

Ziraat Katılım Bankası Anonim Şirketi

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)*

5 February 2018

*This report contains “independent auditors' report”
comprising 3 pages and; “Unconsolidated Financial
Statements and Related Disclosures and Footnotes”
comprising 99 pages.*



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Convenience Translation of the Independent Auditor's Report
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

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 BRSA 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 BRSA 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



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

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

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
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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
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ZİRAAT KATILIM BANKASI A.Ş.

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”).)

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
Total	1,250,000	100.00	747,000	100.00

(*) 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.

ZİRAAT KATILIM BANKASI A.Ş.

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”).)

GENERAL INFORMATION ABOUT THE BANK (Continued)

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
Board of Directors	
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
Assistant General Manager	
Mehmet Said GÜL ^(*)	Information Technologies and Operation
Osman KARAKÜTÜK ^(**)	Treasury and Internal Operations
Temel Tayyar YEŞİL ^(***)	Marketing
Tahir DEMİRKIRAN	Loan Allocation and Management

(*) As of 24 August 2017 was transferred to Information Technologies and Operation Assistant General Manager.

(**) As of 15 August 2017 was transferred to Treasury and Internal Operations Assistant General Manager.

(***) 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	-	-
Total	1,250,000	100.00	1,250,000	-

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”).)

GENERAL INFORMATION ABOUT THE BANK (Continued)

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).

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.

ZİRAAT KATILIM BANKASI A.Ş.
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 DECEMBER 2017**

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

**SECTION TWO
THE BANK’S UNCONSOLIDATED FINANCIAL STATEMENTS**

I.	UNCONSOLIDATED BALANCE SHEET (UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA					
			Audited Current Period (31/12/2017)			Audited Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
	ASSETS							
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	305,803	1,337,886	1,643,689	633,389	567,909	1,201,298
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(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		-	-	-	-	-	-
III.	BANKS	(3)	3,320	275,261	278,581	6,561	461,893	468,454
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(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
VI.	LOANS AND RECEIVABLES	(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
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1	Accounted with Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		-	-	-	-	-	-
8.2.1	Financial investments		-	-	-	-	-	-
8.2.2	Non-financial investments		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	100	-	100	50	-	50
9.1	Unconsolidated financial subsidiaries		100	-	100	50	-	50
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
10.1	Consolidated under equity method		-	-	-	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	RECEIVABLES FROM LEASING TRANSACTIONS	(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
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE	(11)	-	-	-	-	-	-
12.1	Fair Value Hedges		-	-	-	-	-	-
12.2	Cash Flow Hedges		-	-	-	-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(14)	47,235	-	47,235	43,643	-	43,643
XIV.	INTANGIBLE ASSETS (Net)	(15)	63,280	-	63,280	22,905	-	22,905
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		63,280	-	63,280	22,905	-	22,905
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVI.	TAX ASSET	(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
XVII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	3,561	-	3,561	-	-	-
17.1	Held for Sale		3,561	-	3,561	-	-	-
17.2	Held from Discontinued Operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	27,584	122	27,706	22,981	143	23,124
	TOTAL ASSETS		11,010,426	3,339,717	14,350,143	6,312,328	1,647,179	7,959,507

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

ZİRAAT KATILIM BANKASI A.Ş.
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 DECEMBER 2017**

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

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)		
			TL	FC	Total	TL	FC	Total
	LIABILITIES AND EQUITY							
I.	FUND COLLECTED	(1)	6,345,946	3,678,649	10,024,595	3,776,793	1,859,209	5,636,002
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
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	6,280	6,280	-	-	-
III.	FUNDS BORROWED	(3)	977,178	1,629,936	2,607,114	101,459	1,185,762	1,287,221
IV.	MONEY MARKET BALANCES	(4)	32,462	-	32,462	133,668	-	133,668
V.	MARKETABLE SECURITIES ISSUED (Net)	(5)	-	-	-	-	-	-
VI.	MISCELLANEOUS PAYABLES	(6)	27,254	8,462	35,716	13,218	3,809	17,027
VII.	OTHER LIABILITIES	(7)	69,368	1,202	70,570	45,594	932	46,526
VIII.	FINANCE LEASE PAYABLES	(7)	-	-	-	-	-	-
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operating Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(8)	-	-	-	-	-	-
9.1	Fair Value Hedges		-	-	-	-	-	-
9.2	Cash Flow Hedges		-	-	-	-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
X.	PROVISIONS	(9)	138,685	3,605	142,290	62,750	1,824	64,574
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
XI.	TAX LIABILITY	(10)	27,435	-	27,435	9,868	-	9,868
11.1	Current Tax Liability		27,435	-	27,435	9,868	-	9,868
11.2	Deferred Tax Liability		-	-	-	-	-	-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
12.1	Held for Sale		-	-	-	-	-	-
12.2	Held from Discontinued Operations		-	-	-	-	-	-
XIII.	SUBORDINATED LOANS	(12)	-	-	-	-	-	-
XIV.	SHAREHOLDERS' EQUITY	(13)	1,403,692	(11)	1,403,681	764,728	(107)	764,621
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
	TOTAL LIABILITIES AND EQUITY		9,022,020	5,328,123	14,350,143	4,908,078	3,051,429	7,959,507

