

KUVEYT TÜRK KATILIM BANKASI A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED 1
JANUARY-31 MARCH 2018 WITH
INDEPENDENT AUDITOR'S LIMITED
REVIEW REPORT**

**(CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL
STATEMENTS, RELATED DISCLOSURES
AND FOOTNOTES ORIGINALLY ISSUED IN
TURKISH)**

**(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS, RELATED
DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**LIMITED REVIEW REPORT
FOR THE INTERIM FINANCIAL INFORMATION**

To the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş.

Introduction

We have reviewed the accompanying consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “ the Group”), as at 31 March 2018, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures And Principles Regarding Banks’Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with the number 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical procedures and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all the significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at 31 March 2018, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information provided in the Management's interim report included in Section 8 of the accompanying consolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed consolidated interim financial statements and the explanatory notes.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat, SMMM
Partner

İstanbul, 25 May 2018

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
AS OF 31 MARCH 2018**

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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The consolidated interim financial report for the three-month period prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
- CONSOLIDATED INTERIM REPORT

The subsidiaries, associates and jointly-controlled partners which are consolidated within the framework of this financial report are as follows:

	Subsidiaries	Associates	Jointly-Controlled Partners
1.	Kuwait Turkish Participation Bank Dubai LTD	-	Katılım Emeklilik ve Hayat A.Ş.
2.	KT Sukuk Varlık Kiralama A.Ş.	-	-
3.	KT Kira Sertifikaları Varlık Kiralama A.Ş.	-	-
4.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-
5.	KT Bank AG.	-	-
6.	KT Portföy Yönetimi A.Ş.	-	-
7.	KT Sukuk Company Limited	-	-

The consolidated financial statements for the three-month period and the related disclosures and footnotes that were subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira (TL).

Hamad Abdulmohsen AL-MARZOUQ
Chairman of the Board of Directors

Adnan ERTEM
Vice Chairman of BOD
And Head of the Audit Committee

Ahmad S A A AL KHARJI
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
General Manager

Ahmet KARACA
Chief Financial Officer

İsmail Hakkı
YEŞİLYURT
External Reporting
Manager

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

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

Kuveyt Türk Katılım Bankası A.Ş. (“The Bank” or “The Parent Bank”) was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Bank’s equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

The Bank’s subsidiary, KT Bank AG, which is 100% owned by the Bank was established in April 2015. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

The Parent Bank and its consolidated financial subsidiaries are named together as “Group”.

2. Shareholding structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Parent Bank and the disclosures on any related changes in the current period, if any, and information about the Group that the Parent Bank belongs to

As of 31 March 2018, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the bank :

Name	Position	The Date of Assignment	The Date of Assignment of Audit Committee	Education Degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Chairman of the Board of Directors	25/06/2014		Masters’ Degree	-
Dr. Adnan ERTEM	Vice Chairman of BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor’s Degree	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor’s Degree	-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor’s Degree	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor’s Degree	-
Mohamad Al-MİDANİ	Member of BOD and Member of the Audit Committee	05/05/2015	15/05/2015	Masters’ Degree	-
Ahmad S. AL KHARJİ	Member of BOD and Member of the Audit Committee	26/03/2014	24/09/2014	Masters’ Degree	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Masters’ Degree	%0.0567
Ahmet KARACA	Assistant General Manager of Chief Financial Officer	12/07/2006		Masters’ Degree	%0.0002
Ahmet Süleyman KARAKAYA	Assistant General Manager of Corporate and Commercial Banking	14/01/2003		Bachelor’s Degree	-
Bilal SAYIN	Assistant General Manager of Lending	20/08/2003		Bachelor’s Degree	%0.0035
İrfan YILMAZ	Assistant General Manager of Banking Services	27/10/2005		Bachelor’s Degree	%0.0161
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager of Treasury and International Banking	05/05/2005		Doctorate	%0.0091
Nurettin KOLAÇ	Assistant General Manager of Legal and Risk Follow-up	20/04/2010		Bachelor’s Degree	%0.0007
Aslan DEMİR	Assistant General Manager of Strategy	08/10/2012		Bachelor’s Degree	%0.0047
Mehmet ORAL	Assistant General Manager of Retail Banking	01/10/2012		Bachelor’s Degree	%0.0029
Abdurrahman DELİPOYRAZ	Assistant General Manager of SME Banking	09/01/2015		Bachelor’s Degree	%0.0028

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Parent Bank’s share capital (31 December 2017 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,929,479	62.24%	1,929,479	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	580,297	18.72%	580,297	-
Total	2,509,776	80.96%	2,509,776	-

As of 31 March 2018, the shares of parent shareholder of the Parent Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

5. Explanations of the Parent Bank’s services and field of operations

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 March 2018, the Group is operating through 403 domestic branches (31 December 2017 – 403) with 5,799 employees (31 December 2017 – 5,846). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows:

- To collect funds through “Current Accounts” and “Profit/Loss Sharing Accounts” and special fund pools in line with the regulations;
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking;
- To offer financial and operational leasing;
- To handle all kinds of deposits and payments, including travelers’ checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services;
- To purchase financial instruments on money and capital markets in cash or installments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking;
- To purchase, acquire and construct any kind of real estate and if necessary lease or transfer ownership to other persons;
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies);
- To provide socially responsible aid for the benefit of the community in the light of the legislations.

The Parent Bank’s activities are not limited to the list above. If another transaction is decided to be beneficial to the Parent Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

6. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Parent Bank and its subsidiaries

None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

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- III. Consolidated Income Statement (Consolidated Statement of Profit/(Loss))
- IV. Consolidated Statement Of Income/Expense Items Accounted Under Shareholders' Equity
(Consolidated Other Comprehensive Income/Loss)
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. CONSOLIDATED BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

			Reviewed Current period 31.03.2018		
		Note	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		2,665,405	13,258,096	15,923,501
1.1	Cash And Cash Equivalents		652,563	11,553,139	12,205,702
1.1.1	Cash And Balances With Central Bank	(1)	643,796	7,861,111	8,504,907
1.1.2	Banks	(3)	8,767	3,692,028	3,700,795
1.1.3	Receivables From Money Markets		-	-	-
1.2	Financial Assets At Fair Value Through Profit Or Loss	(2)	33,035	102,535	135,570
1.2.1	Government Debt Securities		27,134	19,210	46,344
1.2.2	Equity Instruments		-	-	-
1.2.3	Other Financial Assets		5,901	83,325	89,226
1.3	Financial Assets At Fair Value Through Other Comprehensive Income	(4)	1,973,973	1,578,305	3,552,278
1.3.1	Government Debt Securities		1,852,395	1,340,985	3,193,380
1.3.2	Equity Instruments		10,325	11,561	21,886
1.3.3	Other Financial Assets		111,253	225,759	337,012
1.4	Financial Assets Measured At Amortised Cost	(6)	-	-	-
1.4.1	Government Debt Securities		-	-	-
1.4.2	Other Financial Assets		-	-	-
1.5.	Derivative Financial Assets		8,624	26,396	35,020
1.5.1	Derivative Financial Assets At Fair Value Through Profit Or Loss		8,624	26,396	35,020
1.5.2	Derivative Financial Assets At Fair Value Through Other Comprehensive Income		-	-	-
1.6.	Non-Performing Financial Assets		-	-	-
1.7	Expected Loss Provision (-)		2,790	2,279	5,069
II.	LOANS (Net)	(5)	34,251,756	9,110,110	43,361,866
2.1	Loans		32,811,392	8,373,768	41,185,160
2.1.1	Loans Measured At Amortised Cost		32,808,103	8,315,003	41,123,106
2.1.2	Loans At Fair Value Through Profit Or Loss		3,289	58,765	62,054
2.1.3	Loans At Fair Value Through Other Comprehensive Income		-	-	-
2.2	Lease Receivable	(10)	1,579,305	773,030	2,352,335
2.2.1	Finance Lease Receivables		1,784,126	928,395	2,712,521
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		204,821	155,365	360,186
2.3	Factoring Receivables		-	-	-
2.3.1	Measured At Amortised Cost		-	-	-
2.3.2	Fair Value Through Profit Or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	Non-Performing Loans		773,060	894	773,954
2.5	Expected Credit Losses (-)		912,001	37,582	949,583
2.5.1	12-Month Expected Credit Losses (Stage I)		94,718	21,386	116,104
2.5.2	Significant Increase In Credit Risk (Stage II)		301,002	15,313	316,315
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		516,281	883	517,164
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)		137,438	-	137,438
3.1	Held For Sale		137,438	-	137,438
3.2	Related to Discontinued Operations		-	-	-
IV.	EQUITY INVESTMENTS		49,443	-	49,443
4.1	Investments in Associates (Net)	(7)	-	-	-
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
4.2	Subsidiaries (Net)	(8)	23,680	-	23,680
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
4.3	Joint Ventures (Net)	(9)	25,763	-	25,763
4.3.1	Joint Ventures Valued Based on Equity Method		25,763	-	25,763
4.3.2	Unconsolidated Joint Ventures		-	-	-
V.	TANGIBLE ASSETS (Net)		408,608	6,691	415,299
VI.	INTANGIBLE ASSETS (Net)		125,417	52,542	177,959
6.1	Goodwill		-	-	-
6.2	Other		125,417	52,542	177,959
VII.	INVESTMENT PROPERTIES (Net)		25,379	-	25,379
VIII.	CURRENT TAX ASSETS		-	-	-
IX.	DEFERRED TAX ASSETS	(12)	122,005	16,073	138,078
X.	OTHER ASSETS	(13)	496,332	630,926	1,127,258
TOTAL ASSETS			38,281,783	23,074,438	61,356,221

