance has been audited and a policy has been developed in line with the Bank's strategies and targets.

Credit risk calculations are carried out carefully and meticulously and controls are carried out in accordance with the legislation. In the present case, calculations are made using the standard method and infrastructure studies are continuing to use advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit departments, taking into account legal requirements at each stage.

Detailed reporting including the relationship with credit risk and other risks exposed to the Board of Directors and Senior Managers is periodically shared and the credit risk is monitored effectively by the risk management unit.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Credit quality of assets

	Defaulted exposures	Non-defaulted exposures	Provisions/Amortization and impairment	Net value
Loans	34,841	11,730,936	18,088	11,747,689
Debt instruments	-	524,845	7,853	516,992
Off-balance sheet receivables	-	6,182,098	177	6,181,921
<b>Total</b>	<b>34,841</b>	<b>18,437,879</b>	<b>26,118</b>	<b>18,446,602</b>

(\*) Financial Lease amount of TL 372,944 is included to the table.

### c) Default receivables and change in debt instrument stock

1	Prior report period default loans and debt instrument amount	10,483
2	Default credits and debt instruments since the last reporting period	24,358
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>34,841</b>

### d) Additional disclosures about the credit quality of assets

#### i. The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes

The Bank provides special and general provisions for loans and other receivables in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks for Loans and Other Receivables and the Provisions to be Made".

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

The Bank automatically transfers the loans that are over 90 days past due to the provisions of the Provisions Regulation to the follow-up accounts and allocates the counterparty of the related class.

#### iii. Definitions of methods used when setting the allowance

Within the framework of the Provisions Regulation and related provisions, the Bank allocates general provision at 20%, 50% and 100% special allowances for receivables over 90 days, at the ratios specified in the regulation for the receivables specified in the regulation.

#### iv. The Banks own definition of a restructured exposure

As of 31 December 2017, the Bank has no restructured exposure (31 December 2016: None).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### v. Breakdown of receivables according to geographical areas, breakdown by sector and remaining demand, geographical segments and sectoral provision amount and related provisions and write-offs:

	Loans and Receivables	Loan Under Follow Up	Special Provision	Total
Domestic	11,282,385	34,841	18,088	11,299,138
European countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other foreign countries	75,606	-	-	75,606
<b>Total</b>	<b>11,357,991</b>	<b>34,841</b>	<b>18,088</b>	<b>11,374,744</b>

	Loans and Receivables	Loans under follow up	Special Provisions	Total
Agriculture	207,642	-	-	207,642
Farming and Stockbreeding	150,319	-	-	150,319
Forestry	52,615	-	-	52,615
Fishery	4,708	-	-	4,708
Manufacturing	4,477,817	9,718	5,453	4,482,082
Mining and Quarrying	286,181	-	-	286,181
Production	4,026,740	9,718	5,453	4,031,005
Electricity, Gas and Water	164,896	-	-	164,896
Construction	1,501,198	5,214	2,023	1,504,389
Services	3,505,472	12,800	8,607	3,509,665
Wholesale and Retail Trade	1,402,871	12,800	8,607	1,407,064
Accommodation and Dining	74,150	-	-	74,150
Transportation and Telecom	427,308	-	-	427,308
Financial Institutions	-	-	-	-
Real Estate and Rental Services	1,461,198	-	-	1,461,198
Professional Services	-	-	-	-
Educational Services	34,531	-	-	34,531
Health and Social Services	105,414	-	-	105,414
Other	1,665,862	7,109	2,005	1,670,966
<b>Total</b>	<b>11,357,991</b>	<b>34,841</b>	<b>18,088</b>	<b>11,374,744</b>

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
<b>Current Period</b>								
Loans given	-	1,444,299	841,762	2,870,892	5,212,023	1,005,768	-	11,374,744

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
<b>Prior Period</b>								
Loans given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### vi. Aging analysis for past due receivables

Past due but not impaired loans aging analysis based on credit class as follows:

Current Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables	-	-	-	-
Corporate/Entrepreneurial Loans	35,808	7,192	4,553	47,553
Consumer loans	1,429	801	-	2,230
<b>Total</b>	<b>37,237</b>	<b>7,993</b>	<b>4,553</b>	<b>49,783</b>

### 3.2) Credit risk mitigation

#### a) Qualitative disclosure requirements related to credit risk mitigation techniques

It is taken into consideration that the collateralization process of the bank's lending processes may create a risk. In the bank guarantee policy, residual risks are managed by observing all the risks such as not being able to get the collateral received on time or turning it into cash, the guarantor refusing or delaying the payment, insufficient legal documents of the legal documents for obtaining the desired legal result.

The transactions that the bank makes in the context of market risk are not covered.

Financial collaterals are taken into consideration in mitigating credit risk in the Bank and as a rule, real estate mortgages are not considered as collateral. Mortgage-backed receivables are a separate risk class and the financial collateral used in the Bank consists of cash blockage, public guarantee fund and borrowing of public debts.

#### b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	9,934,785	1,812,904	971,403	1,390,238	914,450	-	-
Debt instruments	516,992	-	-	-	-	-	-
<b>Total</b>	<b>10,451,777</b>	<b>1,812,904</b>	<b>971,403</b>	<b>1,390,238</b>	<b>914,450</b>	<b>-</b>	<b>-</b>
Default	34,841	-	-	-	-	-	-

### 3.3) Credit risk under standardized approach

#### a) Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The Bank uses the ratings issued by Fitch Ratings International Rating Agency in its risk classes for Receivables from Central Government or Central Banks, Receivables from Regional and Local Governments and Administrative Units and Non-Commercial. Receivables from Banks in the risk category, Fitch Ratings notes are used for receivables from resident banks and no rating agency notes are used for receivables from domestic resident banks. Country Notes used for Receivables from Central Government or Central Banks, Receivables from Regional or Local Governments and Administrative Units and Non-Commercial Enterprises are 3 in the Credit Quality Level, while the notes used in the risk classes of Banks and Intermediary Institutions are from 1 to 6 matched with credit quality levels.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Standard Approach - Exposure to credit risk and credit risk mitigation effects

Risk classes	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Exposures to central governments or central banks	2,178,097	-	3,077,345	112,088	129,914	4%
Exposures to regional governments or local authorities	-	-	15,203	1,960	8,582	50%
Exposures to public sector entities	84,058	1,237	84,058	600	84,641	100%
Exposures to multilateral development Banks	-	-	-	-	-	0%
Exposures to international organizations	-	-	-	-	-	0%
Exposures to institutions	1,410,765	276	1,410,764	251	428,318	30%
Exposures to corporates	4,849,702	5,513,892	4,179,866	3,450,504	7,482,028	98%
Retail exposures	790,764	495,340	546,150	210,835	556,881	74%
Exposures secured by residential property	652,679	45,011	652,679	22,205	236,257	35%
Exposures secured by commercial Real Estate	524,560	126,443	524,561	95,473	310,017	50%
Past-due loans	7,794	-	7,793	-	6,581	84%
Higher-risk categories by the Agency Board	2,027	-	2,027	-	3,041	150%
Exposures in the form of covered Bonds	-	-	-	-	-	0%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
Other assets	103,065	-	103,065	-	61,941	60%
Investments in equities	-	-	-	-	-	0%
<b>Total</b>	<b>10,603,511</b>	<b>6,182,199</b>	<b>10,603,511</b>	<b>3,893,916</b>	<b>9,308,201</b>	<b>64%</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### c) Standard Approach: Receivables based on risk classes and risk weighted

Risk classes/Risk Weight	0%	10%	20%	35% (secured by real estate) (*)	50% (secured by real estate) (*)	50% (*)	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
Exposures to regional governments or local authorities	2,929,605	-	-	-	-	259,828	-	-	-	-	-	3,189,433
Exposures to regional governments or local authorities	-	-	-	-	-	17,163	-	-	-	-	-	17,163
Exposures to public sector entities	17	-	-	-	-	-	-	84,641	-	-	-	84,658
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	924,341	-	-	486,448	-	226	-	-	-	1,411,015
Exposures to corporates	48,271	-	42,782	-	-	131,691	-	7,407,626	-	-	-	7,630,370
Retail exposures	11,354	-	3,886	-	-	819	740,926	-	-	-	-	756,985
Exposures secured by residential property	-	-	-	674,565	319	-	-	-	-	-	-	674,884
Exposures secured by commercial real estate	-	-	-	-	620,034	-	-	-	-	-	-	620,034
Past-due loans	-	-	-	-	-	2,424	-	5,369	-	-	-	7,793
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	2,027	-	-	2,027
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	41,124	-	-	-	-	-	-	61,941	-	-	-	103,065
<b>Total</b>	<b>3,030,371</b>	<b>-</b>	<b>971,009</b>	<b>674,565</b>	<b>620,353</b>	<b>898,373</b>	<b>740,926</b>	<b>7,559,803</b>	<b>2,027</b>	<b>-</b>	<b>-</b>	<b>14,497,427</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### X. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while Parent Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives' offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexity of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are carried out in the Bank and the liquidity risk of FX and TL is limited by the transactions made.

#### 4) Credit Risks under the IRB (based on internal ratings)

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 prepared by BRSA and published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB - Credit risk amounts on the basis of Portfolio and Default Probability (DP)

IRB - The effect of the credit derivatives used as Credit Risk Reduction (CRR) on the Risk Weighted Amounts (RWA)

The conversion table of the RWA under the approach of IRB

IRB - Back testing every Default Probability (DP) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach

### XI. EXPLANATION ON COUNTERPARTY CREDIT RISK

#### a) Qualitative disclosures about counterparty credit risk

In order to establish the counterparty credit risk that the bank may face, it is essential that risk measurement and monitoring activities are carried out and their results are taken into account in the strategic decision making process.