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

ZİRAAT KATILIM BANKASI A.Ş.
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ACCOUNTS
AS OF 31 DECEMBER 2017**

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

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
A.	OFF-BALANCE SHEET COMMITMENTS (I-II+III)	(1)	3,274,276	4,234,096	7,508,372	1,380,632	2,435,507	3,816,139
I.	GUARANTEES AND WARRANTIES		3,173,375	2,938,163	6,111,538	1,341,334	2,166,635	3,507,969
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
II.	COMMITMENTS	(1)	100,901	31,855	132,756	39,298	9,200	48,498
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		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	1,264,078	1,264,078	-	259,672	259,672
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.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		12,684,779	946,613	13,631,392	6,580,645	334,443	6,915,088
IV.	ITEMS HELD IN CUSTODY		447,409	252,379	699,788	197,945	103,513	301,458
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
V.	PLEDGES RECEIVED		12,237,370	694,234	12,931,604	6,382,700	230,930	6,613,630
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		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)			15,959,055	5,180,709	21,139,764	7,961,277	2,769,950	10,731,227

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

II. UNCONSOLIDATED INCOME AND EXPENSE ITEMS		THOUSAND OF TURKISH LIRA	
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
I. PROFIT SHARE INCOME	(1)	981,392	390,742
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
II. PROFIT SHARE EXPENSE	(2)	538,306	180,885
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		-	-
III. NET PROFIT SHARE INCOME (I - II)		443,086	209,857
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		30,343	14,205
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
V. DIVIDEND INCOME	(3)	-	-
VI. NET TRADING INCOME	(4)	11,556	7,030
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)
VII. OTHER OPERATING INCOME	(5)	2,663	1,739
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		487,648	232,831
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	90,143	51,770
X. OTHER OPERATING EXPENSES (-)	(7)	197,531	140,579
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		199,974	40,482
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	199,974	40,482
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(41,072)	(9,809)
16.1 Current Tax Provision		(46,907)	(14,349)
16.2 Deferred Tax Provision		5,835	4,540
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	158,902	30,673
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XX. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	158,902	30,673
Earnings per share income/loss (full TL)		0.1615	0.0426

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

ZİRAAT KATILIM BANKASI A.Ş.**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").)

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	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 from an integral part of these financial statements.

ZİRAAT KATILIM BANKASI A.Ş.

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”).)

V. UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																	
THOUSAND TURKISH LIRA																	
Audited			Effect of		Share					Current		Marketable	Tangible and	Bonus		Asset held for	Total
Prior Period	(Section	Paid-in	inflation	Share	certificate	Legal	Statutory	Extra-	Other	period	Prior period	securities	intangible	shares from	Hedging	sale and disc.op.	equity
1 January -31 December 2016	Five)	capital	accounting on	Premium	cancellation	reserves	reserves	ordinary	Reserve	net income /	net income /	revaluation	assets	investments	reserves	valuation fund,	
	Note		paid-in capital and other capital reserves		profits			reserve		(loss)	(loss)	reserve	revaluation fund				
I.	Balances at beginning of the period	675,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	664,530
II.	Corrections According to TAS 8	-	-	-	-	-	-	-	-	-	(11,982)	1,512	-	-	-	-	-
2.1	The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The Effect of Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	675,000	-	-	-	-	-	-	-	-	(11,982)	1,512	-	-	-	-	664,530
	Changes in Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/Decrease Related to Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	(2,582)	-	-	-	-	(2,582)
VI.	Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Net Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The Effect of Change in Associate's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Capital Increase	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
14.1	Cash	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
14.2	Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation Adjustment to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Period net Profit/(Loss)	-	-	-	-	-	-	-	-	30,673	-	-	-	-	-	-	30,673
XX.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1	Dividends Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XX)	747,000	-	-	-	-	-	-	-	30,673	(11,982)	(1,070)	-	-	-	-	764,621

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

ZİRAAT KATILIM BANKASI A.Ş.

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”).)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																	
THOUSAND TURKISH LIRA																	
Audited Current Period	(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	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
1 January - 31 December 2017																	
I. Balances at beginning of the period		747,000	-	-	-	-	-	-	-	30,673	(11,982)	(1,070)	-	-	-	-	764,621
Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(13,842)	-	-	-	-	(13,842)
IV. Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedges for Investments Made in Foreign		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	(3,000)	-	-	-	-	-	500,000
12.1 Cash		500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000
12.2 From Internal Resources		3,000	-	-	-	-	-	-	-	-	(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		-	-	-	-	-	-	-	-	158,902	-	-	-	-	-	-	158,902
XVIII. Profit Distribution		-	-	-	-	1,308	-	3,843	4,540	(30,673)	14,982	-	-	-	-	-	(6,000)
18.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	(6,000)	-	-	-	-	-	(6,000)
18.2 Transfers to Legal Reserves		-	-	-	-	1,308	-	3,843	4,540	-	(9,691)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(30,673)	30,673	-	-	-	-	-	-
Balance at the end of the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(I+II+III+.....+XVI+XVII+XVIII)		1,250,000	-	-	-	1,308	-	3,843	4,540	158,902	-	(14,912)	-	-	-	-	1,403,681

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

ZİRAAT KATILIM BANKASI A.Ş.

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").)