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note	TL	FC	Audited Prior period 31.12.2017 Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	625,022	8,399,697	9,024,719
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	21,768	66,466	88,234
2.1	Held For Trading Financial Assets		21,768	66,466	88,234
2.1.1	Public Sector Debt Securities		7,600	28,719	36,319
2.1.2	Equity Securities		-	-	-
2.1.3	Derivative Financial Assets Held For Trading		14,168	12,531	26,699
2.1.4	Other Marketable Securities		-	25,216	25,216
2.2	Financial Assets At Fair Value Through Profit And Loss		-	-	-
2.2.1	Public Sector Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	BANKS	(3)	8,619	3,563,455	3,572,074
IV.	RECEIVABLES FROM MONEY MARKET	(4)	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)		2,064,954	2,358,776	4,423,730
5.1	Equity Securities		10,325	38,172	48,497
5.2	Public Sector Debt Securities		2,048,171	2,055,277	4,103,448
5.3	Other Marketable Securities		6,458	265,327	271,785
VI.	Loans And Receivables	(5)	29,860,983	6,744,517	36,605,500
6.1	Loans And Receivables		29,813,800	6,744,408	36,558,208
6.1.1	Loans To Risk Group Of The Bank		84,022	67,951	151,973
6.1.2	Public Sector Debt Securities		-	-	-
6.1.3	Other		29,729,778	6,676,457	36,406,235
6.2	Non-Performing Loans		714,130	930	715,060
6.3	Specific Provisions (-)		666,947	821	667,768
VII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-
8.1	Accounted For Under Equity Method		-	-	-
8.2	Unconsolidated Associates		-	-	-
8.2.1	Financial Associates		-	-	-
8.2.2	Non-Financial Associates		-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	23,680	-	23,680
9.1	Unconsolidated Financial Subsidiaries		-	-	-
9.2	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	19,405	-	19,405
10.1	Accounted For Under Equity Method		19,405	-	19,405
10.2	Unconsolidated		-	-	-
10.2.1	Financial Subsidiaries		-	-	-
10.2.2	Non-Financial Subsidiaries		-	-	-
XI.	FINANCE LEASE RECEIVABLES	(10)	1,437,354	643,376	2,080,730
11.1	Finance Lease Receivables		1,624,695	771,045	2,395,740
11.2	Operating Lease Receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned Income (-)		187,341	127,669	315,010
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-
12.1	Fair Value Hedge		-	-	-
12.2	Cash Flow Hedge		-	-	-
12.3	Hedge Of Net Investment Risks In Foreign Operations		-	-	-
XIII.	TANGIBLE ASSETS (Net)		409,644	6,405	416,049
XIV.	INTANGIBLE ASSETS (Net)		119,146	49,819	168,965
14.1	Goodwill		-	-	-
14.2	Other		119,146	49,819	168,965
XV.	INVESTMENT PROPERTIES (Net)		25,419	-	25,419
XVI.	TAX ASSET		138,710	-	138,710
16.1	Current Tax Asset		-	-	-
16.2	Deferred Tax Asset	(12)	138,710	-	138,710
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		117,006	-	117,006
17.1	Held For Sale		117,006	-	117,006
17.2	Discontinued Operations		-	-	-
XVIII.	OTHER ASSETS	(13)	278,349	582,132	860,481
TOTAL ASSETS			35,150,059	22,414,643	57,564,702

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. CONSOLIDATED BALANCE SHEET – LIABILITIES (STATEMENT OF FINANCIAL POSITION)

	Note	TL	FC	Reviewed Current period 31.03.2018 Total
I. FUNDS COLLECTED	(1)	21,725,656	21,585,491	43,311,147
II. FUNDS BORROWED	(3)	108,222	3,440,208	3,548,430
III. MONEY MARKETS		300,105	-	300,105
IV. SECURITIES ISSUED (Net)		1,476,136	4,842,706	6,318,842
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(2)	17,188	39,502	56,690
5.1 Derivative Financial Liabilities At Fair Value Through Profit Or Loss		17,188	39,502	56,690
5.2 Derivative Financial Liabilities At Fair Value Through Other Comprehensive Income		-	-	-
VII. LEASE PAYABLES	(5)	-	-	-
7.1 Finance Lease Payables		-	-	-
7.2 Operating Lease Payables		-	-	-
7.3 Other		-	-	-
7.4 Deferred Finance Lease Expenses (-)		-	-	-
VIII. PROVISIONS	(7)	493,101	119,857	612,958
3.1 Restructuring Provision		-	-	-
3.2 Reserves For Employee Benefits		157,720	488	158,208
3.3 Insurance For Technical Provision (Net)		-	-	-
3.4 Other Provisions		335,381	119,369	454,750
IX. CURRENT TAX LIABILITIES	(8)	51,039	1,489	52,528
X. DEFERRED TAX LIABILITIES		-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
11.1 Held For Sale		-	-	-
11.2 Related To Discontinued Operations		-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(10)	-	1,394,348	1,394,348
12.1 Loans		-	1,394,348	1,394,348
12.2 Other Debt Instruments		-	-	-
XIII. OTHER LIABILITIES	(4)	778,822	91,260	870,082
XIV. SHAREHOLDERS' EQUITY	(11)	4,981,984	(90,893)	4,891,091
14.1 Paid-In Capital		3,097,322	-	3,097,322
14.2 Capital Reserves		24,208	-	24,208
14.2.1 Equity Share Premiums		24,208	-	24,208
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserves		-	-	-
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit Or Loss		(26,947)	-	(26,947)
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit Or Loss		(67,071)	5,716	(61,355)
14.5 Profit Reserves		1,600,562	-	1,600,562
14.5.1 Legal Reserves		185,877	-	185,877
14.5.2 Statutory Reserves		-	-	-
14.5.3 Extraordinary Reserves		1,310,837	-	1,310,837
14.5.4 Other Profit Reserves		103,848	-	103,848
14.6 Profit Or Loss		329,631	(96,609)	233,022
16.6.1 Prior Years' Profits Or Losses		106,742	(107,902)	(1,160)
16.6.2 Current Period Net Profit Or Loss		222,889	11,293	234,182
14.7 Minority Shares	(12)	24,279	-	24,279
TOTAL LIABILITIES AND EQUITY		29,932,253	31,423,968	61,356,221

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The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note	TL	FC	Audited Prior period 31.12.2017 Total
I.	FUNDS COLLECTED	(1)	19,951,556	20,303,407	40,254,963
1.1	Funds From Risk Group Of The Bank		389,739	118,271	508,010
1.2	Other		19,561,817	20,185,136	39,746,953
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	21,446	59,251	80,697
III.	FUNDS BORROWED	(3)	110,116	3,277,011	3,387,127
IV.	MONEY MARKET BALANCES		750,524	-	750,524
V.	MARKETABLE SECURITIES ISSUED (Net)		1,104,618	4,547,223	5,651,841
VI.	SUNDRY CREDITORS		170,672	29,333	200,005
VII.	OTHER LIABILITIES	(4)	329,741	16,177	345,918
VIII.	FINANCE LEASE PAYABLES	(5)	-	-	-
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 PURPOSES	(6)	-	70,795	70,795
9.1	Fair Value Hedge		-	-	-
9.2	Cash Flow Hedge		-	70,795	70,795
9.3	Hedge Of Net Investment In Foreign Operations		-	-	-
X.	PROVISIONS	(7)	642,750	152,670	795,420
10.1	General Loan Loss Provisions		312,384	95,570	407,954
10.2	Restructuring Provisions		-	-	-
10.3	Reserve For Employee Benefits		185,060	334	185,394
10.4	Insurance Technical Reserves (Net)		-	-	-
10.5	Other Provisions		145,306	56,766	202,072
XI.	TAX LIABILITY	(8)	56,259	-	56,259
11.1	Current Tax Liability		56,259	-	56,259
11.2	Deferred Tax Liability		-	-	-
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
12.1	Held For Sale		-	-	-
12.2	Discontinued Operations		-	-	-
XIII.	SUBORDINATED LOANS	(10)	-	1,360,338	1,360,338
XIV.	SHAREHOLDERS' EQUITY	(11)	4,706,108	(95,293)	4,610,815
14.1	Paid-In Capital		3,097,322	-	3,097,322
14.2	Capital Reserves		(86,697)	12,609	(74,088)
14.2.1	Share Premiums		24,208	-	24,208
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Marketable Securities Revaluation Reserve		(23,192)	12,609	(10,583)
14.2.4	Tangible Assets Revaluation Reserve		-	-	-
14.2.5	Intangible Assets Revaluation Reserve		-	-	-
14.2.6	Investment Property Revaluation Reserve		-	-	-
14.2.7	Bonus Shares Obtained From Associates, Subsidiaries And Jointly Controlled Entities		-	-	-
14.2.8	Hedging Funds (Effective Portion)		(60,766)	-	(60,766)
14.2.9	Value Increase On Assets Held For Resale		-	-	-
14.2.10	Other Capital Reserves		(26,947)	-	(26,947)
14.3	Profit Reserves		927,236	-	927,236
14.3.1	Legal Reserves		151,688	-	151,688
14.3.2	Status Reserves		-	-	-
14.3.3	Extraordinary Reserves		688,628	-	688,628
14.3.4	Other Profit Reserves		86,920	-	86,920
14.4	Profit Or Loss		745,193	(107,902)	637,291
14.4.1	Prior Period Income/(Losses)		86,367	(77,931)	8,436
14.4.2	Current Period Net Income/(Losses)		658,826	(29,971)	628,855
14.5	Minority Shares	(12)	23,054	-	23,054
TOTAL LIABILITIES AND EQUITY			27,843,790	29,720,912	57,564,702

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 MARCH
2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Notes	TL	FC	Reviewed Current period 31.03.2018 Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		55,286,218	19,144,274	74,430,492
I.	GUARANTEES AND WARRANTIES	(1)	6,544,781	5,235,236	11,780,017
1.1.	Letters Of Guarantee		6,385,303	3,731,421	10,116,724
1.1.1	Guarantees Subject To State Tender Law		223,725	-	223,725
1.1.2	Guarantees Given For Foreign Trade Operations		400,245	152,770	553,015
1.1.3	Other Letters Of Guarantee		5,761,333	3,578,651	9,339,984
1.2	Bank Loans		1,000	64,255	65,255
1.2.1	Import Letter Of Acceptance		1,000	64,255	65,255
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters Of Credit		1,162	1,227,388	1,228,550
1.3.1	Documentary Letters Of Credit		78	524,664	524,742
1.3.2	Other Letters Of Credit		1,084	702,724	703,808
1.4	Guaranteed Refinancing		-	30,664	30,664
1.5	Endorsements		-	-	-
1.5.1	Endorsements To The Central Bank Of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Other Guarantees		157,316	178,870	336,186
1.7	Other Warrantees		-	2,638	2,638
II.	COMMITMENTS	(1)	47,045,501	213,266	47,258,767
2.1	Irrevocable Commitments		3,624,155	213,266	3,837,421
2.1.1	Forward Asset Purchase And Sales Commitments		82,747	129,200	211,947
2.1.2	Share Capital Commitment To Associates And Subsidiaries		-	-	-
2.1.3	Loan Granting Commitments		479,665	-	479,665
2.1.4	Securities Underwriting Commitments		-	-	-
2.1.5	Payment Commitments For Reserve Deposits		-	-	-
2.1.6	Payment Commitments For Checks		1,549,407	-	1,549,407
2.1.7	Tax And Fund Liabilities From Export Commitments		99	-	99
2.1.8	Commitments For Credit Card Expenditure Limits		1,494,480	-	1,494,480
2.1.9	Commitments For Credit Cards And Banking Services Promotions		-	-	-
2.1.10	Receivables From Short Sale Commitments		-	-	-
2.1.11	Payables For Short Sale Commitments		-	-	-
2.1.12	Other Irrevocable Commitments		17,757	84,066	101,823
2.2	Revocable Commitments		43,421,346	-	43,421,346
2.2.1	Revocable Loan Granting Commitments		43,421,346	-	43,421,346
2.2.2	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		1,695,936	13,695,772	15,391,708
3.1	Derivative Financial Instruments Held For Risk Management		-	1,673,879	1,673,879
3.1.1	Fair Value Hedges		-	-	-
3.1.2	Cash Flow Hedges		-	1,673,879	1,673,879
3.1.3	Hedge of net Investments in Foreign Operations		-	-	-
3.2.	Held For Trading Transactions		1,695,936	12,021,893	13,717,829
3.2.1	Forward Foreign Currency Buy/Sell Transactions		892,268	2,581,911	3,474,179
3.2.1.1	Forward Foreign Currency Buy Transactions		437,264	1,280,660	1,717,924
3.2.1.2	Forward Foreign Currency Sell Transactions		455,004	1,301,251	1,756,255
3.2.2	Other Forward Buy/Sell Transactions		803,668	9,439,982	10,243,650
3.3	Other		-	-	-
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		282,952,454	109,561,962	392,514,416
IV.	ITEMS HELD IN CUSTODY		9,840,734	2,618,933	12,459,667
4.1	Assets Under Management		-	-	-
4.2	Investment Securities Held In Custody		1,303,325	124,882	1,428,207
4.3	Checks Received For Collection		7,070,051	691,982	7,762,033
4.4	Commercial Notes Received For Collection		1,467,358	211,709	1,679,067
4.5	Other Assets Received For Collection		-	-	-
4.6	Assets Received For Public Offering		-	-	-
4.7	Other Items Under Custody		-	-	-
4.8	Custodians		-	1,590,360	1,590,360
V.	PLEDGED ITEMS		273,100,081	106,896,435	379,996,516
5.1	Marketable Securities		194,935	77,447	272,382
5.2	Guarantee Notes		101,681	1,597,604	1,699,285
5.3	Commodity		5,442,571	491,306	5,933,877
5.4	Warranty		-	-	-
5.5	Properties		106,376,958	2,063,734	108,440,692
5.6	Other Pledged Items		160,983,936	102,666,344	263,650,280
5.7	Pledged Items-Depository		-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		11,639	46,594	58,233
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			338,238,672	128,706,236	466,944,908