Within the scope of management of counterparty credit risk; monitoring and control functions of the counterparty credit risk in line with the structure, size and complexity of the products and activities of the counterparty.

The counterparty of the counterparty will ensure that the credit risk level is above the minimum limits set in the legal regulations style directing is essential.

Bank risk measurement system takes measures to ensure that the work is carried out in accordance with legal regulations, in a manner that is consistent with its fields of activity and product range, is reliable. In this context, counterparty credit risk measurement and monitoring activities for at least; calculation of counterparty credit risk weighted asset and legal capital liability and monitoring of Bank's compliance level with allocated limits is done.



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Evaluation of counterparty credit risk according to measurement methods

	Replacement cost	Potential future exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
1 Standardized Approach - CCR (For Derivatives)	37	6,604		1,4	6,641	3,216
2 Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>3,216</b>

<sup>(1)</sup> Effective expected position amount

### c) Capital requirement for loan valuation adjustments

	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge		
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardized CVA capital charge	6,641	1,875
<b>4 Total subject to the CVA capital charge</b>	<b>6,641</b>	<b>1,875</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk <sup>(*)</sup>
Claims from central governments and central banks	501,421	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	347	6,294	-	-	-	-	3,216
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>501,421</b>	<b>-</b>	<b>347</b>	<b>6,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,216</b>

(\*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

### d) Risk classification and counterparty credit risk on the basis of Default Probability (DP) (IRB)

None.

### e) Collaterals for counterparty credit risk

	Collateral used in derivative transactions				Other transaction guarantees	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	32,462	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	501,421
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,462</b>	<b>501,421</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### f) Credit Derivatives

None.

### g) Risk Weighted Amounts (RWA) of the Counterparty Credit Risks within the scope of Internal Model Method

None.

### h) Risks to the Central Counterparty

None.

## 5. Securitization Explanations

As of 31 December 2017, there is no securitization position in the Bank.

## 6. Explanations on Market risk

### a) Qualitative information to be disclosed to the public regarding market risk

The Bank ensures effective management of the risk of concentration in the market due to market risk and market risk components in line with the volume, nature and complexity of its operations, taking into account the best practices, within the framework of BRSA regulations.

The Bank ensures that measurement, monitoring, limiting, stress testing and scenario analysis work in compliance with the structure and complexity of its positions with respect to the management of the market risk, and report the results. Evaluation of new products and services in terms of market risk is essential.

In this context, as a minimum;

- The accounts and positions of the bank exposed to market risk and the market developments affecting the value of these accounts and positions are monitored on a minimum daily basis,
- Calculation of the amount subject to market risk of the Bank under the purchase and sale accounts,
- Analysis of the effects of ordinary and extraordinary up and down movements in the markets on the Bank's accounts and positions exposed to market risk,
- Retrospective test analysis of internal models used for monitoring purposes in the calculation of the amount subject to market risk,
- Regular calculation and follow-up of risk limits in relation to market risk.

In the Parent Bank, the Board of Directors, the Audit Committee and the General Manager fulfill the duties, powers and responsibilities within the scope of market risk management in the framework defined in the legislation. All units, including those within the scope of Internal Systems, fulfill their duties, powers and responsibilities within the framework of market risk management within the framework of the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process and their Regulations.

In order to be able to demonstrate the market risk that the bank may face, it is essential that the implementation and results of risk measurement and monitoring activities be taken into account in the Parent Bank's strategic decision-making process.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

In the framework of these principles, the following minimum analyzes shall be made for measurement and monitoring activities.

As a minimum under Market Risks:

- Standard Method: Market Risk Reporting Set published by BRSA in accordance with the disclosures.
- Risk Exposure Value Analysis: Historical Simulation, Parametric, EWMA or using a different method deemed appropriate by the Bank.
- Internal Capital Requirement: The parameters, which are determined by BRSA and/or by the Bank, and which could affect the financial power of the Bank and the stress tests and/or scenario analysis related to these parameters and the capital level that compensates the risks that the Bank has been exposed or would be exposed are calculated with a predictive perspective with the appropriate methods.

### b) Standard Approach

		Risk Weighted Amounts
	Outright products	-
1	Interest rate risk (general and specific)	15,763
2	Equity risk (general and specific)	-
3	Foreign exchange risk	29,155
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
<b>9</b>	<b>Total</b>	<b>44,918</b>

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 prepared by BRSA and published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of market risks:

Quantitative information for public disclosure for the banks using Internal Model Approach

Market Risk RWA (Risk Weighted Amounts) Conversion Table for the Internal Model Approach

Internal Model Approach for commerce account

The comparison between Value at Risk expectations and Profit and Loss

### 7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Bank is calculated on an annual basis by the Basic Indicator Method. In the Basic Indicator Method, the parameter that determines the operational risk base amount is gross. Annual gross income consists of net profit share income, dividend income from net fees and commissions income, shares other than subsidiaries and participation shares, addition of trading income/loss (net) and other operating income, Profit/loss, extraordinary income and insurance compensations.

	31.12.2015	31.12.2016	31.12.2017	Total/Number of positive gross income years	Rate (%)	Total
Gross income	71,409	232,815	482,004	262,076	15	39,311
Amount subject to Operational Risk	-	-	-	-	-	285,210

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments".

The Parent Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

#### Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>127,919</b>	<b>757,833</b>	<b>65,030</b>	<b>30,610</b>	<b>981,392</b>
Profit Shares from Loans	127,919	757,833	-	-	885,752
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	48,634	-	48,634
Other Profit Shares	-	-	16,396	30,610	47,006
<b>Profit Shares Expense</b>	<b>187,203</b>	<b>283,549</b>	<b>67,554</b>	<b>-</b>	<b>538,306</b>
Profit Shares Expense on Participation Funds	187,203	283,549	382	-	471,134
Profit Shares Expense on Funds Borrowed	-	-	38,705	-	38,705
Profit Shares Expense on Money Market Transactions	-	-	3,058	-	3,058
Profit Shares Expense on Securities Issued	-	-	25,409	-	25,409
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(59,284)</b>	<b>474,284</b>	<b>(2,524)</b>	<b>30,610</b>	<b>443,086</b>
<b>Net Fees and Commission Income/Expense</b>	<b>2,000</b>	<b>35,266</b>	<b>-</b>	<b>(6,923)</b>	<b>30,343</b>
Fees and Commissions Received	2,000	35,266	-	8,477	45,743
Fees and Commissions Paid	-	-	-	15,400	15,400
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>11,556</b>	<b>-</b>	<b>11,556</b>
<b>Other Operating Income</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2,661</b>	<b>2,663</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>9,420</b>	<b>61,562</b>	<b>-</b>	<b>19,161</b>	<b>90,143</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>366</b>	<b>-</b>	<b>197,165</b>	<b>197,531</b>
<b>Income Before Tax</b>	<b>(66,704)</b>	<b>447,624</b>	<b>9,032</b>	<b>(189,978)</b>	<b>199,974</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(41,072)</b>	<b>(41,072)</b>
<b>Net Profit/Loss</b>	<b>(66,704)</b>	<b>447,624</b>	<b>9,032</b>	<b>(231,050)</b>	<b>158,902</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	37	-	37
Banks and Other Financial Institutions	-	-	278,581	-	278,581
Financial Assets Available for Sale (Net)	-	-	524,173	-	524,173
Loans	1,367,454	8,891,170	1,116,120	-	11,374,744
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2,172,504	2,172,504
<b>TOTAL SEGMENT ASSETS</b>	<b>1,367,454</b>	<b>8,891,170</b>	<b>1,918,911</b>	<b>2,172,504</b>	<b>14,350,039</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	6,370,882	3,653,604	-	-	10,024,486
Derivative Financial Liabilities Held for Trading	-	-	6,280	-	6,280
Funds Borrowed	-	-	2,049,310	-	2,049,310
Securities Issued (Net)	-	-	32,462	-	32,462
Money Market Funds	-	-	557,804	-	557,804
Provisions	-	-	-	142,290	142,290
Other Liabilities	-	-	-	133,726	133,726
Shareholders' Equity	-	-	-	1,403,681	1,403,681
<b>TOTAL SEGMENT LIABILITIES</b>	<b>6,370,882</b>	<b>3,653,604</b>	<b>2,645,856</b>	<b>1,679,697</b>	<b>14,350,039</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