		THOUSAND OF TURKISH LIRA	
VI. UNCONSOLIDATED STATEMENT OF CASH FLOWS	Note (Section Five)	Audited Current Period 01/01-31/12/2017	Audited Prior Period 01/01-31/12/2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities(Loss)		121,921	(82,076)
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)
1.2 Changes in operating assets and liabilities		(1,451,536)	1,210,226
1.2.1 Net (increase)/decrease i 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
I. Net cash provided from banking operations		(1,329,615)	1,128,150
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(155,176)	(306,013)
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)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		921,158	-
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	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		51,176	146,984
V. Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(512,457)	969,121
VI. Cash and cash equivalents at the beginning of the period	(1)	1,114,258	145,137
VII. Cash and cash equivalents at the end of the period	(1)	601,801	1,114,258

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

VII.	UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION	Audited Current Period ⁽¹⁾ (31/12/2017)	Audited Prior Period ⁽²⁾ (31/12/2016)
I.	DISTRIBUTION OF THE CURRENT YEAR INCOME		
1.1	Current Year Income (Loss)	199,974	40,482
1.2	Taxes and Duties Payable (-) ⁽³⁾	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	-	-
A.	NET INCOME FOR THE YEAR (1.1-1.2)	153,067	26,133
1.3	Prior Year Losses (-)	-	11,983
1.4	First Legal Reserves (-)	-	708
1.5	Other Statutory Reserves (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	153,067	13,442
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	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shareholders (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board of Directors (-)	-	-
III.	EARNINGS PER SHARE		
3.1	To Owners of Ordinary Shares	0.1556	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 (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	To Owners of Ordinary Shares	-	-
4.2	To Owners of Ordinary Shares (%)	-	-
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

(*) 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 UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

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

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

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

ACCOUNTING PRINCIPLES (Continued)

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.

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

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

ACCOUNTING PRINCIPLES (Continued)

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.

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

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

ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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.

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017**

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

ACCOUNTING PRINCIPLES (Continued)

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

ACCOUNTING PRINCIPLES (Continued)

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

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.

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ACCOUNTING PRINCIPLES (Continued)

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.

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ACCOUNTING PRINCIPLES (Continued)

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.

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ACCOUNTING PRINCIPLES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)

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 20th 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.

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 20th 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.

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ACCOUNTING PRINCIPLES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)

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.

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%.)

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ACCOUNTING PRINCIPLES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

a. Current Tax (Continued)

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 expemted 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.

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ACCOUNTING PRINCIPLES (Continued)

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.

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.

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ACCOUNTING PRINCIPLES (Continued)

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.

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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%.

Information Related To The Components of Shareholders' Equity:

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
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	-	
Common Equity Tier 1 Capital Before Deductions	1,418,593	
Deductions from Common Equity Tier 1 Capital		
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	-	
Total Deductions From Common Equity Tier 1 Capital	81,523	
Total Common Equity Tier 1 Capital	1,337,070	

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

I. EXPLANATIONS ON SHAREHOLDER'S EQUITY (Continued)

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
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	-	
Transition from the Core Capital to Continue to deduce Components	-	
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 (-)	-	
Total Deductions From Additional Tier I Capital	12,656	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,324,414	
TIER II CAPITAL		
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	
Tier II Capital Before Deductions	36,348	
Deductions From Tier II Capital	-	
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 (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	36,348	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,360,762	

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

I. EXPLANATIONS ON SHAREHOLDER'S EQUITY (Continued)

	Current Period 31.12.2017	Amounts related to treatment before 1/1/2014 (*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th 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	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
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 (-)	-	
TOTAL CAPITAL		
Total Capital	1,259,583	
Total risk weighted amounts	9,643,523	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	13.87	
Tier I Capital Adequacy Ratio (%)	13.73	
Capital Adequacy Ratio (%)	13.06	
BUFFERS		
Total Additional Tier I Capital Requirement Ratio (a + b + c)	1.25	
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	
Amounts below the Excess Limits as per the Deduction Principles		
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	-	
Limits related to provisions considered in Tier II calculation		
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	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
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	-	

(*)The amount to be taken into consideration under the transition decrees.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**I. EXPLANATIONS ON SHAREHOLDER’S EQUITY (Continued)****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
COMMON EQUITY TIER 1 CAPITAL	
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’s Profit	-
Prior Period’s Profit	-
Free Provisions for Possible Risks	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	-
Common Equity Tier 1 Capital Before Deductions	777,673
Deductions from Common Equity Tier 1 Capital	
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 (-)	-
Total Deductions from Common Equity Tier 1 Capital	42,795
Total Common Equity Tier 1 Capital	734,878

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
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	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
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 (-)	-	-
Total Deductions From Additional Tier I Capital	9,162	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital–Common Equity Additional Tier I Capital)	725,716	-
TIER II CAPITAL		
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	-
Tier II Capital Before Deductions	17,287	-
Deductions From Tier II Capital	-	-
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 (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	17,287	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	743,003	-

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th 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	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
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 (-)	-	
TOTAL CAPITAL		
Total Capital	706,161	
Total risk weighted amounts	5,666,714	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12.97	
Tier I Capital Adequacy Ratio	12.81	
Capital Adequacy Ratio	12.46	
BUFFERS		
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	
Amounts below the Excess Limits as per the Deduction Principles	-	
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	-	
Limits related to provisions considered in Tier II calculation		
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	-	
Debt Instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
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	-	

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

I. EXPLANATIONS ON SHAREHOLDER’S EQUITY (Continued)

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.