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note	TL	FC	Audited Prior period 31.12.2017 Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		54,025,598	19,151,373	73,176,971
I.	GUARANTEES	(1)	6,501,080	4,570,973	11,072,053
1.1.	Letters Of Guarantees		6,342,565	3,227,614	9,570,179
1.1.1.	Guarantees Subject To State Tender Law		214,018	-	214,018
1.1.2.	Guarantees Given For Foreign Trade Operations		424,035	187,285	611,320
1.1.3.	Other Letters Of Guarantee		5,704,512	3,040,329	8,744,841
1.2.	Bank Loans		2,549	53,409	55,958
1.2.1.	Import Letter Of Acceptances		2,549	53,409	55,958
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letter Of Credits		1,143	930,957	932,100
1.3.1.	Documentary Letter Of Credits		78	358,591	358,669
1.3.2.	Other Letter Of Credits		1,065	572,366	573,431
1.4.	Guaranteed Refinancing		-	27,919	27,919
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements To The Central Bank Of Republic Of Turkey		-	-	-
1.5.2.	Other Endorsements		-	-	-
1.6.	Other Guarantees		154,823	331,074	485,897
1.7.	Other Collaterals		-	-	-
II.	COMMITMENTS	(1)	45,832,293	948,032	46,780,325
2.1.	Irrevocable Commitments		3,306,919	948,032	4,254,951
2.1.1.	Forward Asset Purchase Commitments		217,951	948,032	1,165,983
2.1.2.	Share Capital Commitment To Associates And Subsidiaries		-	-	-
2.1.3.	Loan Granting Commitments		368,519	-	368,519
2.1.4.	Securities Underwriting Commitments		-	-	-
2.1.5.	Commitments For Reserve Deposits		-	-	-
2.1.6.	Payment Commitment For Checks		1,345,239	-	1,345,239
2.1.7.	Tax And Fund Liabilities From Export Commitments		99	-	99
2.1.8.	Commitments For Credit Card Expenditure Limits		1,357,354	-	1,357,354
2.1.9.	Commitments For Promotions Related With Credit Cards And Banking Activities		-	-	-
2.1.10.	Receivables From Short Sale Commitments		-	-	-
2.1.11.	Payables For Short Sale Commitments		-	-	-
2.1.12.	Other Irrevocable Commitments		17,757	-	17,757
2.2.	Revocable Commitments		42,525,374	-	42,525,374
2.2.1.	Revocable Loan Granting Commitments		42,525,374	-	42,525,374
2.2.2.	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		1,692,225	13,632,368	15,324,593
3.1.	Derivative Financial Instruments For Risk Management		-	1,565,503	1,565,503
3.1.1.	Fair Value Hedge		-	-	-
3.1.2.	Cash Flow Hedge		-	1,565,503	1,565,503
3.1.3.	Hedges Of Net Investment In Foreign Operations		-	-	-
3.2.	Held For Trading Transactions		1,692,225	12,066,865	13,759,090
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		737,140	1,804,963	2,542,103
3.2.1.1.	Forward Foreign Currency Transactions-Buy		388,590	976,977	1,365,567
3.2.1.2.	Forward Foreign Currency Transactions-Sell		348,550	827,986	1,176,536
3.2.2.	Other Forward Buy/Sell Transactions		955,085	10,261,902	11,216,987
3.3.	Other		-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		264,937,891	106,948,648	371,886,539
IV.	ITEMS HELD IN CUSTODY		9,232,412	3,224,354	12,456,766
4.1.	Assets Under Management		-	-	-
4.2.	Investment Securities Held In Custody		965,091	73,865	1,038,956
4.3.	Checks Received For Collection		6,397,936	624,523	7,022,459
4.4.	Commercial Notes Received For Collection		1,869,385	190,069	2,059,454
4.5.	Other Assets Received For Collection		-	-	-
4.6.	Assets Received For Public Offering		-	-	-
4.7.	Other Items Under Custody		-	-	-
4.8.	Custodians		-	2,335,897	2,335,897
V.	PLEDGED ITEMS		255,693,840	103,679,813	359,373,653
5.1.	Marketable Securities		195,245	73,046	268,291
5.2.	Guarantee Notes		101,701	1,527,824	1,629,525
5.3.	Commodity		5,045,489	470,272	5,515,761
5.4.	Warranty		-	-	-
5.5.	Properties		101,298,823	1,970,258	103,269,081
5.6.	Other Pledged Items		149,052,582	99,638,413	248,690,995
5.7.	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	44,481	56,120
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			318,963,489	126,100,021	445,063,510

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

3. INCOME STATEMENT

		Current Period
		Reviewed
		01.01.2018 - 31.03.2018
		Note
I.	PROFIT SHARE INCOME	1,204,834
1.1	Profit Share On Loans	1,037,256
1.2	Profit Share On Reserve Deposits	18,431
1.3	Profit Share On Banks	18,223
1.4	Profit Share On Money Market Placements	-
1.5	Profit Share On Marketable Securities Portfolio	80,264
1.5.1	Fair Value Through Profit Or Loss	2,240
1.5.2	Fair Value Through Other Comprehensive Income	78,024
1.5.3	Measured At Amortised Cost	-
1.6	Finance Lease Income	45,875
1.7	Other Profit Share Income	4,785
II.	PROFIT SHARE EXPENSE	524,533
2.1	Expense On Profit Sharing Accounts	360,949
2.2	Profit Share Expense On Funds Borrowed	49,928
2.3	Profit Share Expense On Money Market Borrowings	14,357
2.4	Expense On Securities Issued	99,299
2.5	Other Profit Share Expense	-
III.	NET PROFIT SHARE INCOME (I - II)	680,301
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	81,107
4.1	Fees And Commissions Received	123,874
4.1.1	Non-Cash Loans	33,593
4.1.2	Other	90,281
4.2	Fees And Commissions Paid	42,767
4.2.1	Non-Cash Loans	5
4.2.2	Other	42,762
V.	PERSONNEL EXPENSES (-)	223,436
VI.	DIVIDEND INCOME	(3)
VII.	NET TRADING INCOME / LOSS	52,335
7.1	Capital Market Transaction Gain/Losses	5,494
7.2	Gain/Losses From Derivative Financial Instruments	(31,957)
7.3	Foreign Exchange Gain/Losses	78,798
VIII.	OTHER OPERATING INCOME	(6)
IX.	NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)	755,718
X.	EXPECTED LOSS PROVISIONS (-)	(7)
XI.	OTHER OPERATING EXPENSES (-)	(8)
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	276,515
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-
XIV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD	1,659
XV.	INCOME / (LOSS) ON NET MONETARY POSITION	-
XVI.	PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)	(9)
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(10)
17.1	Current Tax Provision	(51,474)
17.2	Deferred Tax Income Effect (+)	-
17.3	Deferred Tax Expense Effect (-)	7,589
XVIII.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(11)
XIX.	INCOME FROM DISCONTINUED OPERATIONS	-
19.1	Income on Non-Current Assets Held For Sale	-
19.2	Income on Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
19.3	Income on Other Discontinued Operations	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)	-
20.1	Losses From Non-Current Assets Held For Sale	-
20.2	Losses From Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)	-
20.3	Losses From Other Discontinued Operations	-
XXI.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-
22.1	Current Tax Provision	-
22.2	Deferred Tax Expense Effect (+)	-
22.3	Deferred Tax Income Effect (-)	-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-
XXIV.	NET PROFIT/LOSS (XVII±XXII)	(12)
24.1	Group's Income/Loss	234,182
24.2	Minority Interest Income/Loss (-)	107
24.3	Earnings Per Share Income/Loss	-