**Table for Segment Reporting:**

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>51,842</b>	<b>304,443</b>	<b>29,211</b>	<b>5,246</b>	<b>390,742</b>
Profit Shares from Loans	51,842	304,443	-	-	356,285
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	24,499	-	24,499
Other Profit Shares	-	-	4,359	5,246	9,605
<b>Profit Shares Expense</b>	<b>83,476</b>	<b>64,859</b>	<b>32,550</b>	<b>-</b>	<b>180,885</b>
Profit Shares Expense on Participation Funds	83,476	64,859	-	-	148,335
Profit Shares Expense on Funds Borrowed	-	-	25,052	-	25,052
Profit Shares Expense on Money Market Transactions	-	-	7,498	-	7,498
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(31,634)</b>	<b>239,584</b>	<b>(3,339)</b>	<b>5,246</b>	<b>209,857</b>
<b>Net Fees and Commission Income/Expense</b>	<b>3,528</b>	<b>12,749</b>	<b>-</b>	<b>(2,072)</b>	<b>14,205</b>
Fees and Commissions Received	3,528	12,749	-	4,310	20,587
Fees and Commissions Paid	-	-	-	6,382	6,382
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>7,030</b>	<b>-</b>	<b>7,030</b>
<b>Other Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,739</b>	<b>1,739</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>3,473</b>	<b>39,372</b>	<b>-</b>	<b>8,925</b>	<b>51,770</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>140,563</b>	<b>140,579</b>
<b>Income Before Tax</b>	<b>(31,579)</b>	<b>212,945</b>	<b>3,691</b>	<b>(144,575)</b>	<b>40,482</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,809)</b>	<b>(9,809)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,673</b>	<b>30,673</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	1,159	-	1,159
Banks and Other Financial Institutions	-	-	468,454	-	468,454
Financial Assets Available for Sale (Net)	-	-	414,683	-	414,683
Loans	411,111	4,661,275	485,556	-	5,557,942
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	1,517,218	1,517,218
<b>TOTAL SEGMENT ASSETS</b>	<b>411,111</b>	<b>4,661,275</b>	<b>1,369,852</b>	<b>1,517,218</b>	<b>7,959,456</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	3,501,006	2,134,940	-	-	5,635,946
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	1,185,762	-	1,185,762
Securities Issued (Net)	-	-	133,668	-	133,668
Money Market Funds	-	-	101,459	-	101,459
Provisions	-	-	-	64,574	64,574
Other Liabilities	-	-	-	73,426	73,426
Shareholders' Equity	-	-	-	764,621	764,621
<b>TOTAL SEGMENT LIABILITIES</b>	<b>3,501,006</b>	<b>2,134,940</b>	<b>1,420,889</b>	<b>902,621</b>	<b>7,959,456</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### XIII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

#### a) Information regarding the fair value of financial assets and liabilities:

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>12,177,498</b>	<b>6,441,079</b>	<b>12,177,498</b>	<b>6,441,079</b>
Due from Interbank Money Market	-	-	-	-
Banks	278,581	468,454	278,581	468,454
Available-for-sale Financial Assets	524,173	414,683	524,173	414,683
Held-to-maturity Investments	-	-	-	-
Loans	11,374,744	5,557,942	11,374,744	5,557,942
<b>Financial Liabilities</b>	<b>12,667,315</b>	<b>6,940,193</b>	<b>12,667,315</b>	<b>6,940,193</b>
Current account and funds collected from banks via participation accounts	5,346	22,421	5,346	22,421
Other current and profit sharing accounts	10,019,140	5,613,525	10,019,140	5,613,525
Funds Borrowed from Other Financial Institutions	2,049,310	1,185,762	2,049,310	1,185,762
Issued Marketable Securities	557,804	101,459	557,804	101,459
Miscellaneous Payables	35,715	17,026	35,715	17,026

Due from Interbank Money Market, Banks and Banks deposits considered to be equal to carrying values of their fair values because Due from Interbank Money Market, Banks and Banks deposits mostly consist from short term transactions.

Market price differences are considered on determining the available for sale financial assets book value and fair value. If the price formation does not occur within the active market conditions, indicator prices calculated by Central Bank are considered instead.

The fair value of financial assets held to maturity is determined based on quoted market prices for marketable securities of the same quality in terms of market prices or other terms such as when the price cannot be determined.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 "Financial Instruments: Explanations" Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank's balance sheet, are presented with respect to such basis of classification in the table below.

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at FV Through P/L</b>	-	37	-	37
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	37	-	37
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	511,742	7,712	-	519,454
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	511,742	7,712	-	519,454
<b>Total Assets</b>	511,742	7,749	-	519,491
Trading Derivative Financial Liabilities	-	6,280	-	6,280
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	6,280	-	6,280
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at FV Through P/L</b>	1,159	-	-	1,159
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	1,159	-	-	1,159
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	409,964	4,719	-	414,683
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	409,964	-	-	409,964
<b>Total Assets</b>	411,123	4,719	-	415,842
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	-	-	-

#### XIV. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

The Parent Bank does not provide trading, custody and fund management services on behalf of and account of the customers. The Bank does not make any lenient transaction contracts.



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

##### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	18,236	22,888	18,396	14,154
Central Bank of the Republic of Turkey	287,567	1,314,998	614,993	553,755
Other	-	-	-	-
<b>Total</b>	<b>305,803</b>	<b>1,337,886</b>	<b>633,389</b>	<b>567,909</b>

###### 1. a.1) Information on required reserves:

Banks, which were established in Turkey and opened with the aim of opening branches in Turkey, were tied to the Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. The items on the Communiqué, based on the accounting standards and recording forms of the banks and the firms, except for the liabilities to the CBRT, Undersecretariat of Treasury, domestic banks and the Turkey headquarters and branches of the banks established by international agreements; forms the liabilities that require to maintain reserves.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10.5%; for deposits up to 6-months maturity 7.5%; for deposits up to 1-year maturity 5.5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10.5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; according to CBRT's Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	282,078	18	613,239	15
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)</sup>	5,489	1,314,980	1,754	553,740
<b>Total</b>	<b>287,567</b>	<b>1,314,998</b>	<b>614,993</b>	<b>553,755</b>

<sup>(1)</sup> TL 659,836 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2016: 197,419).

###### 2. a) Information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements:

There is no information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	33	4	7	1,152
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>33</b>	<b>4</b>	<b>7</b>	<b>1,152</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	3,320	210,669	6,561	227,676
Foreign Banks	-	64,592	-	234,217
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>3,320</b>	<b>275,261</b>	<b>6,561</b>	<b>461,893</b>

### b) Information on foreign banks accounts:

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	58,968	233,717	-	-
USA, Canada	3,983	8	-	-
OECD Countries <sup>(1)</sup>	709	442	-	-
Off-shore Banking Regions	-	-	-	-
Other	932	50	-	-
<b>Total</b>	<b>64,592</b>	<b>234,217</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 4. a) Explanation regarding the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	33,531	173,569
Assets Blocked/Given as Collateral	459,837	13,311
<b>Total</b>	<b>493,368</b>	<b>186,880</b>

### b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	527,845	410,212
Quoted in Stock Exchange	520,133	403,044
Not Quoted in Stock Exchange	7,712	7,168
Share Certificates	4,719	4,719
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	4,719	4,719
Provision for Impairment (-)	8,391	248
<b>Total</b>	<b>524,173</b>	<b>414,683</b>

<sup>(1)</sup> The Credit Guarantee Fund amounting to TL 4,719 is presented on the non-traded line.

## 5. Information related to loans:

### a) Information on all types of loans and advances 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>	759,146	-	480,455	-
Legal Entities	759,146	-	480,455	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1,112	-	441	-
<b>Total</b>	<b>760,258</b>	<b>-</b>	<b>480,896</b>	<b>-</b>

<sup>(1)</sup> Consolidated rediscounts are included in the table.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Loans						
Exports Loan	586,847	-	-	-	-	-
Imports Loans	204,174	-	-	-	-	-
Enterprise Loans	7,312,724	-	-	35,703	-	-
Consumer Loans	1,360,278	-	-	1,848	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	1,111,295	-	-	-	-	-
Other	379,992	-	-	298	-	-
Directed Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Profit Share Income Accruals and Rediscount	363,232	-	-	1,600	-	-
<b>Total</b>	<b>11,318,542</b>	<b>-</b>	<b>-</b>	<b>39,449</b>	<b>-</b>	<b>-</b>

As of 31 December 2017, there are no loans and other receivables with revised contract terms (31 December 2016: None).

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>No. of extensions</b>		
1 or 2 Times Extended	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	-	-
6 Months - 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### c) Breakdown of Cash-loans based on maturity:

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables Under Close Monitoring <sup>(1)</sup>	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and other receivables	Loans and other receivables with revised contract terms
Short term loans and other receivables	4,515,890	-	11,877	-
Loans	4,515,890	-	11,877	-
Other Receivables	-	-	-	-
Medium and Long-term loans and other receivables	6,439,420	-	25,972	-
Loans	6,439,420	-	25,972	-
Other receivables	-	-	-	-

<sup>(1)</sup> TL 364,832 accrual and rediscount amounts are not included related to loans in the table.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>2,911</b>	<b>1,358,103</b>	<b>1,361,014</b>
Housing Loans	1,016	1,242,469	1,243,485
Vehicle Loans	1,433	56,849	58,282
Consumer Loans	462	58,785	59,247
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>42</b>	<b>1,070</b>	<b>1,112</b>
Housing Loans	-	-	-
Vehicle Loans	-	19	19
Consumer Loans	42	1,051	1,093
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total <sup>(1)</sup></b>	<b>2,953</b>	<b>1,359,173</b>	<b>1,362,126</b>

<sup>(1)</sup> Dividend rediscount amounting to TL 5,347 not included in the table.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Information on commercial installment loans and corporate credit cards:

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>29,835</b>	<b>175,252</b>	<b>205,087</b>
Business Loans	-	23,544	23,544
Vehicle Loans	29,835	151,708	181,543
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>7,847</b>	<b>43,694</b>	<b>51,541</b>
Business Loans	-	-	-
Vehicle Loans	7,847	43,694	51,541
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>37,682</b>	<b>218,946</b>	<b>256,628</b>

### e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	758,279	25,000
Foreign Loans	10,234,880	5,319,762
Interest Income Accruals of Loans	364,832	206,529
<b>Total</b>	<b>11,357,991</b>	<b>5,551,291</b>

### f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	10,917,553	5,344,762
Foreign Loans	75,606	-
Profit Share Income Accruals and Rediscount	364,832	206,529
<b>Total</b>	<b>11,357,991</b>	<b>5,551,291</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### g) Loans Granted to Subsidiaries and Participations:

As of 31 December 2017, Parent bank has no loans granted to subsidiaries (31 December 2016: None).