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 monitory transactions.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE
BANK (Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued)

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).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

	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	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
Current Period																	
Domestic	2,178,097	-	84,658	-	-	1,270,572	8,382,582	1,033,272	1,294,917	7,793	2,027	-	-	-	-	103,069	14,356,987
European Union Countries	-	-	-	-	-	58,927	-	-	-	-	-	-	-	-	-	-	58,927
OECD Countries ⁽¹⁾	-	-	-	-	-	750	-	-	-	-	-	-	-	-	-	-	750
Off-shore Banking Regions	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	3
USA, Canada	-	-	-	-	-	3,983	-	-	-	-	-	-	-	-	-	-	3,983
Other Countries	-	-	-	-	-	76,780	-	-	-	-	-	-	-	-	-	-	76,780
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	100
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,178,097	-	84,658	-	-	1,411,015	8,382,582	1,033,272	1,294,917	7,793	2,027	-	-	-	-	103,169	14,497,530

	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	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
Prior Period																	
Domestic	1,482,353	-	8,680	-	-	752,133	4,659,408	264,899	801,553	4,102	-	-	-	-	-	73,713	8,046,841
European Union Countries	-	-	-	-	-	233,710	-	-	-	-	-	-	-	-	-	-	233,710
OECD Countries ⁽¹⁾	-	-	-	-	-	449	-	-	-	-	-	-	-	-	-	-	449
Off-shore Banking Regions	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	3
USA, Canada	-	-	-	-	-	8	-	-	-	-	-	-	-	-	-	-	8
Other Countries	-	-	-	-	-	2,952	-	-	-	-	-	-	-	-	-	-	2,952
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	50
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,482,353	-	8,680	-	-	989,255	4,659,408	264,899	801,553	4,102	-	-	-	-	-	73,763	8,284,013

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

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK(Continued)

Risk Profile by Sectors or Counterparties

Current Period	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	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
Sectors/Counter Parties																			
Agriculture	-	-	-	-	-	-	79,855	11,587	5,767	-	-	-	-	-	-	-	80,833	16,376	97,209
Farming and Stockbreeding	-	-	-	-	-	-	77,031	7,439	5,542	-	-	-	-	-	-	-	73,636	16,376	90,012
Forestry	-	-	-	-	-	-	1,418	4,148	-	-	-	-	-	-	-	-	5,566	-	5,566
Fishing	-	-	-	-	-	-	1,406	0	225	-	-	-	-	-	-	-	1,631	-	1,631
Manufacturing	-	-	-	-	-	-	3,447,915	260,712	127,328	47	229	-	-	-	-	-	1,739,873	2,096,358	3,836,231
Mining and Quarrying	-	-	-	-	-	-	91,600	3,122	-	-	-	-	-	-	-	-	45,244	49,478	94,722
Production	-	-	-	-	-	-	3,212,657	256,586	122,465	47	229	-	-	-	-	-	1,547,561	2,044,423	3,591,984
Electric, Gas and Water	-	-	-	-	-	-	143,658	1,004	4,863	-	-	-	-	-	-	-	147,068	2,457	149,525
Construction	-	-	-	-	-	-	1,946,310	102,837	329,227	2,534	205	-	-	-	-	-	1,973,162	407,951	2,381,113
Services	2,178,097	-	82,903	-	-	1,411,015	2,827,739	424,957	242,649	5,212	1,432	-	-	-	-	100	4,977,404	2,196,700	7,174,104
Wholesale and Retail Trade	-	-	-	-	-	-	1,716,082	324,489	111,785	5,212	1,432	-	-	-	-	-	1,864,225	294,775	2,159,000
Hotel Food and Beverage Services	-	-	-	-	-	-	25,548	11,493	8,209	-	-	-	-	-	-	-	32,992	12,258	45,250
Transportation and Telecommunication	-	-	-	-	-	-	74,349	21,148	798	-	-	-	-	-	-	-	95,713	582	96,295
Financial Institutions	2,178,097	-	82,900	-	-	1,411,015	185,623	884	-	-	-	-	-	-	-	100	2,203,450	1,655,169	3,858,619
Real Estate and Leasing Services	-	-	-	-	-	-	701,029	59,107	109,863	-	-	-	-	-	-	-	723,955	146,044	869,999
Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	29,830	3,250	11,659	-	-	-	-	-	-	-	37,271	7,468	44,739
Health and Social Services	-	-	3	-	-	-	95,278	4,586	335	-	-	-	-	-	-	-	19,798	80,404	100,202
Other	-	-	1,755	-	-	-	80,763	233,179	589,946	-	161	-	-	-	-	103,069	955,908	52,965	1,008,873
Total	2,178,097	-	84,658	-	-	1,411,015	8,382,582	1,033,272	1,294,917	7,793	2,027	-	-	-	-	103,169	9,727,180	4,770,350	14,497,530

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

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK(Continued)