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Note	Prior Period Reviewed 01.01.2017 - 31.03.2017
I.	PROFIT SHARE INCOME	(1)	841,791
1.1	Profit Share On Loans		723,261
1.2	Profit Share On Reserve Deposits		8,644
1.3	Profit Share On Banks		7,904
1.4	Profit Share On Money Market Placements		-
1.5	Profit Share On Marketable Securities Portfolio		65,591
1.5.1	Held-For-Trading Financial Assets		-
1.5.2	Financial Assets At Fair Value Through Profit And Loss		2,329
1.5.3	Available-For-Sale Financial Assets		63,262
1.5.4	Investments Held-To-Maturity		-
1.6	Finance Lease Income		30,945
1.7	Other Profit Share Income		5,446
II.	PROFIT SHARE EXPENSE	(2)	398,255
2.1	Expense On Profit Sharing Accounts	(4)	263,694
2.2	Profit Share Expense On Funds Borrowed		62,205
2.3	Profit Share Expense On Money Market Borrowings		2,404
2.4	Expense On Securities Issued		69,952
2.5	Other Profit Share Expense		-
III.	NET PROFIT SHARE INCOME (I - II)		443,536
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		54,453
4.1	Fees And Commissions Received		88,919
4.1.1	Non-Cash Loans		25,735
4.1.2	Other	(13)	63,184
4.2	Fees And Commissions Paid		34,466
4.2.1	Non-Cash Loans		4
4.2.2	Other	(13)	34,462
V.	DIVIDEND INCOME	(3)	-
VI.	NET TRADING INCOME	(5)	130,648
6.1	Capital Market Transaction Gain / (Losses)		3,165
6.2	Gain/ (Losses) From Derivative Financial Instruments		(193,255)
6.3	Foreign Exchange Gain / (Losses)		320,738
VII.	OTHER OPERATING INCOME	(6)	40,665
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		669,302
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(7)	140,800
X.	OTHER OPERATING EXPENSES (-)	(8)	323,843
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		204,659
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		628
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(9)	205,287
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(10)	(43,576)
16.1	Current Income Tax Charge		(30,681)
16.2	Deferred Tax Charge / Benefit		(12,895)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		161,711
XVIII.	INCOME ON 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		-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(11)	-
21.1	Current Income Tax Charge		-
21.2	Deferred Tax Charge / Benefit		-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(12)	161,711
23.1	Group's Income/Loss		160,826
23.2	Minority Interest Income/Loss (-)		885
23.3	Earnings Per Share Income/Loss (Full TL)		-

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

4. CONSOLIDATED STATEMENT OF INCOME/ EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY

		Reviewed Current period 01.01.2018-31.03.2018
I.	CURRENT PROFIT (LOSS)	234,289
II.	OTHER COMPREHENSIVE INCOME	9,994
2.1	Other Comprehensive Income Not Reclassified Through Profit Or Loss	-
2.1.1	Property And Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit Or Loss	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	Other Comprehensive Income Reclassified Through Profit Or Loss	9,994
2.2.1	Foreign Currency Translation Difference	-
2.2.2	Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income	(6,773)
2.2.3	Cash Flow Hedge Income /Loss	11,042
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss	5,725
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	244,283

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Reviewed Prior period 01.01.2017-31.03.2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	28,799
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(1,789)
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	1,034
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	(16,334)
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(1,511)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	10,199
XI.	PROFIT/LOSS	161,711
XI.1	Change In Fair Value Of Marketable Securities (Transfer To Profit/Loss)	(674)
XI.2	Reclassification Of Derivatives Accounted For Cash Flow Hedge Purposes To Income Statement	-
XI.3	Reclassification Of Hedge Of Net Investments In Foreign Operations To Income Statement	-
XI.4	Other	162,385
XII.	Total Profit/Loss Accounted For The Period (X±XI)	171,910

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN THE EQUITY ITEMS	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Losses for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
						1	2	3	4	5	6						
CURRENT PERIOD																	
31/03/2018																	
I. Prior Period Ending Balance		3,097,322	24,208	-	-	-	(26,947)	-	-	(10,583)	(60,766)	927,236	637,291	-	4,587,761	23,054	4,610,815
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	35,540	-	35,540	-	35,540
III. Adjusted Beginning Balance (I+II)		3,097,322	24,208	-	-	-	(26,947)	-	-	(10,583)	(60,766)	927,236	672,831	-	4,623,301	23,054	4,646,355
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	-	-	-	(5,283)	32,218	-	-	234,182	261,117	-	261,117
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	(16,941)	4,229	-	-	(12,712)	1,225	(11,487)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	669,097	(673,991)	-	(4,894)	-	(4,894)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	669,097	(669,097)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+.....+X+XI)	(5.2.11.)	3,097,322	24,208	-	-	-	(26,947)	-	-	(15,866)	(45,489)	1,600,562	(1,160)	234,182	4,866,812	24,279	4,891,091

1. Revaluation income/losses of non-current assets.

2. Revaluation income/losses on defined benefit plans.

3. Other (Accrued amount of the other comprehensive income items that will not be reclassified as other profit or loss and the shares that will not be classified in profit or loss from the other comprehensive income of the investments under the equity method)

4. Foreign currency translation difference.

5. Income/losses on the revaluation and/or the reclassification of financial assets at fair value through other comprehensive income.

6. Other (ome/losses on cash flow hedges, accrued amount of the other comprehensive income items that will be reclassified as other profit or loss, the shares that will be classified in profit or loss from the other comprehensive income of the investments under the equity method)

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Reviewed	Note	Paid-in capital	Effect of inflation accounting in paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary 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 excluding minority interest	Minority interest	Total equity
Prior Period (01.01.2017 - 31.03.2017)																			
I.	Balances At Beginning Of The Period	2,787,322	-	24,208	-	122,861	-	351,950	253,201	550,402	(35,280)	-	-	-	(70,836)	-	3,983,828	19,993	4,003,821
II.	Correction Made As Per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect Of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect Of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances At Beginning Of The Period (I-II)	2,787,322	-	24,208	-	122,861	-	351,950	253,201	550,402	(35,280)	-	-	-	(70,836)	-	3,983,828	19,993	4,003,821
IV.	Changes During The Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/Decrease Related To Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable Securities Revaluation Difference	-	-	-	-	-	-	-	-	-	-	23,039	-	-	-	-	23,039	-	23,039
6.1	Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,240)	-	828	-	828
6.2	Cash-Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	828	-	828	-	828
6.2	Hedge Of Net Investment In Foreign Operation	-	-	-	-	-	-	-	13,068	-	-	-	-	-	(13,068)	-	-	-	-
VII.	Tangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible Assets Revaluation Differences	-	-	-	-	-	-	-	(136,532)	-	136,532	-	-	-	-	-	-	-	-
	Bonus Shares Obtained From Associates, Subsidiaries And Jointly Controlled Operati	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Foreign Exchange Differences	-	-	-	-	-	-	-	(1,789)	-	-	-	-	-	-	-	(1,789)	-	(1,789)
XI.	Changes Related To The Disposal Of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Related To The Reclassification Of	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The Effect Of Change In Associate's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase	310,000	-	-	-	-	-	-	(51,667)	(258,333)	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Sources	310,000	-	-	-	-	-	-	(51,667)	(258,333)	-	-	-	-	-	-	-	-	-
XV.	Share Issue Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation Adjustment To Paid-In Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net Income/(Loss) For The Period	-	-	-	-	-	-	-	-	160,826	-	-	-	-	-	-	160,826	885	161,711
XX.	Profit Distribution (*)	-	-	-	-	27,528	-	336,679	51,667	(420,165)	-	-	-	-	-	-	(4,291)	-	(4,291)
20.1	Dividends Distributed	-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	(4,291)	-	(4,291)
20.2	Transfers To Reserves	-	-	-	-	27,528	-	336,679	51,667	(415,874)	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period																			
(I+II+III+...+XVI+XVII+XVIII)		5.2.11.)	3,097,322	-	24,208	150,389	-	688,629	127,948	160,826	8,436	(12,241)	-	-	(83,076)	-	4,162,442	20,878	4,183,319

(*) In the Ordinary General Assembly Meeting dated 28 March 2017, the Bank decided on reserving primary reserves amounting to TL 27,098; transferring the property sales profit amounting to TL 51,007, deposited through the retained profit from sales of immovable properties, to other reserves; subsequently using the aforementioned amount to fund the capital increase from internal sources; abstaining the cash dividend payments to shareholders, rendering the dividend payment to management amounting to TL 4,291; using the remaining net income amounting to TL 121,801 to fund the capital increase from internal sources; subsequently distributing bonus shares to shareholders proportioned to their partnership interests; reserving secondary reserves amounting to TL 430; transferring the remaining amount of TL 336,679 to extraordinary legal reserves, not distributing the incentive amounting to TL 660 obtained for development activities as per the Article 3 of the Law no. 5746 on the support for the research and development activities; transferring the aforementioned amount to other reserves; subsequently using the aforementioned amount to fund the capital increase from internal sources; as well as using the other reserves amounting TL 51,007, deposited through the retained profit from sales of immovable properties, to fund the capital increase from internal sources.

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The accompanying notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31
MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

6. CONSOLIDATED STATEMENT OF CASH FLOWS

		Reviewed Current period
		Note 01.01.2018-31.03.2018
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes In Assets And Liabilities From Banking Operations	1,022,009
1.1.1	Profit Share Income Received	1,162,016
1.1.2	Profit Share Expense Paid	(384,756)
1.1.3	Dividends Received	-
1.1.4	Fees And Commissions Received	127,799
1.1.5	Other Income	219,338
1.1.6	Collections From Previously Written Off Loans	166,059
1.1.7	Payments To Personnel And Service Suppliers	(226,228)
1.1.8	Taxes Paid	(70,948)
1.1.9	Others	28,729
1.2	Changes In Assets And Liabilities Subject to Banking Operations	(2,251,250)
1.2.1	Net (Increase) Decrease in Financial Assets Held For Sale	-
1.2.2	Net (Increase) Decrease In Financial Assets At Fair Value Through Profit Or Loss	560,309
1.2.3	Net (Increase) Decrease In Due From Banks And Other Financial Institutions	(5,204,359)
1.2.4	Net (Increase) Decrease In Loans	(61,039)
1.2.5	Net (Increase) Decrease In Other Assets	(98,340)
1.2.6	Net Increase (Decrease) In Bank Deposits	3,090,754
1.2.7	Net Increase (Decrease) In Other Deposits	(71,494)
1.2.8	Net Increase (Decrease) In Funds Borrowed	129,822
1.2.9	Net Increase (Decrease) In Due Payables	-
1.2.10	Net Increase (Decrease) In Other Liabilities	(596,813)
I.	Net Cash Provided From / (Used In) Banking Operations	(1,229,151)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Provided From / (Used In) Investing Activities	822,434
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-
2.2	Cash Obtained From Sale Of Jointly Controlled Operations, Associates And Subsidiaries	-
2.3	Fixed Assets Purchases	(16,449)
2.4	Fixed Assets Sales	1,998
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(754,965)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income	1,607,726
2.7	Cash Paid For Purchase Of Investment Securities	-
2.8	Cash Obtained From Sale Of Investment Securities	-
2.9	Other	(15,876)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Provided From / (Used In) Financing Activities	662,107
3.1	Cash Obtained From Funds Borrowed And Securities Issued	667,001
3.2	Cash Used For Repayment Of Funds Borrowed And Securities Issued	-
3.3	Capital Increase	-
3.4	Dividends Paid	(4,894)
3.5	Payments For Finance Leases	-
3.6	Other	-
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(5.5.4) (86,172)
V.	Net Increase (Decrease) In Cash And Cash Equivalents	169,218
VI.	Cash And Cash Equivalents At The Beginning Of The Period	(5.5.1) 4,078,048
VII.	Cash And Cash Equivalents At The End Of The Period	(5.5.1) 4,247,266