### h) Specific Provisions Provided Against Loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	1,449	82
Loans and receivables with doubtful collectability	2,866	2,635
Uncollectible loans and receivables	13,773	1,115
<b>Total</b>	<b>18,088</b>	<b>3,832</b>

### i) Information on non-performing receivables (net):

#### i.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 31 December 2017 the Bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled (31 December 2016: None).

#### i.2) Information on the movement of total non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Ending balance of prior period</b>	406	8,961	1,116
Additions in the current period (+)	35,170	1,982	13
Transfers from other categories of non-performing loans (+)	-	23,944	20,783
Transfers to other categories of non-performing loans (-)	23,944	20,783	-
Collections in the current period (-)	4,048	4,542	4,217
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>7,584</b>	<b>9,562</b>	<b>17,695</b>
Specific provisions (-)	1,449	2,866	13,773
<b>Net balance at the balance sheet</b>	<b>6,135</b>	<b>6,696</b>	<b>3,922</b>

#### i.3) Information on foreign currency non-performing loans:

As of 31 December 2017, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2016: None).



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### j) Gross and net amounts of non-performing receivables according to user groups:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>6,135</b>	<b>6,696</b>	<b>3,922</b>
Loans to Real Persons and Legal Entities (Gross)	7,584	9,146	17,695
Specific Provisions (-)	1,449	2,450	13,773
Loans to Real Persons and Legal Entities (Net)	6,135	6,696	3,922
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	416	-
Specific Provisions (-)	-	416	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>326</b>	<b>6,325</b>	
Loans to Real Persons and Legal Entities (Gross)	408	8,929	1,115
Specific Provisions (-)	82	2,604	1,115
Loans to Real Persons and Legal Entities (Net)	326	6,325	-
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	31	-
Specific Provisions (-)	-	31	-
Other Loans and Receivables (Net)	-	-	-

### k) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Parent Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

### l) Explanations on write-off policy:

The Parent Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

### 6. Information on held-to-maturity investments:

#### a) Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/ blocked:

As of 31 December 2017, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked (31 December 2017: None).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Information on held-to-maturity government bonds and treasury bills:

As of 31 December 2017, Parent Bank has no held-to-maturity government bonds (31 December 2016: None).

### c) The Parent Bank has no held-to-maturity investments (31 December 2016: None).

### d) Movements of held-to-maturity investments:

	Current Period	Prior Period
<b>Beginning Balance</b>	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	-	7,896
Disposals through Sales and Redemptions	-	7,896
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	-	-

### 7. Information on subsidiaries (Net):

As of 31 December 2017, there are no subsidiary of the parent bank (31 December 2016: None).

### 8. Information on joint ventures (net):

#### a) Information on unconsolidated associates:

As of 31 December 2017, there are no unconsolidated associates.

#### b) Information on consolidated subsidiaries:

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TURKEY	100.00	100.00
2	ZKB Varlık Kiralama A.Ş.	İstanbul/TURKEY	100.00	100.00

Ziraat Katılım Varlık Kiralama A.Ş. was established as of 22 January 2016 by approval of Banking Regulations and Supervision Agency and Capital Market Board on purpose of issuing lease certificate according to no. 28760 Gazette, Lease Certificate Announcement of Capital Market Board(III-61.1) dated 7 June 2013. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Bank. It began to operate after the registration on 8 September 2017.

	Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/ Loss	Prior period income/loss	Fair Value	Needed shareholders' equity
1 <sup>(c)</sup>	557.873	53	-	26.922	-	2	1	-	-
2 <sup>(c)</sup>	51	37	-	-	-	(13)	-	-	-

<sup>(c)</sup> Audited financial statements are used.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### c) Information on consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the beginning of the year</b>	<b>50</b>	<b>-</b>
<b>Movements during the year</b>	<b>50</b>	<b>50</b>
Purchases <sup>(1)</sup>	50	50
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Specific provision for impairment(-)	-	-
<b>Balance at the end of the year</b>	<b>100</b>	<b>50</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

<sup>(1)</sup> Paid Capital Increases made during the period are classified under "Purchases" account.

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

	Current Period	Prior Period
Ziraat Katılım Varlık Kiralama A.Ş.	50	50
ZKB Varlık Kiralama A.Ş.	50	-

### e) Subsidiaries that are quoted on the stock exchange:

As of 31 December 2017, there are no subsidiaries that are quoted on the stock exchange (31 December 2016: None).

### 9. Information on entities under common control (joint ventures):

As of 31 December 2017, there are no entities under common control of the bank (31 December 2016: None).

### 10. Information on finance lease receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	1,550	1,508	30,000	29,769
1-4 years	290,718	248,978	115,828	106,645
Over 4 years	187,183	122,458	119,957	84,959
<b>Total</b>	<b>479,451</b>	<b>372,944</b>	<b>265,785</b>	<b>221,373</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 11. Information on derivative financial assets for hedging purposes:

As of 31 December 2017, the group has no derivative financial assets for hedging purposes (31 December 2016: None).

### 12. Information on investment property:

As of 31 December 2017, the group has no investment property (31 December 2016: None).

### 13. Information on assets held for sale and tangibles corresponding discontinuing operations:

As of 31 December 2016, the group has TL 3,561 for assets held for sale and tangibles corresponding discontinuing operations (31 December 2016: None).

	Current Period	Prior Period
Net book value at the beginning of the period	-	-
Changes during the period (Net)	3,561	-
Depreciation value	-	-
Decrease in value	-	-
<b>Net book value at the end of the period</b>	<b>3,561</b>	<b>-</b>

### 14. Explanations on property and equipment:

	Immovable	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	-	-	-	20,608	35,820	56,428
Accumulated Depreciation (-)	-	-	-	4,606	8,179	12,785
<b>Net Book Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,002</b>	<b>27,641</b>	<b>43,643</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	-	-	-	16,002	27,641	43,643
Change During the Period (Net)	-	-	-	(15)	3,607	3,592
Cost	-	-	-	4,643	11,318	15,961
Amortization Amount (Net) (-)	-	-	-	4,658	7,711	12,369
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	25,251	47,138	72,389
Accumulated Depreciation at Period End (-)	-	-	-	9,264	15,890	25,154
<b>Closing Net Book Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,987</b>	<b>31,248</b>	<b>47,235</b>

- a) Amounts of value decrease or cancellation recorded or the amounts canceled in the current period and not individually significant in terms of the financial statements as a whole but significant in terms of the aggregate of the financial statements: None.
- b) Pledges, mortgages and other restrictions on tangible fixed assets, amount of expenditures made during construction of tangible fixed assets, commitments to purchase fixed assets: None.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 15. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	69,787	6,507	63,280	26,357	3,452	22,905
<b>Total</b>	<b>69,787</b>	<b>6,507</b>	<b>63,280</b>	<b>26,357</b>	<b>3,452</b>	<b>22,905</b>

- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.
- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- i) Information on the goodwill: None.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 16. Information on deferred tax asset:

The Parent Bank's deferred tax asset is calculated as TL 16,094 (31 December 2016: TL 6,410) however it's reflected on the financial statements as TL 14,093 (31 December 2016: TL 4,876) by offsetting with deferred tax liability.

	Current Period	Prior Period
Deferred tax asset	16,094	6,410
Deferred tax liability	2,001	1,534
Net deferred tax asset	14,093	4,876
Net deferred tax income/loss	5,835	4,540
	Current Period	Prior Period
Severance pay	466	156
Short-term employee rights	138	114
Revaluation of financial assets	296	1,099
Other	13,193	3,507
<b>Net deferred tax asset</b>	<b>14,093</b>	<b>4,876</b>
	Current Period	Prior Period
<b>As of January 1</b>	4,876	(652)
Deferred tax Income/(Loss) (Net)	5,835	4,540
Deferred Tax Accounted for Under Equity	3,382	988
<b>Deferred tax asset</b>	<b>14,093</b>	<b>4,876</b>