Prior Period Sectors/Counter Parties	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 rate receivables	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
Agriculture	-	-	-	-	-	-	36,258	3,565	6,267	40	-	-	-	-	-	-	46,029	101	46,130
Farming and Stockbreeding	-	-	-	-	-	-	29,916	2,341	1,877	40	-	-	-	-	-	-	34,073	101	34,174
Forestry	-	-	-	-	-	-	6,170	1,219	4,390	-	-	-	-	-	-	-	11,779	-	11,779
Fishing	-	-	-	-	-	-	172	5	-	-	-	-	-	-	-	-	177	-	177
Manufacturing	-	-	6,489	-	-	-	2,089,278	72,612	240,146	615	-	-	-	-	-	-	1,300,865	1,108,275	2,409,140
Mining and Quarrying	-	-	-	-	-	-	46,840	3,595	11,177	-	-	-	-	-	-	-	57,458	4,154	61,612
Production	-	-	6,489	-	-	-	1,918,055	68,625	228,755	615	-	-	-	-	-	-	1,118,418	1,104,121	2,222,539
Electric, Gas and Water	-	-	-	-	-	-	124,383	392	214	-	-	-	-	-	-	-	124,989	-	124,989
Construction	-	-	-	-	-	-	853,759	16,810	118,737	-	-	-	-	-	-	-	673,378	315,928	989,306
Services	1,482,353	-	-	-	-	989,255	1,631,954	58,270	115,516	1,277	-	-	-	-	-	50	2,851,452	1,427,223	4,278,675
Wholesale and Retail Trade	-	-	-	-	-	-	981,203	44,011	68,550	1,277	-	-	-	-	-	-	768,276	326,765	1,095,041
Hotel Food and Beverage Services	-	-	-	-	-	-	88,373	2,910	260	-	-	-	-	-	-	-	33,583	57,960	91,543
Transportation and Telecommunica tion	-	-	-	-	-	-	338,699	2,269	441	-	-	-	-	-	-	-	141,304	200,105	341,409
Financial Institutions	1,482,353	-	-	-	-	989,255	55,072	401	1,801	-	-	-	-	-	-	50	1,736,027	792,905	2,528,932
Real Estate and Leasing Services	-	-	-	-	-	-	144,163	7,267	33,387	-	-	-	-	-	-	-	142,087	42,730	184,817
Self- Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	11,396	87	10,991	-	-	-	-	-	-	-	15,716	6,758	22,474
Health and Social Services	-	-	-	-	-	-	13,048	1,325	86	-	-	-	-	-	-	-	14,459	-	14,459
Other	-	-	2,191	-	-	-	48,159	113,642	320,887	2,170	-	-	-	-	-	-	73,713	521,149	560,762
Total	1,482,353	-	8,680	-	-	989,255	4,659,408	264,899	801,553	4,102	-	-	-	-	-	73,763	5,392,873	2,891,140	8,284,013

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

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications					
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	-	-	-	-
Grand Total	3,392,550	1,003,607	1,584,654	2,017,103	6,377,251

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

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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

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.

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
Total	34,841	37,849	857	18,088

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**II. EXPLANATIONS ON CREDIT RISK (Continued)****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

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	-	-
Total credit risk exposure of balance sheet items	12,545,760	6,658,892
Financial Guarantees	6,111,538	3,507,969
Commitments	132,756	48,498
Total credit risk exposure of off-balance sheet items	6,244,294	3,556,467
Total credit risk exposure	18,790,054	10,215,359

Information about credit quality per class of financial assets:

	Current Period			Prior Period		
Financial Assets	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
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%.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)
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

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

IV. EXPLANATIONS ON THE CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

	EUR	USD	Other FC ⁽⁴⁾	Total
Current Period				
Assets				
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 ⁽³⁾	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	7,712	-	7,712
Loans ⁽¹⁾	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
Total Assets	2,527,292	2,684,690	158,015	5,369,997
Liabilities				
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
Total liabilities	1,881,951	3,284,917	154,986	5,321,854
Net balance sheet position	645,341	(600,227)	3,029	48,143
Net off-balance sheet position	(634,634)	629,444	-	(5,190)
Financial derivative assets	-	629,444	-	629,444
Financial derivative liabilities	634,634	-	-	634,634
Non-cash Loans	1,604,487	1,294,816	38,860	2,938,163
Prior Period				
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
Net Balance Sheet Position	51,147	(60,177)	1,696	(7,334)
Net Off-Balance Sheet Position ⁽²⁾	(129,260)	130,412	-	1,152
Financial Derivative Assets	-	130,412	-	130,412
Financial Derivative Liabilities	129,260	-	-	129,260
Non-cash Loans	930,417	1,200,728	35,490	2,166,635

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

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

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

⁽⁴⁾ 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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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.

- 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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2) Liquidity Coverage Ratio (Continued):

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.

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2,018,345	1,283,032	2,018,345	1,283,032
High quality liquid assets	-	-	2,018,345	1,283,032
CASH OUTFLOWS	13,514,181	5,333,357	3,430,342	1,768,038
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
TOTAL CASH OUTFLOW	-	-	3,430,342	1,768,038
CASH INFLOWS	2,225,933	1,091,482	1,865,202	1,080,505
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
TOTAL CASH INFLOWS	2,225,933	1,091,482	1,865,202	1,080,505
Applied maximum rate values	-	-	-	-
TOTAL High quality liquid asset STOCK	-	-	2,018,345	1,283,032
TOTAL NET CASH OUTFLOWS	-	-	1,565,140	687,533
LIQUIDITY COVERAGE RATIO (%)	-	-	129	187

(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2) Liquidity Coverage Ratio (Continued):

Prior Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	880,253	559,751	705,398	385,323
High quality liquid assets	-	-	705,398	385,323
CASH OUTFLOWS	6,260,670	2,337,819	1,527,873	635,354
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
TOTAL CASH OUTFLOW	-	-	1,527,873	635,354
CASH INFLOWS	1,271,674	396,524	1,079,211	392,799
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
TOTAL CASH INFLOWS	1,271,674	396,524	1,079,211	392,799
Applied maximum rate values	-	-	-	-
TOTAL High quality liquid asset STOCK	-	-	705,398	385,323
TOTAL NET CASH OUTFLOWS	-	-	448,662	242,555
LIQUIDITY COVERAGE RATIO (%)	-	-	153	186

(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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(*)	Total
Current Period								
Assets								
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 (*)	155,975	8,934	515	3,174	280,271	80,050	-	528,919
Total Assets	760,275	2,773,702	844,683	2,935,363	5,945,583	1,085,818	4,719	14,350,143
Liabilities								
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 (*)	-	-	-	-	-	-	1,650,256	1,650,256
Total Liabilities	1,651,167	7,435,459	1,788,562	1,590,544	198,439	-	1,685,972	14,350,143
Liquidity Gap	(890,892)	(4,661,757)	(943,879)	1,344,819	5,747,144	1,085,818	(1,681,253)	-

(*) 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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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 (*)	Total
Prior Period								
Assets								
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	101,247	315,971
Total Assets	1,674,471	666,343	342,551	1,445,320	3,105,341	624,234	101,247	7,959,507
Liabilities								
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 (*)	-	-	-	-	-	-	885,589	885,589
Total Liabilities	833,060	3,974,564	1,108,996	982,555	157,716	-	902,616	7,959,507
Liquidity Gap	841,411	(3,308,221)	(766,445)	462,765	2,947,625	624,234	(801,369)	-

(*) 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.