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

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CASH FLOWS STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Reviewed Prior period
Note	01.01.2017-31.03.2017
A. CASH FLOWS FROM BANKING OPERATIONS	
1.1 Operating Profit Before Changes In Operating Assets And Liabilities	91,621
1.1.1 Profit Share Income Received	866,134
1.1.2 Profit Share Expense Paid	(374,646)
1.1.3 Dividend Received	-
1.1.4 Fees And Commissions Received	91,469
1.1.5 Other Income	97,209
1.1.6 Collections From Previously Written Off Loans	26,369
1.1.7 Payments To Personnel And Service Suppliers	(289,111)
1.1.8 Taxes Paid	(40,289)
1.1.9 Others	(285,514)
1.2 Changes In Operating Assets And Liabilities	(1,536,450)
1.2.1 Net (Increase) Decrease Held For Trading Financial Assets	(79,756)
1.2.2 Net (Increase) Decrease In Financial Assets At Fair Value Through Profit Or Loss	-
1.2.3 Net (Increase) Decrease In Due From Banks And Other Financial Institutions	209,551
1.2.4 Net (Increase) Decrease In Loans	(2,040,659)
1.2.5 Net (Increase) Decrease In Other Assets	(102,571)
1.2.6 Net Increase (Decrease) In Bank Deposits	(194,262)
1.2.7 Net Increase (Decrease) In Other Deposits	2,366,652
1.2.8 Net Increase (Decrease) In Funds Borrowed	(532,044)
1.2.9 Net Increase (Decrease) In Due Payables	-
1.2.10 Net Increase (Decrease) In Other Liabilities	(1,163,361)
I. Net Cash Provided From / (Used In) Banking Operations	(1,444,829)
B. CASH FLOWS FROM INVESTING ACTIVITIES	
II. Net Cash Provided From / (Used In) Investing Activities	(282,259)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries	-
2.2 Cash Obtained From Sale Of Jointly Controlled Operations, Associates And Subsidiaries	-
2.3 Fixed Assets Purchases	(5,861)
2.4 Fixed Assets Sales	1,926
2.5 Cash Paid For Purchase Of Financial Assets Available For Sale	(1,396,285)
2.6 Cash Obtained From Sale Of Financial Assets Available For Sale	1,138,614
2.7 Cash Paid For Purchase Of Investment Securities	-
2.8 Cash Obtained From Sale Of Investment Securities	-
2.9 Other	(20,653)
C. CASH FLOWS FROM FINANCING ACTIVITIES	
III. Net Cash Provided From / (Used In) Financing Activities	315,803
3.1 Cash Obtained From Funds Borrowed And Securities Issued	890,275
3.2 Cash Used For Repayment Of Funds Borrowed And Securities Issued	(570,000)
3.3 Capital Increase	-
3.4 Dividends Paid	(4,291)
3.5 Payments For Finance Leases	(181)
3.6 Other	-
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(5.5.4) (11,284)
V. Net Increase (Decrease) In Cash And Cash Equivalents (I + II + III + IV)	(1,422,569)
VI. Cash And Cash Equivalents At The Beginning Of The Period	(5.5.1) 4,898,436
VII. Cash And Cash Equivalents At The End Of The Period	(5.5.1) 3,475,867

Note: As per the terms of the transition to TFRS 9, the prior period financial statements and related disclosures are not restated. Since, 2017 and 2018 financial statements were prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these consolidated financial statements.

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SECTION THREE

ACCOUNTING PRINCIPLES APPLIED IN THE PERIOD

1. Explanations on basis of presentation

1.1 The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The Parent Bank prepares its financial statements in accordance with the “Regulation On The Procedures And Principles For Accounting Practices And Retention Of Documents By Banks” published in the Official Gazette dated 1 November 2006 with numbered 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Agency (“BRSA”) as well as the circulars and pronouncements published by the BRSA. For matters not regulated by the aforementioned legislations, the Bank prepares its financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, which comprises the terms of the Turkish Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

1.2 Classification:

Records of Classifications and Amendments Regarding the Initial Implementation of TFRS 9 Financial Instruments dated 1 January 2018:

- A-** As of 1 January 2018, securities portfolio amounting to TL 216,708 classified under “Held for Trading Financial Assets” in the prior period, were reclassified under “Financial Assets at the Fair Value through Profit or Loss” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows.
- B-** As of 1 January 2018, securities portfolio amounting to TL 4,423,730 classified under “Available for Sale Financial Assets” in the prior period, were reclassified under “Financial Assets classified as Fair Value through Other Comprehensive Income” as they were considered within the scope of a business model whose objective is to collect and to sell contractual cash flows.
- C-** In accordance with TFRS 9, as of 1 January 2018, prior period “General Provisions” item has been written off and the impact of “Expected Loss Provisions” is reflected through relevant lines. As per the scope of TFRS 9, expected credit losses for financial assets and loans are classified as “Expected Loss Provisions” under Assets, credit losses for non-cash loans are classified as “Other Provisions” under in Liabilities.

Reconciliation of provision of impairment opening balances in transition to TFRS 9 is stated below.

Reconciliation of provision of impairment opening balances in transition to TFRS 9			
<i>Parent Bank</i>	Book Value Before TFRS 9	Remeasurements and Classification	Book Value after TFRS 9
	31/12/2017		01/01/2018
General Provisions	405,468	(405,468)	-
Expected Credit Losses	666,947	158,803	825,750
12 Month Expected Credit Losses (Stage I)	-	131,074	131,074
Significant Increase in Credit Risk (Stage II)	-	199,009	199,009
Credit-Impaired Losses (Stage III/Special Provision)	666,947	(177,376)	489,571
Financial Assets	-	6,096	6,096
Other Provisions	200,923	202,139	403,062
	1,273,338	(44,526)	1,228,812

- D-** With the initial application of TFRS 9, as of 1 January 2018, a total increase after tax amounting TL 35,540 has occurred, due to the increase of TL 44,526 from the calculation of expected loss provisions and the decrease of TL 8,986 from the effect of deferred tax.

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1.3 Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and the financial assets and liabilities at fair value through other comprehensive income that are measured at fair values.

The preparation of consolidated financial statements in conformity with TAS requires the Group management to make assumptions and estimates with respect to the assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates mainly consist of calculations of the fair values of financial instruments and the impairment on assets. The assumptions and estimates are reviewed regularly and, when necessary, appropriate corrections are made and the effects of such corrections are reflected on the income statement.

1.4 Preparation of the financial statements as regards to the current purchasing power of money:

Until 31 December 2004, the financial statements of the Parent Bank were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29"). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently as of 1 January 2005, the inflation accounting has not been applied.

1.5 Disclosures Regarding TFRS 9 Financial Instruments:

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced "TAS 39: Financial Instruments: Recognition and Measurement." standard.

TFRS 9 also includes new principles for general hedge accounting which aims to harmonize hedge accounting with risk management applications. In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. Within this context, the Group will continue to apply the hedge accounting provisions of TAS 39.

All recognized financial assets that are within the scope of TFRS 9 are required to be initially measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Dividends obtained from such investments are accounted in the financial statements as profit or loss unless they are evidently a part of the recoverable cost of investment.

The Parent Bank will apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods.

The combined application of the contractual cash flow characteristics and business models as at 1 January 2018 is expected to result in no major difference in the classification of financial assets when compared to the classification under TAS 39.

The Group has not restated the comparative information for the financial instruments that are under the scope TFRS 9, for the year of 2017 and as of 1 January 2018, the cumulative effect of the first application of the standard has been presented under "Retained Earnings" in the statement of changes in shareholders' equity for the current period.

Classification and measurement of financial instruments:

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According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and profit share” (SPPI).

As per TFRS 9, financial assets at fair value through profit or loss, financial assets available for sale and financial assets held to maturity which are the financial instrument categories under TAS 39; are replaced with financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost; respectively.

Upon initial recognition each financial asset shall be classified as either fair value through profit or loss (“FVTPL”) amortized cost or fair value through other comprehensive income (“FVOCI”). As for the classification and measurement of financial liabilities, the application of the existing terms of TAS 39 remain largely unchanged under TFRS 9.

Impairment:

As of 1 January 2018, the Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VII of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

TFRS 9 replaces the "realized loss" model of TAS 39 with the "expected credit loss" model. The Bank applies a ‘three-stage’ impairment model depending on the gradual increase in credit risk observed since initial recognition.

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

The impact of the adoption of TFRS 9 on the financial statements as of 1 January 2018, is recorded. Besides, the Bank calculated deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset was accounted for under equity during transition.

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

The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Bank’s equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published 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.

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The Group's portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (FC) loans and receivables originating from the Group's equity and private current accounts are converted to Turkish Lira with the rates prevailing at the date of the transfer of such receivables to non-performing loan portfolio. The participation accounts' portion of the risk of the foreign currency loans and FC pegged loans, originating from participation accounts, is evaluated with the current foreign currency rates and the differences are recorded foreign currency profit/losses account in the income statement.

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

3. Information on subsidiaries and associates

Consolidated financial statements are prepared in compliance with the TFRS 10 "Consolidated Financial Statements".

Titles, locations of the headquarters, main operations and Group's shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Main Operation	31 March 2018	31 December 2017	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Instution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Financial Instution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	Financial Instution	50.00%	50.00%	Accounted with equity method
KT Sukuk Company Limited	GeorgeTown/ Cayman Islands	Financial Instution	100.00%	100.00%	Full consolidation

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as "the Group."

Consolidation basis of subsidiaries:

Subsidiaries are entities whose capital and management are directly or indirectly controlled by the Bank. Subsidiaries are consolidated by the full consolidation method, within the framework of significance on the basis of operational outcomes, assets sizes and equity sizes. The financial statements of the relevant subsidiaries are included in the consolidated financial statements as of the date that control is transferred to Parent Bank.

Control denotes any of the following circumstances: the Parent Bank directly or indirectly through subsidiaries has over 50% of the voting rights or, dominance over the voting rights as described afore does not exist but the Parent Bank owns the preferred shares, or; the Parent Bank has voting rights appropriating more than %50 percent of all voting rights due to the agreements signed with other shareholders, or; the Parent Bank has the authority to manage the operational and financial policies of the entity due to certain arrangements or agreements, or; the Parent Bank has the power to influence the majority of the votes within the Board of Directors or any other executive organ vested with similar rights, or; the Parent Bank by any means has the power to appoint or dismiss the majority of the Board of Directors.

In accordance with the full consolidation, all of the assets, liabilities, income, expense and off-balance sheet liabilities of the subsidiaries are consolidated with the assets, liabilities, income, expense and off-balance sheet liabilities of the Parent Bank. The carrying value of the Group's investment in each subsidiary is offset with the cost value of the subsidiary's capital owned by the Group. Balances regarding the transactions between the subsidiaries in the scope of the consolidation and the unrealized gains/losses are reciprocally offset. Minority shares within the net income of the consolidated subsidiaries are determined provided that the net income of the Group shall be calculated, and these minority shares are presented as a seperate item in the income statement. Minority shares are presented under the equity in the consolidated balance sheet.