### 17. Information on other assets:

As of 31 December 2017, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

#### 1. a) Information on funds collected:

##### a.1) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	169,913	-	-	-	-	-	-	-	169,913
II. Real persons profit sharing accounts TL	-	339,006	2,206,716	26,540	-	29,403	67,732	-	2,669,397
III. Other current accounts-TL	431,162	-	-	-	-	-	-	-	431,162
Public sector	99,145	-	-	-	-	-	-	-	99,145
Commercial sector	317,559	-	-	-	-	-	-	-	317,559
Other institutions	14,432	-	-	-	-	-	-	-	14,432
Commercial and other institutions	23	-	-	-	-	-	-	-	23
Banks and participation banks	3	-	-	-	-	-	-	-	3
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	-	3
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	288,729	2,247,646	321,549	-	156,951	60,491	-	3,075,366
Public sector	-	166,212	581,393	196,370	-	25,827	-	-	969,802
Commercial sector	-	117,818	1,472,701	118,790	-	13,825	10,444	-	1,733,578
Other institutions	-	4,699	188,545	6,389	-	117,299	50,047	-	366,979
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5,007	-	-	-	-	-	5,007
V. Real persons current accounts-FC	162,883	-	-	-	-	-	-	-	162,883
VI. Real persons profit sharing accounts-FC	-	150,266	1,350,227	36,220	-	41,553	61,061	-	1,639,327
VII. Other current accounts-FC	824,647	-	-	-	-	-	-	-	824,647
Commercial residents in Turkey	816,850	-	-	-	-	-	-	-	816,850
Commercial residents in Abroad	7,462	-	-	-	-	-	-	-	7,462
Banks and participation banks	335	-	-	-	-	-	-	-	335
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	263	-	-	-	-	-	-	-	263
Participation banks	72	-	-	-	-	-	-	-	72
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	37,478	848,801	18,769	-	-	-	-	905,048
Public sector	-	1,948	15,379	-	-	-	-	-	17,327
Commercial sector	-	35,503	580,639	18,744	-	-	-	-	634,886
Other institutions	-	27	244,731	25	-	-	-	-	244,783
Commercial and other institutions	-	-	8,052	-	-	-	-	-	8,052
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	62,451	-	77,863	2,277	-	1,310	2,842	-	146,743
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>1,651,056</b>	<b>815,479</b>	<b>6,731,253</b>	<b>405,355</b>	<b>-</b>	<b>229,217</b>	<b>192,126</b>	<b>-</b>	<b>10,024,486</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	117,874	-	-	-	-	-	-	-	117,874
II. Real persons profit sharing accounts TL	-	187,577	1,323,135	25,311	-	15,106	47,811	-	1,598,940
III. Other current accounts-TL	389,920	-	-	-	-	-	-	-	389,920
Public sector	79,305	-	-	-	-	-	-	-	79,305
Commercial sector	300,725	-	-	-	-	-	-	-	300,725
Other institutions	9,890	-	-	-	-	-	-	-	9,890
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	151,803	1,403,895	93,307	-	7,249	13,761	-	1,670,015
Public sector	-	103,874	463,565	32,036	-	-	-	-	599,475
Commercial sector	-	46,674	696,543	30,357	-	6,167	11,944	-	791,685
Other institutions	-	1,255	243,787	30,914	-	1,082	1,817	-	278,855
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	58,097	-	-	-	-	-	-	-	58,097
VI. Real persons profit sharing accounts-FC	-	62,655	605,255	38,679	-	26,531	51,688	-	784,808
VII. Other current accounts-FC	243,408	-	-	-	-	-	-	-	243,408
Commercial residents in Turkey	239,462	-	-	-	-	-	-	-	239,462
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,946	-	-	-	-	-	-	-	3,946
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	3,946	-	-	-	-	-	-	-	3,946
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	27,383	588,263	104,768	-	-	-	-	720,414
Public sector	-	290	1,389	-	-	-	-	-	1,679
Commercial sector	-	27,090	475,748	104,768	-	-	-	-	607,606
Other institutions	-	3	92,595	-	-	-	-	-	92,598
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	18,531	-	-	-	-	-	18,531
IX. Precious metal funds	23,705	-	27,239	289	-	856	381	-	52,470
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>833,004</b>	<b>429,418</b>	<b>3,947,787</b>	<b>262,354</b>	<b>-</b>	<b>49,742</b>	<b>113,641</b>	<b>-</b>	<b>5,635,946</b>



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### a.2) Exceeding Amounts of Insurance Limit:

#### i) Information's on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	2,166,684	1,273,216	2,609,688	1,337,842
TL accounts	1,651,791	1,014,137	1,187,518	702,666
FC accounts	514,893	259,079	1,422,170	635,176
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

#### Amounts which are not within the scope of insurance:

#### ii) Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Prior Period	Current Period
Foreign branches' profit sharing accounts and other accounts		-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	431	263
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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

### a) Negative differences table regarding to derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held for Trading				
Spots	-	6,280	-	-
Swaps	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>6,280</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	410,436	-	-	-
Domestic Banks and Institutions	8,938	523,098	-	477,478
Foreign Banks, Institutions and Funds	-	1,106,838	-	708,284
<b>Total</b>	<b>419,374</b>	<b>1,629,936</b>	<b>-</b>	<b>1,185,762</b>

### b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	419,374	291,782	-	400,611
Medium and Long-Term	-	1,338,154	-	785,151
<b>Total</b>	<b>419,374</b>	<b>1,629,936</b>	<b>-</b>	<b>1,185,762</b>

c) Further information is disclosed for the areas of the Group's liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria:

70% of the Group's liabilities consist of current and share profit account.

### 4. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic</b>	<b>32,462</b>	<b>-</b>	<b>133,668</b>	<b>-</b>
Financial Institutions	32,462	-	133,668	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	<b>32,462</b>	<b>-</b>	<b>133,668</b>	<b>-</b>

### 5. Information on securities issued :

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	-	-	-	-
Asset Based Securities	557,804	-	101,459	-
Stocks	-	-	-	-
<b>Total</b>	<b>557,804</b>	<b>-</b>	<b>101,459</b>	<b>-</b>

As of 31 December 2017, Group has a TL 557,804 securities issued (31 December 2016: 101,459).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

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

### 7. Information on Financial Lease Obligations:

None.

### 8. Information on hedging derivative financial liabilities:

The parent bank has no hedging derivative financial liabilities.

### 9. Information on provisions:

#### a) Information on general provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>99,082</b>	<b>52,263</b>
I. For Loans and Receivables in Group I (Total)	89,433	47,667
Profit Sharing Accounts' Share	62,132	34,600
The Bank's Share	27,301	13,067
Other	-	-
I. Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
II. Loans and Receivables in Group II (Total)	714	595
Profit Sharing Accounts' Share	603	376
The Bank's Share	111	219
Other	-	-
II. Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provisions for Non Cash Loans	8,111	1,457
Other	824	2,544

#### b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

As of 31 December 2017, exchange rate differences of principal amount of TL 6,045 (December 31, 2016: TL 174) are netted off with the loans and lease receivables included in the assets of the balance sheet.

#### c) Information on special provisions related with uncompensated and non- liquidated non-cash loans:

Specific provisions for unindemnified non-cash loans amount to TL 177 (31 December 2016: TL 29).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Information on other provisions:

#### d.1) Information on free provisions for possible risks:

None (31 December 2016: None).

#### d.2) the names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:

Other provisions amounting to TL 36,398 are reserved for the purpose of meeting the portion of private and general provisions and the portion of Savings Deposits Insurance Fund premium account in accordance with Article 14 of the Regulation on the Procedures and Principles for the Determination of the Qualifications of Loans and Other Receivables and Liquidations (31 December 2016: TL 9,810).

### e) Information on provisions for employee benefits:

#### e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2017, the amount payable consists of one month's salary limited to a maximum of TL 4,732 (full amount) (31 December 2016: TL 4,297 (full amount)) for each year of service.

In the Group's financial statements according to TAS 19 - provisions were made for the employee benefits over the payables of non-discounted amounts as a return of services provided during the one accounting period.

Bank uses actuary method in the calculation and recognition of severance pay with in the standard of TAS 19 - "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period
Discount Rate (%)	4.77

#### e.2) Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
Balance at the 1 January	780	-
Changes during the period	1,550	859
Paid during the period	-	-
Actuarial Loss/(Gain)	-	(79)
<b>Balance at the end of the period</b>	<b>2,330</b>	<b>780</b>

As of the date of 31 December 2017, Bank has a TL 2,389 short-run employees' rights provision (31 December 2017: 1,389).

#### e.3) Pension Rights

According to technical balance sheet reports prepared by using technical interest rate of 9.80% in the frame of Law No. 5754 published in the Official Gazette dated May 8, 2008 and numbered 26870, technical deficit for the Fund was not reported as of 31 December 2017.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

The actuarial parameters and results used in measuring the amount of the liability are as follows: The Act No. 5754 published in the Official Gazette dated May 8, 2008, numbered 26870, (9.80% real discount rate, etc.) pertaining to pension and health benefits to be transferred.

The basic actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount Rates		
- Pension benefits transferred to SSF	9.80%	9.80%
- Health benefits transferred to SSF	9.80%	9.80%

The CSO 1980 Female/Male mortality table was used to represent mortality rates both before and after retirement.

### 10. Explanations on tax liability:

#### a) Explanations on current tax liability:

##### a.1) Information on tax provisions:

As of 31 December 2017, the Group's corporate income tax liability is TL 12,996 after deducting temporary taxes paid during the period from the tax provisions (31 December 2016: 2,886).

##### a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	12,996	2,886
Taxation on Income From Securities	7,251	3,389
Property Tax	132	88
Banking Insurance Transactions Tax (BITT)	5,074	2,312
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	571	236
Other	1,140	841
<b>Total</b>	<b>27,164</b>	<b>9,752</b>

##### a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	-	6
Social Security Premiums - Employer	2	9
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	92	34
Unemployment Insurance - Employer	183	67
Other	-	-
<b>Total</b>	<b>277</b>	<b>116</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b) Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 2,001 (31 December 2016: 1,534) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 14,093 (31 December 2016: 4,876) is presented in the financial statements.

### 11. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations (31 December 2016: None).

### 12. Explanations on subordinated debts:

The Group does not have any subordinated debts (31 December 2016: None).

### 13. Information on shareholders' equity:

#### a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	1,250,000	747,000
Preferred stock	-	-

#### b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

The Group does not have a registered capital system.

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

Accordingly to the decision of the Bank's ordinary meeting of the general assembly, which took place on 13 July 2017, TL 11,439 of balance sheet profit amounting to TL 40,482 is separated as fiscal charge. After the deduction of TL 11,983 of prior year net loss, TL 708 of remaining TL 14,150 net profit's 5% is separated as legal reserve. TL 6,000 from the remaining balance is decided to be paid as a bonus to the personnel. Over 10% of this amount, TL 600 is decided to be separated as contingency reserve. Finally, the last remaining TL 6,843 is decided to be left to the Parent Bank. Paid-in capital is raised by TL 500,000 in cash and TL 3,000 in internal resources.