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
Current Period ⁽¹⁾						
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
Total	7,435,459	1,788,562	1,590,544	198,439	-	11,013,004
Prior Period ⁽¹⁾						
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
Total	3,974,564	1,108,996	982,555	157,716	-	6,223,831

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

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^(*)	Prior Period^(*)
Balance sheet assets		
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
Derivative financial instruments and credit derivatives		
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
Security or secured financing transactions		
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
Off-balance sheet transactions		
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
Equity and total risk		
Main capital	1,318,315	720,194
Total risk amount	20,015,200	10,489,529
Leverage ratio		
Leverage ratio	6.6	6.9

^(*) Amounts in the table are obtained on the basis of three-month weighted average.

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.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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.

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 (*)	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	Total (1+4+7+8+9+10+11+12+16+19+23+24)	9,643,523	5,666,714	771,481

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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 of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	
Assets					
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	-
Total Assets	14,350,143	14,270,839	501,458	3,339,717	79,267
Liabilities					
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	-	-	-	-
Total Liabilities	14,350,143	-	32,462	5,328,134	-

(*) Indicating Bank's unconsolidated financial statements.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures

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
Asset carrying value amount under scope of regulatory consolidation	14,350,143	14,270,839	-	501,458	3,339,717
Liabilities carrying value amount under regulatory scope of consolidation	32,462	-	-	32,462	-
Total net amount under regulatory scope of consolidation	14,317,681	14,270,839	-	468,996	-
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	-	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	-	-	-

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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Explanations on Credit Risk (Continued)

3,1) General information about credit risk (Continued)

a) General qualitative information about credit risk (Continued)

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.

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
Total	34,841	18,437,879	26,118	18,446,602

(*) 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	Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)	34,841

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".

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****3. Explanations on Credit Risk (Continued)****3.1) General informations on credit risk (Continued)****d) General qualitative information on credit risk (Continued)****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).

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
Total	11,357,991	34,841	18,088	11,374,744

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Explanations on Credit Risk (Continued)

3.1) General informations on credit risk (Continued)

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-off (Continued)

	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
Total	11,357,991	34,841	18,088	11,374,744

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
Current Period								
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
Prior Period								
Loans given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942

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
Total	37,237	7,993	4,553	49,783

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)
IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)
3. Explanations on Credit Risk (Continued)
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	-	-	-	-	-	-
Total	10,451,777	1,812,904	971,403	1,390,238	914,450	-	-
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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3.3) Credit risk under standardized approach (Continued)

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%
Total	10,603,614	6,182,199	10,603,614	3,893,916	9,308,305	64%

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****3.3) Credit risk under standardized approach (Continued)****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
Total	3,030,371	-	971,009	674,564	620,353	898,373	740,926	7,559,907	2,027	-	-	14,497,530

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK (Continued)

b) Evaluation of counterparty credit risk according to measurement methods

		Replacement cost	Potential future exposure	EEPE(*)	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					-	-
6	Total						3,216

(*) 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
4	Total subject to the CVA capital charge	6,641	1,875

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK (Continued)

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 ^(*)
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	-	-	-	-	-	-	-	-	-
Total	501,421	-	347	6,294	-	-	-	-	3,216

(*) 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
Total	-	-	-	-	32,462	501,421

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK (Continued)

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.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK (Continued)

6. Explanations on Market Risk (Continued)

a) Qualitative information to be disclosed to the public regarding market risk (Continued)

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	-
9	Total	44,918

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.

	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

ZİRAAT KATILIM BANKASI A.Ş.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

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:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	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
Profit Shares Expense	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	-	-	-	-	-
Net Profit Shares Income/Expense	(59,284)	474,284	(2,524)	30,610	443,086
Net Fees and Commission Income/Expense	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
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	11,556	-	11,556
Other Operating Income	-	2	-	2,661	2,663
Provision for Loans or Other Receivables Losses	9,420	61,562	-	19,161	90,143
Other Operating Expense	-	366	-	197,165	197,531
Income Before Tax	(66,704)	447,624	9,032	(189,978)	199,974
Tax Provision	-	-	-	(41,072)	(41,072)
Net Profit/Loss	(66,704)	447,624	9,032	(231,050)	158,902
SEGMENT ASSETS					
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
Total Segment Assets	1,367,454	8,891,170	1,919,011	2,172,508	14,350,143
SEGMENT LIABILITIES					
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
Total Segment Liabilities	6,370,882	3,653,713	2,645,856	1,679,692	14,350,143