In the case where the accounting policies implemented by the subsidiary are different than the Parent Bank, the accounting policies are reconciled.

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

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” within the framework of TAS 39, and are reflected in the “Derivative Financial Assets/Liabilities Held for Trading” account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their notional amounts.

Fair values of foreign currency forward transactions and swaps are calculated by using the discounted cash flow model. Differences resulting from the changes in the fair values of derivatives held for trading are accounted under ‘Trading Income/Loss’ line in the income statement.

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TAS 39. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

The Group enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders’ equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Group performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders’ equity and presented under hedging reserves are continued to be kept in the account of “Hedge Funds”. When the cash flows of hedged item are recognised in income statement, the gain/losses accounted for under shareholders’ equity, are recognised in income statement.

5. Explanations on profit share income and expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. In accordance with the related regulation, the profit share accruals of non-performing loans are cancelled and are not recorded until the profit share income is realized.

The Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

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6. Explanations on fees and commission income and expenses

Except for the fees and commission income and expenses obtained for some banking services which are recorded as income when collected, fees and commission income/expenses are reflected in the income statement over the period of the related transaction.

In accordance with the provisions of TAS, commission and fees collected in advance for loans granted are deferred and reflected to the income statement by using the internal rate of return method. Unearned portion of the commission and fees relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

7. Explanations on financial assets

The Group classifies and accounts for its financial assets as ‘Fair Value Through Profit/Loss’, ‘Fair Value Through Other Comprehensive Income,’ or ‘Amortized Cost.’ Such financial assets, are recognized and derecognized as per the terms of “Recognition and Derecognition in Financial Statements” under the section three of the “TFRS 9 Financial Instruments” regarding the classification and measurements of financial instruments, published in the Official Gazette numbered 29953 and dated 19 January 2017 by Public Oversight, Accounting and Auditing Standards Authority (“POA”). When financial assets are included in the financial statements for the first time, they are measured at fair value. Transaction costs are initially added to fair value or deducted from fair value at the initial measurement of financial assets other than the "Fair Value at Fair value Through Profit or Loss".

The Group recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial assets at fair value through other comprehensive income:

A financial asset is classified as at fair value through other comprehensive income when the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling the financial asset, as well as when the contractual terms of the financial asset give rise on specified dates to cash flows are solely payments of principal and profit share on the principal amount.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition costs that reflect the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share method regarding the financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses,” which is the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income, are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, or the impairment of the asset. “Unrealized gains and losses” are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, are carried at fair value, in the case that the securities have a quoted market price in an active market and/or the fair

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values of the securities can be reliably measured. In contrary case, the securities are carried at cost, less provision for impairment.

During initial recognition an entity can make an irrevocable election regarding the presentation of the subsequent changes in the fair value of the investment in an equity instrument, that is not held for trading purposes, in the other comprehensive income. In the case that the entity elects to present the changes as described, dividends arising from the investment is accounted in the financial statements as profit or loss.

7.3 Financial assets measured at amortized cost:

In the case that a financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and that the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and profit share on the principal amount, the financial asset is classified as financial asset measured at amortized cost.

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to Financial Assets measured at amortized cost is reflected in the income statement. As of the balance sheet date, the Bank does not have any financial assets to be held until maturity.

7.4 Derivative financial assets:

The major derivative instruments utilized by the Group are foreign currency swaps, cross currency swaps and currency forwards.

Derivative financial instruments of the Bank are classified as "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income" as per "IFRS 9 Financial Instruments" ("IFRS 9"),

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the positive fair value amounts are classified as the "Portion of Derivative Financial Assets Designated at Fair Value through Profit or Loss" or the "Portion of Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income"; and the negative fair value amounts are classified as the "Portion of Derivative Financial Liabilities Designated at Fair Value through Profit or Loss" or the "Portion of Derivative Financial Liabilities Designated at Fair Value through Other Comprehensive Income". The fair value differences of derivative financial instruments of fair value through profit or loss derivative transactions are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The principles on accounting for derivative transactions for hedging purposes, are explained in Note VIII of Section Four. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

7.5 Loans:

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

As the Parent Banks's loans indexed below the amount of TL 58,471 were not able to pass the contractual cash flow test, these loans are recorded under the items which are "Fair Value Through Profit or Loss" account.

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8. Explanations on impairment of financial assets:

The Group allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Group has started to recognize provisions for classification of loans in accordance with the terms of TFRS 9 according to the “Regulation On The Procedures and Principles For Determining Loan Qualifications By Banks and Provisions To Be Set Aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

9. Explanations on offsetting of financial instruments

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

10. Explanations on sale and repurchase agreements and lending of securities

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. In this content, initial OMT transaction was performed with CBRT on 14 June 2013 by selling Treasury Rent Certificates that are recognized in the assets of the Bank in return for conditional repurchasing. From this date on, the Bank performs sale transactions of Treasury Rent Certificates that are recognized in the assets of the balance sheet in return for conditional repurchasing by tendering to purchase auctions held by CBRT with various maturities; and thusly raises funds.

As of 31 March 2018, the Group has TL 300,105 repurchasing agreements (31 December 2017 – TL 750,524).

11. Explanations on assets held for sale and discontinued operations and related liabilities

As mandated by the Banking Act 5411 Article 57 “Banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

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Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

However, the Bank has assets acquired due to receivables and debtors' obligations to the Bank, such assets are classified as assets held for sale depending on the contract of term sale .

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

12. Explanations on goodwill and other intangible assets

Intangible assets are stated at cost adjusted for inflation until 31 December 2004, less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years.

There is no goodwill related to associates and subsidiaries.

13. Explanations on tangible assets

Fixed assets are stated at cost adjusted for inflation until 31 December 2004, less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The annual rates used for amortization are as follows:

Property	2%
Movables, leased assets	6.67% - 20%

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date. Leasehold improvements are depreciated over the term of the lease agreements by straight-line method.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than its carrying value, impairment loss is provided and the carrying value is written down to its recoverable amount.

Gains or losses resulting from disposals of the fixed assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repair costs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed as incurred.

The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product, or to decrease the costs.

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Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

14. Explanations on leasing transactions

Bank 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.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Bank as a lessor

The Group, 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.

15. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted for in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

As per the “Matching Principle,” a provision is provided for the liabilities arising as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

When a reliable estimate of the amount of the obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, the obligation is considered as a “Contingent” liability and is disclosed in the related notes to the financial statements.

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16. Explanations on liabilities relating to employee benefits

16.1 Defined benefit plans:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Group and who retires or quits the employment to receive old age or disability benefits, to fulfill the compulsory military service, because of the marriage (for females) or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

The Group’s employees are not members of any pension fund, foundations, union or other similar entities.

16.2 Defined contribution plans:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees as mandated by the Social Security Association. The Group has no further payment obligations other than this contribution share. The contributions are recognized as employee benefit expense when they are due.

16.3 Short term benefits to employees:

In accordance with “TAS 19”, vacation pay liabilities are defined as “Short Term Benefits to Employees” and accrued as earned.

Group management calculates bonus accrual if it foresees that the budgeted year-end figures approved by the Board of Directors are attainable.

17. Explanations on taxation

Current tax

As per the terms of the provisional article 10 added to the Law No. 5520 by the Article 91 of the Law No. 7061, it was established that the rate of 20%, as disclosed in the first paragraph of the Article 32 of the Corporate Tax Law No. 5520, shall be applied as 22% over the corporation income for the tax periods of the years 2018, 2019, 2020 (and for entities that are appointed with special accounting period, for the accounting periods beginning within the relevant year). Council of Ministers is entitled to lower the rate of 22% as disclosed in the first paragraph to a limit of 20%.

Under this scope, corporate tax with the rate of 22% shall be calculated over the corporate income of the corporate taxpayers for the accounting periods of 2018, 2019 and 2020. In addition, as per provisions of the Income Tax Law, advance tax with the rate of 22% shall be paid by the taxpayers in the aforementioned periods in order to be offset from the corporate tax for the aforementioned tax periods.

The corporate tax rate will be applied as 22% for the years 2018, 2019 and 2020. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax legislations, advance tax amount shall also be calculated using a rate of 20% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

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Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15th and 30th articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 15% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign-based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

With the aforementioned amendment to the law, entities calculate advance tax using a rate of 22% over the quarterly financial income, for the years 2018-2019-2020 and advance tax returns are filed by the fourteenth day of the second month following the related period and taxes are paid by the seventeenth day. Advance taxes are paid within the year belong to that year, and the paid advance taxes are offset from the corporate tax liability calculated over the corporate tax returns in the subsequent year. Any remaining amount of paid advance taxes after the offset can be paid back in cash or it can be deducted from financial loans to the government.

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for profit from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

Corporate tax returns are filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes is paid in one installment by the end of that month.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back to offset profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments.

Deferred tax

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of "Turkish Accounting Standard on Income Taxes" ("TAS 12"), the Group calculates deferred tax liability over all taxable temporary differences and deferred tax asset over taxable temporary differences, apart from the provisions for Expected Credit Losses for 12-Months (Stage 1) and for Lifetime Credit Losses (Stage 2) with significant increase in the credit risk after initial recognition, to the extent that is probable that taxable profit will be available in subsequent periods. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax effect regarding the items directly accounted in equity are also reflected in equity. The rate is used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years (2017: 20%).

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18. Explanations on additional disclosures on borrowings

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Group does not apply hedging techniques on related borrowings.

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

19. Explanations on share certificates issued

There is no significant amount of transaction costs on Bank about share certificates.

20. Explanations on acceptances and availed drafts

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in off-balance sheet accounts.

21. Explanations on government grants

There are no government grants received by the Group.

22. Explanations on segment reporting

The Group operates in three main segments; Corporate and Commercial Banking; Retail Banking; International Banking, Treasury and Investment Banking. Each segment operates with unique products, and the operational results are followed based on these segments.

Segment reporting is disclosed in Section Four, Note IX.

23. Explanations on other matters

There are no other matters to be disclosed by the Group.

24. Additional paragraph for convenience translation

The effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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SECTION FOUR

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT
OF THE GROUP**

1. Explanations on consolidated equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 March 2018 Bank’s total capital has been calculated as TL 6,113,394 (31 December 2017: TL 5,825,898), capital adequacy ratio is 15.77% (31 December 2017: 17.32 %).