#### d) Information on additions from capital reserves to capital in the current period:

At the Ordinary General Assembly Meeting of the Parent Bank held on July 13, 2017, it was decided to increase the capital from the internal resources of 3,000 TL (31 December 2016: None).

#### e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

There is no capital commitment for the last financial year and the end of the following interim period.

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

The group has no any uncertainty related to profitability and liquidity for the previous period (31 December 2017: None).

#### g) Information on preferred shares:

As of 31 December 2017, the group has no preferred shares (31 December 2017: None).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(14,901)	(11)	(963)	(107)
Revaluation Difference	(18,955)	(11)	(1,573)	(107)
Deferred Tax Effect	4,054	-	610	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(14,901)</b>	<b>(11)</b>	<b>(963)</b>	<b>(107)</b>

### i) Information on minority shareholder:

None.

## III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

### 1. Information on off-balance sheet liabilities:

#### a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	61,911	13,223
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	64,845	34,817
Loan Granting Commitments	1,966	458
Asset Purchase Commitments	-	-
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	4,034	-
<b>Total</b>	<b>132,756</b>	<b>48,498</b>

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

The Parent Bank has no possible losses arising from the off-balance sheet items (31 December 2017: None).

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

	Current Period	Current Period
Guarantee Letters	5,322,130	2,772,734
Letter of Credits	447,193	188,475
Bank Acceptances	4,784	7,484
Other Contingencies	337,431	539,276
<b>Total</b>	<b>6,111,538</b>	<b>3,507,969</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### b.2) certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Current Period
Letters of Temporary Guarantees	603,757	400,357
Letters of Certain Guarantees	2,715,331	1,031,833
Letters of Advance Guarantees	399,756	386,135
Letters of Guarantees given to Customs Offices	45,753	32,197
Other Letters of Guarantees	1,557,533	922,212
<b>Total</b>	<b>5,322,130</b>	<b>2,772,734</b>

### b.3) Total non-cash loans:

	Current Period	Current Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,557,532</b>	<b>922,212</b>
With Original Maturity of One Year or Less	775,726	-
With Original Maturity of More than One Year	781,806	922,212
<b>Other Non-Cash Loans</b>	<b>4,554,006</b>	<b>2,585,757</b>
<b>Total</b>	<b>6,111,538</b>	<b>3,507,969</b>

### c) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	8,342	-	22,951	1	3,518	-	-	-
Farming and Raising Livestock	5,256	-	22,951	1	3,518	-	-	-
Forestry	3,021	-	-	-	-	-	-	-
Fishing	65	-	-	-	-	-	-	-
Manufacturing	488,281	15	2,031,214	69	154,819	12	1,056,107	49
Mining and Quarrying	13,043	-	12,224	-	10,562	1	2,986	-
Production	398,007	13	2,006,707	68	144,257	11	1,053,121	49
Electric, Gas and Water	77,231	2	12,283	1	-	-	-	-
Construction	1,574,071	50	407,646	14	699,949	52	501,191	23
Services	1,040,680	33	446,492	15	362,391	28	510,134	24
Wholesale and Retail Trade	537,314	17	349,915	12	329,458	25	275,016	13
Hotel, Food and Beverage Services	14,605	1	18,603	1	9,531	1	62,561	3
Transportation and Telecommunication	38,920	1	1,164	-	22,768	2	172,557	8
Financial Institutions	5,846	-	317	-	-	-	-	-
Real Estate and Leasing Services	441,401	14	69,025	2	55	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	89	-	7,468	-	89	-	-	-
Health and Social Services	2,505	-	-	-	490	-	-	-
Other	62,002	2	29,859	1	120,657	8	99,203	4
<b>Total</b>	<b>3,173,376</b>	<b>100</b>	<b>2,938,162</b>	<b>100</b>	<b>1,341,334</b>	<b>100</b>	<b>2,166,635</b>	<b>100</b>



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	3,117,804	2,919,306	55,571	18,857
Letters of Guarantee	3,114,354	2,136,897	55,571	15,308
Bank Acceptances	-	4,784	-	-
Letters of Credit	-	443,644	-	3,549
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	3,450	333,981	-	-

### 2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions: (I)	1,264,078	259,672
Forward Transactions	1,264,078	259,672
Swap Transactions	-	-
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>1,264,078</b>	<b>259,672</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>1,264,078</b>	<b>259,672</b>

The Parent bank has no derivative transaction held for cash flow hedges. There are no income and expenses before ex ante and accounted on the basis of this prediction; however operations that is inferred as not actualize and by the reason of unrelated with income statements in the current period.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
<b>Financial assets for trading</b>						
Foreign Exchange derivatives:	(3,672)	(1,518)	-	-	-	(5,190)
- Addition	313,645	315,799	-	-	-	629,444
- Disposal	(317,317)	(317,317)	-	-	-	(634,634)
<b>Hedging Transactions</b>						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
<b>Total cash addition</b>	<b>313,645</b>	<b>315,799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>629,444</b>
<b>Total cash disposal</b>	<b>(317,317)</b>	<b>(317,317)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(634,634)</b>
<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets for trading</b>						
Foreign Exchange derivatives:	394	758	-	-	-	1,152
- Addition	37,044	93,368	-	-	-	130,412
- Disposal	(36,650)	(92,610)	-	-	-	(129,260)
<b>Hedging Transactions</b>						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
<b>Total cash addition</b>	<b>37,044</b>	<b>93,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,412</b>
<b>Total cash disposal</b>	<b>(36,650)</b>	<b>(92,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129,260)</b>

### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts to TL 64,845 (31 December 2016: TL 34,817).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

### 4. Explanations on services in the name of others:

The Bank provides safe deposit box services for real and legal persons. The Bank does not provide consultancy and management services.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

#### 1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share on loans <sup>(1)</sup></b>	<b>835,038</b>	<b>50,714</b>	333,620	<b>22,665</b>
Short term loans	257,556	8,131	149,469	4,033
Medium and long term loans	577,142	42,583	184,151	18,632
Profit share on non-performing loans	340	-	-	-
Premiums received from resource utilization support fund	-	-	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans

#### b) Information on profit share received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	353	-
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>-</b>

#### c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	48,298	336	23,834	267
Investments Held-to-Maturity	-	-	398	-
<b>Total</b>	<b>48,298</b>	<b>336</b>	<b>24,232</b>	<b>267</b>

#### d) Information on profit share income received from associates and subsidiaries:

None (31 December 2016: None).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 2. a) Information on profit share expense on borrowing:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	2,855	15,750	2,065	11,617
Central Bank of the Republic of Turkey	510	-	-	-
Domestic Banks	2,345	12,706	2,065	6,405
Foreign Banks	-	3,044	-	5,212
Head Office and Branches	-	-	-	-
Other Institutions	-	20,100	6,395	4,975
<b>Total</b>	<b>2,855</b>	<b>35,850</b>	<b>8,460</b>	<b>16,592</b>

### b) Information on profit share expense given to associates and subsidiaries:

None (31 December 2016: None).

### c) Information on profit share expense paid to securities issued:

As of 31 December 2017, profit share expense paid to securities issued is TL 25,409 (31 December 2016: None).

### d) Distribution of profit share on funds based on maturity of funds:

Current Period	Profit Sharing Accounts					
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	Total
<b>Account name</b>						
TL						
Collected funds from banks through current and profit share accounts	-	382	-	-	-	382
Real person's non-trading profit sharing account	22,143	154,037	2,551	2,151	5,314	186,196
Public sector profit sharing account	12,124	41,864	7,226	628	3,738	65,580
Commercial sector profit sharing account	12,841	106,338	10,505	1,412	1,180	132,276
Other institutions profit sharing account	364	26,903	800	4,401	188	32,656
<b>Total</b>	<b>47,472</b>	<b>329,524</b>	<b>21,082</b>	<b>8,592</b>	<b>10,420</b>	<b>417,090</b>
FC						
Collected funds from banks through current and profit share accounts	-	1,007	-	-	-	1,007
Real person's non-trading profit sharing account	2,083	23,498	905	687	1,120	28,293
Public sector profit sharing account	15	309	-	-	-	324
Commercial sector profit sharing account	1,166	16,985	2,149	-	-	20,300
Other institutions profit sharing account	55	3,482	-	-	-	3,537
Precious Metal Accounts	583	-	-	-	-	583
<b>Total</b>	<b>3,902</b>	<b>45,281</b>	<b>3,054</b>	<b>687</b>	<b>1,120</b>	<b>54,044</b>
<b>General Total</b>	<b>51,374</b>	<b>374,805</b>	<b>24,136</b>	<b>9,279</b>	<b>11,540</b>	<b>479,134</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 3. Information on dividend income:

None.

### 4. a.) Information on trading income/loss (Net):

	Current Period	Prior Period
<b>Income</b>	<b>2,847,899</b>	<b>1,170,436</b>
Foreign exchange gains	2,832,166	1,159,044
Gain on derivative financial instruments	15,707	11,392
Gain on capital market transactions	26	-
<b>Losses (-)</b>	<b>2,836,343</b>	<b>1,163,406</b>
Foreign exchange losses	2,793,077	1,162,689
Losses on derivative financial instruments	42,389	717
Losses on capital market transactions	877	-
<b>Net</b>	<b>11,556</b>	<b>7,030</b>

### b.) Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(26,682)	10,675
<b>Total</b>	<b>(26,682)</b>	<b>10,675</b>

### 5. Information on other operating income:

**Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income:**

There is no information on factors covering the recent developments which has significant effect on the banks income and the extent of effect on income.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	14,721	3,832
III. group loans and receivables	1,449	82
IV. group loans and receivables	2,841	2,603
V. group loans and receivables	10,431	1,147
General provision expenses	46,896	38,687
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	165	142
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	165	142
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	28,361	9,109
<b>Total</b>	<b>90,143</b>	<b>51,770</b>

(\*) TL 26.313 of other item is the provision amount used for meeting the portion of special and general provisions and the portion of the Savings Deposit Insurance Fund premium accounted for participation accounts in accordance with Article 14 of the Regulation on the Procedures and Principles for the Determination of the Qualifications of Loans and Other Receivables.

### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	86,969	65,101
Reserve for Employee Termination Benefits	1,550	780
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	12,456	9,722
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	3,055	2,275
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	60,668	42,824
Operational Leasing Expenses	18,882	12,291
Maintenance Expenses	4,521	392
Advertisement Expenses	14,949	10,823
Other Expenses	22,316	19,318
Loss on Sales of Assets	-	-
Other (*)	32,833	19,877
<b>Total</b>	<b>197,531</b>	<b>140,579</b>

(\*) The balance which forms the other item part, TL 20,805 (31 December 2016: TL 8,503) represents TMSF Premium amount and audit and consultancy fees and TL 9,264 (31 December 2016: TL 11,374) represents taxes, fees and funds and other services expenses.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 8. Information on profit/loss from continued and discontinued operations before taxes:

As of 31 December 2017, The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Profit Share Income	443,086	209,857
Other Operating Expenses (-)	30,343	14,205
Provision for Loan or Other Receivables Losses (-)	-	-
Other Operating Income	11,556	7,030
Net Fees and Commissions Income	2,663	1,739
Dividend Income	90,143	51,770
Trading Income/Expense (Net)	197,531	140,579
<b>Income/(Loss) from Continuing Operations</b>	<b>199,974</b>	<b>40,482</b>

### 9. Information on tax provision for continued and discontinued operations:

As of 31 December 2017, the Bank's total tax provision expense amounting to TL 41,072 (31 December 2016: TL 9,809) is consisted from TL 46,907 (31 December 2016: TL 14,349) of current tax expense, and TL 5,835 (31 December 2016: TL 4,540) is deferred tax income.

### 10. Explanation on net income/loss for the period for continuing and discontinued operations:

The Group's net operating income after tax amounts to TL 158,902 (31 December 2016: TL 30,673).

### 11. Information on net profit/loss:

#### a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Parent Bank utilizes its resources from equity capital, domestic current and participation accounts, as loan securities and interbank operations. Additionally, the parent bank generates an income from other banking operations.

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

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

None.

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

#### a) Explanations on inflation adjustment differences for equity items:

In accordance with the decision taken in the General Assembly of the year 2017, which was carried out on 13 July 2017, from TL 11,439 net profit, TL 40,482 is transferred as fiscal charge. Prior year's net loss TL 11,983 is deducted and TL 14,150 is remained as net profit. 5% of this amount, TL 708 is separated as legal reserve. TL 6,000 was decided to be paid to employees and 10% of this amount, TL 600 has been allocated as reserves. remaining amount, TL 6,843, has been left in the Bank. Paid-in capital is raised by TL 500,000 in cash and TL 3,000 in internal resources.

The Bank is planning to distribute its profit for 2017 in line with the Articles of Incorporation in 2017. However, as of the date of preparation of the financial statements, no decision on profit distribution has been made.

#### b) Explanations on Available For Sale Financial Assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the "Marketable Securities Revaluation Fund" under equity. In accordance with TAS 39 and due to the change in the Bank's intention to hold the previously classified as available for sale securities to maturity the Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a "Marketable Securities Valuation Differences" and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Investments in subsidiaries and entities under common control that are in foreign currency are followed at their fair values. The valuation report prepared by the valuation company for the said partnerships has been determined as fair value and the valuation differences have been added to the associate values and accounted under "Equity Value Increase Fund" account under equity.

#### c) Profit reserves:

As of balance sheet date, profit reserves are TL 9,691, legal reserves are TL 1,308, extraordinary reserves are TL 3,843, and other profit reserves are TL 4,540.

#### d) Information on Prior Year Profit/Loss:

None.



## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

#### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 121,921 is composed mainly from interest received from loans and securities amounting to TL 823,676 and interest paid to deposit and money market operations which is amounting to TL 491,718. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is calculated approximately TL 51,176 as of 31 December 2017 (31 December 2016: TL 146,984).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

#### Period opening and end cash and cash equivalents balance:

Period opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	32,550	8,623
Central Bank of the Republic of Turkey and Other Banks	1,081,708	136,514
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>1,114,258</b>	<b>145,137</b>
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	41,124	32,550
Central Bank of the Republic of Turkey and Other Banks	560,676	1,081,708
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>601,800</b>	<b>1,114,258</b>

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

1) a) Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

#### Current Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables	-	-	-	-	-
Balance at beginning of period	-	-	558,924	-	-	-
Balance at end of period	-	-	758,988	-	-	-
<b>Profit share and commission income</b>	-	-	<b>8,248</b>	-	-	-

#### Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables	-	-	-	-	-
Balance at beginning of period	-	-	337,726	-	-	-
Balance at end of period	-	-	558,924	-	-	-
<b>Profit share and commission income</b>	-	-	<b>11,533</b>	-	-	-

b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	<b>Current and profit sharing accounts</b>					
Balance at the beginning of period	-	-	1,796	891	-	-
Balance at the end of period	-	-	8,159	1,796	-	-
<b>Profit share expense</b>	-	-	<b>2,314</b>	<b>2</b>	-	-

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three)

### 2) Information on forward transactions, option agreements and similar transactions between the Bank's risk groups:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	259,672	159,609	-	-
Closing Balance	-	-	1,264,078	259,672	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>6,280</b>	<b>10,675</b>	<b>-</b>	<b>-</b>
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3) Information on remunerations provided to group top management:

The group has paid TL 2,717 to top management as total benefit (31 December 2016:2,625).

## VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

None.

## IX. INFORMATION ON THE BANK'S DOMESTIC AND FOREIGN BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

### 1) Information on domestic and foreign branches and representatives of the Bank:

	Number	Number of Employees	Country of Incorporation	Total assets	Statutory Share Capital
Foreign Representative Office	-	-	-		
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

<sup>(1)</sup> The number of employees in Head Office are not included in the number of employees in domestic branches.

### 2) Explanations on domestic and abroad branch and agency openings or closings, significantly organization altering of the Bank:

The Bank opened 19 domestic branches during the year 2017 (31 December 2016: 22 Branches).

## Notes to the Consolidated Financial Statements For the Period of 1 January - 31 December 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Audited Report Originally Issued in Turkish, See the Note I. of Section Three

### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

##### I. INFORMATION ON THE BANK'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 26 May 2017	Note	Explanation
Long Term Foreign Currency Credit Rating	BB +	It is in a speculative level under the investment class.
Short Term Foreign Currency Credit Rating	B	It is in a speculative level under the investment class.
Long Term Turkish Lira Credit Rating	BBB-	It is in an investmentable level. Indicates that the Bank's creditworthiness is "good".
Short Term Turkish Lira Credit Rating	F3	It is in an investmentable level. Indicates that the debt payment power is sufficient.
National Long Term Credit Rating	AAA(tur)	Top level investment grade.
Support	3	The probability of external support is reasonable.

##### II. OTHER EXPLANATIONS ON GROUP'S OPERATIONS

None.

### SECTION SEVEN

#### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

##### I. EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT

As of 31 December 2017, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Audit Report dated 5 February 2018 is presented preceding the financial statements.