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period 1 January - 31 December 2016	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
31 December 2016					
Profit Shares Income	51,842	304,443	29,211	5,246	390,742
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
Profit Shares Expense	83,476	64,859	32,550	-	180,885
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	-	-	-	-	-
Net Profit Shares Income/Expense	(31,634)	239,584	(3,339)	5,246	209,857
Net Fees and Commission Income/Expense	3,528	12,749	-	(2,072)	14,205
Fees and Commissions Received	3,528	12,749	-	4,310	20,587
Fees and Commissions Paid	-	-	-	6,382	6,382
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	7,030	-	7,030
Other Operating Income	-	-	-	1,739	1,739
Provision for Loans or Other Receivables Losses	3,473	39,372	-	8,925	51,770
Other Operating Expense	-	16	-	140,563	140,579
Income Before Tax	(31,579)	212,945	3,691	(144,575)	40,482
Tax Provision	-	-	-	(9,809)	(9,809)
Net Profit/Loss	-	-	-	30,673	30,673
SEGMENT ASSETS					
31 December 2016					
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
Total Segment Assets	411,111	4,661,275	1,369,902	1,517,219	7,959,507
SEGMENT LIABILITIES					
31 December 2016					
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
Total Segment Liabilities	3,501,012	2,134,990	1,420,889	902,616	7,959,507

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

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

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
Financial Assets	12,177,498	6,441,079	12,177,498	6,441,079
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
Financial Liabilities	12,667,425	6,940,250	12,667,425	6,940,250
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.

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 31 DECEMBER 2017

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

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

XIII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (Continued)

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	37	-	37
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	37	-	37
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	511,742	7,712	-	519,454
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other Marketable Securities	511,742	7,712	-	519,454
Total Assets	511,742	7,749	-	519,491
Trading Derivative Financial Liabilities	-	6,280	-	6,280
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	6,280	-	6,280

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	1,159	-	-	1,159
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	1,159	-	-	1,159
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	409,964	4,719	-	414,683
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	409,964	-	-	409,964
Total Assets	411,123	4,719	-	415,842
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	-	-	-

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
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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	-	-	-	-
Total	305,803	1,337,886	633,389	567,909

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 ^(*)	5,489	1,314,980	1,754	553,740
Total	287,567	1,314,998	614,993	553,755

^(*) 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).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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.

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	-	-	-	-
Total	33	4	7	1,152

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	-	-	-	-
Total	3,320	275,261	6,561	461,893

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 ⁽¹⁾	709	442	-	-
Off-shore Banking Regions	-	-	-	-
Other	932	50	-	-
Total	64,592	234,217	-	-

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

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
Total	493,368	186,880

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 31 DECEMBER 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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
Total	524,173	414,683

(*) 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	-
Total	760,258	-	480,896	-

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
Cash Loans						
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	-	-
Total	11,318,542	-	-	39,449	-	-

As of 31 December 2017, there are no loans and other receivables with revised contract terms (31 December 2016 : None).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans:

No, of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	-	-

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	-	-
Total	-	-

c) Breakdown of Cash-loans based on maturity:

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables Under Close Monitoring ⁽¹⁾	
	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	-	-	-	-

⁽¹⁾ TL 364,832 accrual and rediscount amounts are not included related to loans in the table.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans:

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans -TL	2,911	1,358,103	1,361,014
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	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans -TL	42	1,070	1,112
Housing Loans	-	-	-
Vehicle Loans	-	19	19
Consumer Loans	42	1,051	1,093
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total ⁽¹⁾	2,953	1,359,173	1,362,126

⁽¹⁾ Dividend rediscount amounting to TL 5,347 not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)****5. Information related to loans: (Continued)****d) Information on commercial installment loans and corporate credit cards:**

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	29,835	175,252	205,087
Business Loans	-	23,544	23,544
Vehicle Loans	29,835	151,708	181,543
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	7,847	43,694	51,541
Business Loans	-	-	-
Vehicle Loans	7,847	43,694	51,541
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans – FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	37,682	218,946	256,628

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
Total	11,357,991	5,551,291

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
Total	11,357,991	5,551,291

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).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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
Total	18,088	3,832

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
Ending balance of prior period	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	-	-	-
Ending balance of the current period	7,584	9,562	17,695
Specific provisions (-)	1,449	2,866	13,773
Net balance at the balance sheet	6,135	6,696	3,922

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).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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
Current Period (Net)	6,135	6,696	3,922
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)	-	-	-
Prior Period (Net)	326	6,325	-
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.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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).

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
Beginning Balance	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	-	7,896
Disposals through Sales and Redemptions	-	7,896
Provision for Impairment (-)	-	-
Period End Balance	-	-

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.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)**

	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 ^(*)	557,873	53	-	26,922	-	2	1	-	-
2 ^(*)	51	37	-	-	-	(13)	-	-	-

^(*) Audited financial statements used.**c) Information on consolidated subsidiaries:**

	Current Period	Prior Period
Balance at the beginning of the year	50	-
Movements during the year	50	50
Purchases	50	50
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Specific provision for impairment (-)	-	-
Balance at the end of the year	100	50
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

^(*) Paid Capital Increases made during the period are classified under “Purchases” account.**8. Information on joint ventures (net):****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).

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)****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
Total	479,451	372,944	265,785	221,373

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	-	-
Net book value at the end of the period	3,561	-

14. Explanations on property and equipment:

	Immovable	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	20,608	35,820	56,428
Accumulated Depreciation (-)	-	-	-	4,606	8,179	12,785
Net Book Value	-	-	-	16,002	27,641	43,643
Current Period End:						
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
Closing Net Book Value	-	-	-	15,987	31,248	47,235

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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
Total	69,787	6,507	63,280	26,357	3,452	22,905

- 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.