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1.1 Information on consolidated equity items

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,100,000	
Share Premium	24,208	
Reserves	1,600,562	
Other Comprehensive Income According To TAS	5,716	
Profit	233,022	
Current Period Profit	234,182	
Prior Period Profit	(1,160)	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	
Minority Shares	24,279	
Common Equity Tier I Capital Before Deductions	4,987,787	
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	78,504	
Leasehold Improvements On Operational Leases (-)	47,565	
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	170,059	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	11,433	
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Securitization Gains	-	
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	
Net Amount Of Defined Benefit Plans	26,947	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	2,678	
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 (-)	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	
The Portion Of Net Long Position Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	
Mortgage Servicing Rights Not Deducted (-)	-	
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	
Total Deductions From Common Equity Tier I Capital	337,186	
Total Common Equity Tier I Capital	4,650,601	

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ADDITIONAL TIER I CAPITAL		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Additional Tier I Capital Before Deductions	-	
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)		
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	4,650,601	
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,382,262	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	257,659	
Total Deductions From Tier II Capital	1,639,921	
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 And Tier II Capital Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Other Items To Be Defined By The BRSA (-)		
Total Deductions From Tier II Capital	-	
Total Tier II Capital	1,639,921	
Total Equity (Total Tier I And Tier II Capital)	6,290,521	

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)		-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)		-
Other Items To Be Defined By The BRSA (-)		177,127
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)		-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)		-
The Portion Of Net Long Position Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)		-
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)		6,113,394
Total Risk Weighted Assets		38,768,536
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)		12.00
Tier I Capital Ratio (%)		12.00
Capital Adequacy Ratio (%)		15.77
BUFFERS		
Bank-Specific Total CET1 Capital Ratio		1.88
Capital Conservation Buffer Ratio (%)		1.88
Systemic Significant Bank Buffer Ratio (%)		-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation		6.00
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital		-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital		-
Remaining Mortgage Servicing Rights		-
Net Deferred Tax Assets Arising From Temporary Differences		-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)		257,659
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets		257,659
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach		-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets		-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		-
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4		-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit		-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4		-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit		-

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<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	3,100,000	
Share Premium	24,208	
Reserves	927,236	
Other Comprehensive Income According To TAS	12,609	
Profit	637,291	
Current Period Profit	628,855	
Prior Period Profit	8,436	
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	-	
Minority Shares	23,054	
Common Equity Tier I Capital Before Deductions	4,724,398	
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)	110,905	
Leasehold Improvements On Operational Leases (-)	47,518	
Goodwill Netted With Deferred Tax Liabilities		
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	135,173	168,966
Net Deferred Tax Asset/Liability (-)	-	-
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	
Securitization Gains	-	
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	
Net Amount Of Defined Benefit Plans	-	
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)	2,678	
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 (-)	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	
The Portion Of Net Long Position Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)	-	
Mortgage Servicing Rights Not Deducted (-)	-	
Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	
Total Deductions From Common Equity Tier I Capital	296,274	
Total Common Equity Tier I Capital	4,428,124	

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ADDITIONAL TIER I CAPITAL		
Preferred Stock Not Included In Common Equity Tier I Capital And The Related Share Premiums	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	-	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Additional Tier I Capital Before Deductions		-
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	33,792	
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	
Total Deductions From Additional Tier I Capital	33,792	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	4,394,332	
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	1,322,272	
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	280,412	
Total Deductions From Tier II Capital	1,602,684	
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	
Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 And Tier II Capital Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	
Other Items To Be Defined By The BRSA (-)	-	
Total Deductions From Tier II Capital	-	
Total Tier II Capital	1,602,684	
Total Equity (Total Tier I And Tier II Capital)	5,997,015	

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Total Tier I Capital And Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)		-
Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)		-
Other Items To Be Defined By The BRSA (-)		171,117
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated 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 Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)		-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)		-
The Portion Of Net Long Position Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)		-
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)		5,825,898
Total Risk Weighted Assets		33,628,878
CAPITAL ADEQUACY RATIOS		
Cet1 Capital Ratio (%)		13.17
Tier I Capital Ratio (%)		13.07
Capital Adequacy Ratio (%)		17.32
BUFFERS		
Bank-Specific Total CET1 Capital Ratio		1.25
Capital Conservation Buffer Ratio (%)		1.25
Systemic Significant Bank Buffer Ratio (%)		-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation		7.07
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Consolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital		-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Consolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital		-
Remaining Mortgage Servicing Rights		-
Net Deferred Tax Assets Arising From Temporary Differences		-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)		280,412
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets		280,412
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach		-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets		-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4		-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit		-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4		-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit		-

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1.2 Approaches applied to assess the adequacy of internal capital requirement in terms of current and future activities

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the Bank is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

2. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method.

The Parent Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 March 2018, the Parent Bank carries a net foreign currency short position of TL 635,728 (31 December 2017 – TL 542 short position) comprising of TL 884,744 balance sheet long position (31 December 2017 - TL 300,898 long position) and TL 249,016 off balance sheet long position (31 December 2017 – TL 300,356 long position).

The announced current foreign exchange rates of the Parent Bank as of 31 March 2018 and the previous five working days are as follows (full TL):

	26/03/2018	27/03/2018	28/03/2018	29/03/2018	30/03/2018	Balance Sheet Evaluation Rate
USD	3.9760	3.9760	3.9986	3.9857	3.9493	3.9493
EURO	4.9321	4.9321	4.9505	4.9086	4.8677	4.8677
GBP	5.6468	5.6468	5.6549	5.6041	5.5489	5.5489
CHF	4.2029	4.2029	4.2017	4.1664	4.1430	4.1430
JPY	0.0378	0.0378	0.0378	0.0374	0.0372	0.0372

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	Monthly Average FC Purchase Rate
USD	3.8870
EUR	4.7920
GBP	5.4286
CHF	4.1034
JPY	0.0367

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2. Explanations on consolidated currency risk

Consolidated currency risk of the Group:

	EURO	USD	Other FC (****)	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	957,012	4,702,516	2,201,583	7,861,111
Banks	2,709,447	410,154	572,427	3,692,028
Financial Assets At Fair Value Through Profit And Loss	28,022	74,513	-	102,535
Money Market Placements	-	-	-	-
Financial Assets At Fair Value Through Other Comprehensive Income (**)	-	1,576,026	-	1,576,026
Loans And Finance Lease Receivables (*)	5,178,684	11,754,972	60,252	16,993,908
Subsidiaries, Associates And Joint Ventures (**)	-	-	-	-
Financial Assets At Amortized Cost	-	-	-	-
Derivative Financial Assets For Hedging Purposes	6,505	186	-	6,691
Tangible Assets	52,491	51	-	52,542
Intangible Assets	589,136	41,241	223	630,600
Total Assets	9,521,297	18,559,659	2,834,485	30,915,441
Liabilities				
Current Account And Funds Collected From Banks Via Participation				
Accounts	11,791	56,787	112,418	180,996
Current And Profit Sharing Accounts	5,534,317	12,935,414	2,934,764	21,404,495
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	279,270	3,656,722	898,564	4,834,556
Marketable Securities Issued	-	4,842,706	-	4,842,706
Miscellaneous Payables	5,064	22,812	535	28,411
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-
Other Liabilities (*****)	99,410	111,452	49,143	260,005
Total Liabilities	5,929,852	21,625,893	3,995,424	31,551,169
Net Balance Sheet Position	3,591,445	(3,066,234)	(1,160,939)	(635,728)
Net Off-Balance Sheet Position	(3,449,102)	3,207,520	1,126,326	884,744
Financial Derivative Assets	1,050,369	5,110,010	1,194,479	7,354,858
Financial Derivative Liabilities	4,499,471	1,902,490	68,153	6,470,114
Non-Cash Loans (***)	1,641,387	3,097,595	496,254	5,235,236
Prior Period				
Total Assets	8,922,919	17,632,243	3,087,584	29,642,746
Total Liabilities	4,844,204	20,831,263	3,967,821	29,643,288
Net Balance Sheet Position	4,078,715	(3,199,020)	(880,237)	(542)
Net Off-Balance Sheet Position	(3,840,325)	3,230,809	910,414	300,898
Financial Derivative Assets	665,383	5,406,552	1,368,737	7,440,672
Financial Derivative Liabilities	4,505,708	2,175,743	458,323	7,139,774
Non-Cash Loans (***)	1,549,915	2,616,933	404,125	4,570,973

(*) Includes foreign currency indexed loans amounting to TL 7,883,798 (31 December 2017 – TL 7,240,328) followed as TL on the balance sheet.

(**) Includes TL 714 (31 December 2017 – TL 714) of foreign currency denominated financial assets at fair value through other comprehensive income, which are followed in Turkish Lira as 3,552,278 TL on the balance sheet.

(***) Does not have any effect to the net off-balance sheet position.

(****) Precious metals are included in "Other FC" column.

(*****) Other liabilities at fair value through TL 9 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 81,983.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 26,396 (31 December 2017 – TL 12,531)
- Prepaid expenses : TL 326 (31 December 2017 – TL 408)
- Derivative financial liabilities held for trading : TL 17,680 (31 December 2017 – TL 59,251)
- Marketable securities of FC revaluation reverse: TL 5,716 (31 December 2017 – TL 12,609)
- Derivative financial liabilities held for hedging : TL 21,822 (31 December 2017- TL 70,795)

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2. Explanations on consolidated currency risk

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to:

- Forward foreign currency purchase transactions TL 80,415 (31 December 2017 - TL 492,002)
- Forward foreign currency sale transactions: TL 48,785 (31 December 2017 - TL 456,030)

3. Explanations on position risk of equity securities in banking book

3.1 Relation of risks with gains accounted under equity and analyzing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

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

Prior Period	Carrying Value	Comparison	Market Value
Share Investments		Fair Value	
1 Securities At Fair Value Through	21,886	-	-
Other Comprehensive Income (*)			
Quoted Securities	-	-	-
2 Investments In Associates	-	-	-
Quoted Securities	-	-	-
3 Investment In Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
4 Other	25,763	-	-
Quoted Securities	-	-	-

Prior Period	Carrying Value	Comparison	Market Value
Share Investments		Fair Value	
1 Securities Available-For-Sale (*)	48,497	-	-
Quoted Securities	-	-	-
2 Investments In Associates	-	-	-
Quoted Securities	-	-	-
3 Investment In Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
4 Other	19,405	-	-
Quoted Securities	-	-	-

(*) Related equity investments are accounted on a cost basis in the accompanying financial statements since the fair value of these investments cannot be measured reliably.

3.3 Realized profit/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals:

None (31 December 2017 – None).

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4. Consolidated liquidity risk management and liquidity coverage ratio

The liquidity risk of the Group is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

Funding Liquidity Risk: It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

Market Liquidity Risk: It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

4.1 Information on risk capacity of the Bank, Responsibilities and structure of liquidity risk management, the Group internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Group has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Group has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Bank which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, the Board of Directors are informed through the Audit Committee.