##### II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

## Directory

HEAD OFFICE	Phone	Address
	0212 404 10 00	Hobyar Mahallesi, Şeyhulislam Hayri Efendi Cad. No: 12 Posta Kodu: 34112 Bahçekapı - Fatih, İstanbul
BRANCHES	Phone	Address
Eminönü/İstanbul Branch	0212 522 59 82	Hobyar Mahallesi, Şeyhulislam Hayri Efendi Caddesi No: 12/1 Bahçekapı - Fatih, İstanbul
Sincan/Ankara Branch	0312 271 30 35	Atatürk Mahallesi Meltem Sokak No: 21 Sincan, Ankara
Kızılay/Ankara Branch	0312 435 13 50	Cumhuriyet Mahallesi Atatürk Bulvarı No: 67/C Kızılay, Ankara
Selçuklu/Konya Branch	0332 235 32 65	Nişantaşı Mahallesi Metehan Caddesi No: 4/A Selçuklu, Konya
Mecidiyeköy/İstanbul Branch	0212 267 26 66	Gülbahar Mahallesi Büyükdere Caddesi No: 99/A Şişli, İstanbul
İkitelli/İstanbul Branch	0212 549 60 53	Ziya Gökalp Mahallesi Bedrettin Dalan Bulvarı A Blok No: 18 Başakşehir, İstanbul
Ümraniye/İstanbul Branch	0216 461 66 51	Alemdağ Caddesi Mevlana İş Merkezi A Blok No: 174 Ümraniye, İstanbul
Üsküdar/İstanbul Branch	0216 201 16 12	Mimar Sinan Mahallesi Uncular Caddesi Özden İş Hanı No: 6/B Üsküdar, İstanbul
Kayapınar/Diyarbakır Branch	0412 502 26 38	Peyas Mahallesi Şanlıurfa Bulvarı Ekinciler Sitesi No: 80/A Kayapınar, Diyarbakır
Büsan/Konya Branch	0332 345 0632	Fevzi Çakmak Mahallesi Kosgeb Caddesi No: 3 Karatay, Konya
Aksaray Branch	0382 203 02 82	Hacı Hasanlı Mahallesi Bankalar Caddesi No: 30 Aksaray
Setbaşı/Bursa Branch	0224 225 00 24	Setbaşı Kayahan Mahallesi Atatürk Caddesi No: 26/1 Osmangazi, Bursa
Altunizade/İstanbul Branch	0216 474 84 72	Altunizade Mahallesi Kısıklı Caddesi No: 37 Üsküdar, İstanbul
Gaziantep Branch	0342 230 91 90	İncirli Pınar Mahallesi Muammer Aksoy Caddesi No: 20 Şehitkamil, Gaziantep
Ostim/Ankara Branch	0312 385 08 63	Ostim Mahallesi, Ostim OSB 100.Yıl Bulvarı No: 46 Yenimahalle, Ankara
Adana Branch	0322 359 63 04	Tepebağ Mahallesi Abidinpaşa Caddesi No: 11 Seyhan, Adana
Kayseri Branch	0352 222 58 65	Cumhuriyet Mahallesi Vatan Caddesi No: 19 Melikgazi, Kayseri
Fatih Branch	0212 621 86 76	Zeyrek Mahallesi Macar Kardeşler Caddesi No: 18/A Fatih, İstanbul
Corum Branch	0364 224 89 64	Cepni Mahallesi İnönü Caddesi No: 61 Merkez, Corum
Osmanbey/İstanbul Branch	0212 230 97 08	Meşrutiyet Mahallesi Halaskargazi Caddesi No: 116 Şişli, İstanbul
Ulus/Ankara Branch	0312 312 76 31	Anafartalar Caddesi No: 16/B Ulus, Ankara
Kadıköy/İstanbul Branch	0216 346 97 39	Osmanağa Mahallesi Rihtim Caddesi No: 4 Kat: 2 Kadıköy, İstanbul
İskenderun/Hatay Branch	0326 614 12 25	Savaş Mahallesi, Mareşal Çakmak Caddesi, 41. Sokak, Sümerhan İşhanı No: 9/3 (Zemin Kat BB:1) İskenderun, Hatay
Bornova/İzmir Branch	0232 343 09 43	Kazımdirik Mahallesi 152 Sok. No: 9 Bornova, İzmir
Elazığ Branch	0424 237 13 68	Nailbey Mahallesi Gazi Caddesi No: 9 Elazığ
Aydın Branch	0256 212 76 42	Hasan Efendi Mahallesi, Hükümet Caddesi No: 19/A Efeler, Aydın
Adapazarı Branch	0264 281 57 16	Semerciler Mahallesi Saraçlar Sokak No: 1 Adapazarı, Sakarya
Van Branch	0432 210 14 34	Şerefiye Mahallesi Cumhuriyet Bulvarı No: 63 İpekyolu, Van
İzmit/Kocaeli Branch	0262 322 93 52	Kemalpaşa Mahallesi İstiklal Caddesi No: 20 İç Kapı No: 30 İzmit, Kocaeli
Şanlıurfa Branch	0414 315 66 38	Kanberiyi Mahallesi Gazhane Mevkii Kadri Erdoğan Caddesi No: 10 Haliliye, Şanlıurfa
Kütahya Branch	0274 333 02 95	Gazi Kemal Mahallesi Cumhuriyet Caddesi No: 79/A Merkez, Kütahya
Kahramanmaraş Branch	0344 223 97 01	Yenişehir Mahallesi, Trabzon Bulvarı Durak Apartmanı No: 70, Dulkadiroğlu, Kahramanmaraş
Rize Branch	0464 212 27 69	Piriçelebi Mahallesi Cumhuriyet Caddesi No: 7 Rize
Beyazıt/İstanbul Branch	0212 638 83 68	Mimar Hayrettin Mahallesi Yeniçeriler Caddesi Sinekli Medrese Sokak No: 2 Beyazıt-Fatih, İstanbul

## Directory

Afyonkarahisar Branch	0272 212 02 64	Burmali Mahallesi Milli Egemenlik Caddesi No: 18/1 Afyonkarahisar
Gebze/Kocaeli Branch	0262 643 36 98	Hacı Halil Mahallesi Körfez Caddesi No: 8/B Gebze, Kocaeli
Balgat/Ankara Branch	0312 473 16 25	Balgat Mahallesi Ceyhun Atıf Kansu Caddesi Başkent plaza No: 106/57 Çankaya, Ankara
Denizli Branch	0258 265 68 56	Saraylar Mahallesi Gazi Mustafa Kemal Bulvarı No: 74/1 Merkezefendi, Denizli
Çallı/Antalya Branch	0242 345 75 10	Güvenlik Mahallesi Vatan Caddesi 282. Sokak No: 51/A Muratpaşa, Antalya
Güneşli/İstanbul Branch	0212 550 76 54	Hürriyet Mahallesi Atatürk Caddesi No: 13-15B Bağcılar, İstanbul
Gaziosmanpaşa/İstanbul	0212 497 12 58	Merkez Mahallesi Cumhuriyet Meydanı No: 26/A Gaziosmanpaşa, İstanbul
Kestel/Bursa Branch	0224 372 83 33	Ahmet Vefik Paşa Mh. Organize Sanayi Bölgesi Bursa Cd. No: 75 B Blok Kestel, Bursa
Mevlana/Konya Branch	0332 350 58 48	Şemsi Tebrizi Mahallesi Mevlana Caddesi No: 23/A Karatay, Konya
Malatya Branch	0422 325 60 05	Saray Mahallesi Atatürk Caddesi No: 2 Battalgazi, Malatya
Manisa Branch	0236 231 03 68	1. Anafartalar Mah. 1603. Sokak No: 11/A Şehzadeler, Manisa
Sivas Branch	0346 221 55 16	Eski Kale Mahallesi Bankalar Caddesi 13-2. Sokak No: 3/A Merkez, Sivas
Samsun Branch	0362 431 99 73	Kale Mahallesi Kazım Paşa Caddesi No: 11A İlkadım, Samsun
Erzincan Branch	0446 502 03 67	Atatürk Mahallesi Fevzipaşa Caddesi 357 Sokak No: 2 Merkez, Erzincan
Zeytinburnu/İstanbul	0212 679 49 92	Beştelsiz Mahallesi Prof.Dr. Muammer Aksoy Caddesi No: 38/A, Zeytinburnu, İstanbul
OSB/Kayseri Branch	0352 503 50 17	Kayseri OSB 11 Caddesi No: 9/K Melikgazi, Kayseri
Bağcılar/İstanbul Branch	0212 436 47 79	Çınar Mahallesi Osman Gazi Caddesi No: 12B Bağcılar, İstanbul
Balıkesir Branch	0266 244 82 65	Altıeylül Mahallesi 4_Anafartalar Caddesi No: 35B/B Altıeylül, Balıkesir
Eskişehir Branch	0222 221 55 97	Arifiye Mahallesi İki Eylül Caddesi No: 68/1 Odunpazarı, Eskişehir
Erzurum Branch	0442 235 87 74	Lalapaşa Mah. Orhan Şerifsoy Cad. No: 9 Yakutiye, Erzurum
Isparta Branch	0246 202 26 42	Kutlubey Mahallesi 1001. Sokak, No: 4, D: 9-10 Merkez, Isparta
Kastamonu Branch	0366 214 70 85	Topçuoğlu Mah. Cumhuriyet Cad. No: 30 B 37100 Merkez, Kastamonu
Uşak Branch	0276 224 67 13	İslice Mah. İslice Sokak No: 2/101 Merkez, Uşak
Dudullu/İstanbul Branch	0216 313 72 05	Yukarı Dudullu Mahallesi, Necip Fazıl Bulvarı, Keresteciler (KEYAP) Sitesi, B1 Blok Apt. No: 44/19 Ümraniye, İstanbul
Pendik/İstanbul Branch	0216 390 46 38	Batı Mahallesi Erol Kaya Caddesi No: 121 A Pendik, İstanbul
Mersin Branch	0324 237 45 05	Çankaya Mahallesi Atatürk Caddesi Mersin Çarşısı No: 26 A Akdeniz, Mersin
Trabzon Branch	0462 326 40 84	Kemer kaya Mahallesi Kahramanmaraş Caddesi No: 13 A Ortahisar, Trabzon
Gıda Çarşısı/İzmir Branch	0232 459 52 31	Halkapınar Mahallesi 1202/2 Sokak No: 31 F/F Konak, İzmir
Ankara Corporate Branch	0312 433 48 22	Cumhuriyet Mahallesi Atatürk Bulvarı Büyük Çarşı No: 67 C Kat: 1; Çankaya, Ankara
İstanbul Avrupa Corporate Branch	0212 275 39 08	Fulya Mahallesi, Büyükdere Caddesi, İmar İş Hanı, Apt No: 48/2 Şişli, İstanbul
Başakşehir/İstanbul Branch	0212 485 72 11	İkitelli OSB Mahallesi Tümsan 1. Kısım 3. Blok Sokak Tümsan 1. Kısım Sit. 3. Blok Apt. No: 9/A Başakşehir, İstanbul
Anadolu Corporate Branch/İstanbul	0216 356 18 63	Sahrayıcedit Mahallesi Atatürk Caddesi No: 48/1 Kadıköy, İstanbul
Sultanbeyli/İstanbul Branch	0216 496 27 38	Hasanpaşa Mahallesi Fatih Bulvarı No: 19 A/1 Sultanbeyli, İstanbul



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**Ziraat Katılım,  
bu ülkenin paylaşmayı seven  
insanları için büyümeye  
devam ediyor.**

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