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
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
Net deferred tax asset	14,093	4,876

	Current Period	Prior Period
As of January 1	4,876	(652)
Deferred tax Income/(Loss) (Net)	5,835	4,540
Deferred Tax Accounted for Under Equity	3,382	988
Deferred tax asset	14,093	4,876

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.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	1,651,165	815,479	6,731,253	405,355	-	229,217	192,126	-	10,024,595

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 31 DECEMBER 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	833,060	429,418	3,947,787	262,354	-	49,742	113,641	-	5,636,002

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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	-	-	-	-
Total	-	6,280	-	-

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****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
Total	977,178	1,629,936	101,459	1,185,762

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
Total	977,178	1,629,936	101,459	1,185,762

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
Domestic	32,462	-	133,668	-
Financial Institutions	32,462	-	133,668	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	32,462	-	133,668	-

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.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****7. Information on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
General Provisions	99,082	52,263
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).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****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
Balance at the 1 January	780	-
Changes during the period	1,550	859
Paid during the period	-	-
Actuarial loss/(gain)	-	(79)
Balance at the end of the period	2,330	780

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.

8. 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).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****8. Explanations on tax liability: (Continued)****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
Total	27,158	9,752

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	-	-
Total	277	116

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).

10. Explanations on subordinated debts:

The Bank does not have any subordinated debts (31 December 2016 : None).

11. 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 Bank does not have a registered capital system.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**
II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)
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	-	-	-	-
Total	(14,901)	(11)	(963)	(107)

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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	-
Total	132,756	48,498

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
Total	6,111,538	3,507,969

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
Total	5,322,130	2,772,734

b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	1,557,532	922,212
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
Total	6,111,538	3,507,969

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS (Continued)

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

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
Total	3,173,376	100	2,938,162	100	1,341,334	100	2,166,635	100

d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	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	-	-

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS
(Continued)**

2. Explanations on derivative transactions:

	Current Period	Prior Period
Types of Trading Transactions		
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)	-	-
A. Total Trading Derivative Transactions (I+II)	1,264,078	259,672
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	1,264,078	259,672

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.

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	(3,672)	(1,518)	-	-	-	(5,190)
– Addition	313,645	315,799	-	-	-	629,444
– Disposal	(317,317)	(317,317)	-	-	-	(634,634)
Hedging Transactions	-	-	-	-	-	-
Foreign Exchange derivatives:	-	-	-	-	-	-
– Addition	-	-	-	-	-	-
– Disposal	-	-	-	-	-	-
Total cash addition	313,645	315,799	-	-	-	629,444
Total cash disposal	(317,317)	(317,317)	-	-	-	(634,634)

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS
(Continued)**

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign exchange derivatives:	394	758	-	-	-	1,152
– Addition	37,044	93,368	-	-	-	130,412
– Disposal	(36,650)	(92,610)	-	-	-	(129,260)
Hedging Transactions						
Foreign Exchange derivatives:	-	-	-	-	-	-
– Addition	-	-	-	-	-	-
– Disposal	-	-	-	-	-	-
Total cash addition	37,044	93,368	-	-	-	130,412
Total cash disposal	(36,650)	(92,610)	-	-	-	(129,260)

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.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****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
Profit share on loans ⁽¹⁾	835,038	50,714	333,620	22,665
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	-	-	-	-

⁽¹⁾ 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	-	-	-	-
Total	-	-	353	-

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	-
Total	48,298	336	24,232	267

d) Information on profit share income received from associates and subsidiaries:

None (31 December 2016: None).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)****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
Total	28,264	35,850	8,460	16,592

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	
Account name						
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
Total	47,472	329,524	21,082	8,592	10,420	417,090
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
Total	3,902	45,281	3,054	687	1,120	54,044
General Total	51,374	374,805	24,136	9,279	11,540	471,134

3. Informations on dividend income:

None (31 December 2016 : None).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)

4. a. Information on trading income/loss (Net):

	Current Period	Prior Period
Income	2,847,899	1,170,436
Foreign exchange gains	2,832,166	1,159,044
Gain on derivative financial instruments	15,707	11,392
Gain on capital market transactions	26	-
Losses (-)	2,836,343	1,163,406
Foreign Exchange losses	2,793,077	1,162,689
Losses on derivative financial instruments	42,389	717
Losses on capital market transactions	877	-
Net	11,556	7,030

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
Total	(26,682)	10,675

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.

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
Total	90,143	51,770

^(*) The balance which forms the other item part, amount of TL 26,313 represents the separated profit share amount of the participation accounts.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)

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
Total	197,531	140,579

^(*) 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.

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
Income/(Loss) from Continuing Operations	199,974	40,482

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).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)

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).

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.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****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	-	-
Total Cash and Cash Equivalents	1,114,258	145,137

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	-	-
Total Cash and Cash Equivalents	601,800	1,114,258

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	558,924	-	-	-
Balance at end of period	-	-	758,988	-	-	-
Profit share and commission income	-	-	8,248	-	-	-

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	-	-	-
Profit share and commission income	-	-	11,533	-	-	-

- 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
Current and profit sharing accounts						
Balance at beginning of period	-	-	1,796	891	-	-
Balance at end of period	-	-	8,159	1,796	-	-
Profit share expense	-	-	2,314	2	-	-

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK
(Continued)****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	-	-
Total Profit/Loss	-	-	6,280	10,675	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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 ⁽¹⁾	63	890			
Foreign Representative Office	-	-	-	-	-
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

⁽¹⁾ 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 31 DECEMBER 2017**

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

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.