For the management of liquidity risk, the Risk Management Department follows the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Group in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Group. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. External Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

4.2 Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:

The Group's liquidity management is performed by the Asset and Liability Management. Depending on the Bank's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

4.3 Information on the Group's funding strategy including the policies on funding types and variety of maturities:

Group spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

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4.4 Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Group's total liabilities:

Almost all liabilities of the Group are denominated in Turkish Lira, American Dollar, Euro or Gold. The TL denominated liquidity of the Group is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities denominated in TL are used in order to fund assets that are denominated in TL, assets denominated in TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits denominated in foreign currency and sukuk-financial certificates issued. Liquidity denominated in foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities denominated in Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

4.5 Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

4.6 Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Group, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

4.7 General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Liquidity Contingency Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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Consolidated liquidity coverage ratio

Current Period (Parent Bank)		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total High-Quality Liquid Assets (HQLA)	8,891,720	7,649,542	8,876,200	7,634,023
CASH OUTFLOWS					
2	Retail Deposits And Deposits From Small Business Customers, Of Which:	29,004,891	13,975,087	2,452,550	1,397,509
3	Stable Deposits	8,958,764	-	447,938	-
4	Less Stable Deposits	20,046,127	13,975,087	2,004,612	1,397,509
5	Unsecured Wholesale Funding, Of Which:	8,369,137	4,460,864	4,049,929	2,166,595
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	7,898,716	4,386,253	3,579,508	2,091,984
8	Unsecured Funding	470,421	74,611	470,421	74,611
9	Secured Wholesale Funding	-	-	-	-
10	Other Cash Outflows Of Which:	20,593,800	9,347,960	6,896,731	4,591,360
11	Outflows Related To Derivative Exposures And Other Collateral Requirements	5,443,701	4,308,412	5,443,701	4,308,412
12	Outflows Related To Restructured Financial Instruments	258,333	-	258,333	-
13	Payment Commitments And Other Off-Balance Sheet Commitments Granted For Debts To Financial Markets	-	-	1	-
14	Other Revocable Off-Balance Sheet Commitments And Contractual Obligations	-	-	-	-
15	Other Irrevocable Or Conditionally Revocable Off-Balance Sheet Obligations	14,891,766	5,039,548	1,194,696	282,948
16	TOTAL CASH OUTFLOWS			13,399,210	8,155,464
CASH INFLOWS					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	7,927,601	5,689,282	6,190,596	5,275,843
19	Other Cash Inflows	5,664,640	5,420,885	5,664,639	5,420,885
20	TOTAL CASH INFLOWS	13,592,241	11,110,167	11,855,235	10,696,728
				Total Adjusted Value	
21	TOTAL HQLA			8,876,200	7,634,023
22	TOTAL NET CASH OUTFLOWS			3,349,803	2,038,866
23	LIQUIDITY COVERAGE RATIO (%)			264.98	374.42

(*) The average of last three months' liquidity coverage ratio calculated by monthly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 March 2018:

	Highest	Date	Lowest	Date	Average
TL+FC	288.47	16/02/2018	244.86	16/03/2018	262.15
FC	422.71	16/02/2018	339.54	26/01/2018	374.82

The liquidity coverage ratio is calculated by the ratio of the high quality liquid assets of the bank to the net cash outflows within the one-month maturity window. Important balance sheet items which are influential over the aforementioned ratio may be specified as required reserves held in the presence of TC Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher and they may show variability over time.

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Consolidated liquidity coverage ratio

<i>Prior Period (Parent Bank)</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total High-Quality Liquid Assets (HQLA)	9,241,665	8,060,513	9,199,442	8,018,290
NAKİT ÇIKIŞLARI					
2	Retail Deposits And Deposits From Small Business Customers, Of Which:	27,782,868	12,778,991	2,335,598	1,277,899
3	Stable Deposits	8,853,762	-	442,688	-
4	Less Stable Deposits	18,929,106	12,778,991	1,892,910	1,277,899
5	Unsecured Wholesale Funding, Of Which:	8,201,705	4,077,294	4,123,296	2,008,329
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	7,479,666	3,999,733	3,401,257	1,930,768
8	Unsecured Funding	722,039	77,561	722,039	77,561
9	Secured Wholesale Funding	-	-	-	-
10	Other Cash Outflows Of Which:	21,400,263	10,829,912	8,183,772	6,425,919
11	Outflows Related To Derivative Exposures And Other Collateral Requirements	6,814,394	6,185,757	6,814,394	6,185,757
12	Outflows Related To Restructured Financial Instruments	320,000	-	320,000	-
13	Payment Commitments And Other Off-Balance Sheet Commitments Granted For Debts To Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments And Contractual Obligations	-	-	-	-
15	Other Irrevocable Or Conditionally Revocable Off-Balance Sheet Obligations	14,265,869	4,644,155	1,049,378	240,162
16	TOTAL CASH OUTFLOWS			14,642,666	9,712,147
CASH INFLOWS					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	6,637,367	4,169,519	5,037,108	3,778,429
19	Other Cash Inflows	6,993,193	5,664,245	6,993,193	5,664,245
20	TOTAL CASH INFLOWS	13,630,560	9,833,764	12,030,301	9,442,674
21	TOTAL HQLA			9,199,442	8,018,290
22	TOTAL NET CASH OUTFLOWS			3,660,667	2,428,037
23	LIQUIDITY COVERAGE RATIO (%)			251.31	330.24

^(*) The average of last three months' liquidity coverage ratio calculated by monthly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios for 31 December 2017:

	Highest	Date	Lowest	Date	Average
TL+FC	648.12	10.03.2017	137.26	29.09.2017	268.61
FC	980.02	10.03.2017	283.29	12.05.2017	429.45

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Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated (**)	Total
Assets								
Cash (Cash In Vault, Effectives, Cash In Transit, Cheques Purchased) And Balances With The Central Bank Of The Republic Of Turkey	1,943,453	6,561,454	-	-	-	-	-	8,504,907
Banks	3,700,795	-	-	-	-	-	-	3,700,795
Financial Assets At Fair Value Through Profit And Loss	-	20,687	47,809	55,151	11,923	-	-	135,570
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets At Fair Value Through Other Comprehensive Income	-	302,359	144,237	550,495	1,701,971	707,610	145,606	3,552,278
Loans (*)	-	8,161,768	5,188,891	13,714,241	13,802,751	2,666,151	(171,936)	43,361,866
Loans Measured At Amortised Cost	-	-	-	-	-	-	-	-
Other Assets (**)	32,196	963,007	22,907	-	122,005	-	960,690	2,100,805
Total Assets	5,676,444	16,009,275	5,403,844	14,319,887	15,638,650	3,373,761	934,360	61,356,221
Liabilities								
Current Account And Funds Collected From Banks Via Participation Accounts	177,047	8,926	-	-	-	-	-	185,973
Current And Profit Sharing Accounts	16,550,261	21,438,539	3,805,758	1,233,568	97,048	-	-	43,125,174
Funds Provided From Other Financial Institutions	-	110,121	675,179	2,618,903	144,227	1,394,348	-	4,942,778
Money Market Borrowings	-	300,105	-	-	-	-	-	300,105
Marketable Securities Issued	-	448,332	459,116	567,468	4,843,926	-	-	6,318,842
Miscellaneous Payables	156,196	81,105	-	-	-	-	-	237,301
Other Liabilities (**)	-	629,244	65,985	6,662	21,829	-	5,522,328	6,246,048
Total Liabilities	16,883,504	23,016,372	5,006,038	4,426,601	5,107,030	1,394,348	5,522,328	61,356,221
Net Liquidity Gap	(11,207,060)	(7,007,097)	397,806	9,893,286	10,531,620	1,979,413	(4,587,968)	-
Prior Period								
Total Assets	6,171,125	14,062,475	5,827,793	12,796,499	14,680,788	3,066,996	959,026	57,564,702
Total Liabilities	16,430,348	21,035,351	4,354,487	4,053,616	4,913,272	1,360,338	5,417,290	57,564,702
Net Liquidity Gap	(10,259,223)	(6,972,876)	1,473,306	8,742,883	9,767,516	1,706,658	(4,458,264)	-

(*) Includes receivables from leasing transactions.

(**) Certain 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, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.

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5. Explanations on consolidated leverage ratio

Disclosure of consolidated leverage ratio template

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurements and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

On-Balance Sheet Assets		Current Period (*)
1	On-Balance Sheet Items (Excluding Derivative Financial Instruments And Credit Derivatives But Including Collateral)	59,952,174
2	(Assets Deducted In Determining Tier I Capital)	(304,632)
3	Total On-Balance Sheet Risks (Sum Of Lines 1 And 2)	59,647,542
Derivative Financial Instruments And Credit Derivatives		
4	Replacement Cost Associated With All Derivative Instruments And Credit Derivatives	40,633
5	Add-On Amounts For PFE Associated With All Derivative Instruments And Credit Derivatives	100,296
6	Total Risks Of Derivative Financial Instruments And Credit Derivatives (Sum Of Lines 4 To 5)	140,929
Securities Or Commodity Financing Transactions (SCFT)		
7	Risks From SCFT Assets (Excluding On-Balance Sheet)	867,690
8	Risks From Brokerage Activities Related Exposures	-
9	Total Risks Related With Securities Or Commodity Financing Transactions (Sum Of Lines 7 To 8)	867,690
Other Off-Balance Sheet Transactions		
10	Gross Notional Amounts Of Off-Balance Sheet Transactions	59,062,113
11	(Adjustments For Conversion To Credit Equivalent Amounts)	(38,855,763)
12	Total Risks Of Off-Balance Sheet Items (Sum Of Lines 10 And 11)	20,206,350
Capital And Total Risks		
13	Tier I Capital	4,403,362
14	Total Risks (Sum Of Lines 3, 6, 9 And 12)	80,862,511
Leverage Ratio		
15	Leverage Ratio	5.44

(*) Amounts in the table are three-month average amounts.

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Group’s consolidated balance sheet date was 5.44% (31 December 2017 – 5.55%). The main reason for the changes from the previous period is that the increase in the items related to the derivative financial instruments and credit derivetis is higher compared to the decrease in other items. Therefore, the core capital decreased by 0.5% due to the profit for the period, balance-sheet risks increased by 4%, and off balance sheet items decreased by 5%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 11 basis points.

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5.

On-Balance Sheet Assets		Prior Period (*)
1	On-Balance Sheet Items (Excluding Derivative Financial Instruments And Credit Derivatives But Including Collateral)	57,880,037
2	(Assets Deducted In Determining Tier I Capital)	(278,887)
3	Total On-Balance Sheet Risks (Sum Of Lines 1 And 2)	57,601,150
Derivative Financial Instruments And Credit Derivatives		
4	Replacement Cost Associated With All Derivative Instruments And Credit Derivatives	55,367
5	Add-On Amounts For PFE Associated With All Derivative Instruments And Credit Derivatives	118,417
6	Total Risks Of Derivative Financial Instruments And Credit Derivatives (Sum Of Lines 4 To 5)	173,784
Securities Or Commodity Financing Transactions (SCFT)		
7	Risks From SCFT Assets (Excluding On-Balance Sheet)	647,446
8	Risks From Brokerage Activities Related Exposures	-
9	Total Risks Related With Securities Or Commodity Financing Transactions (Sum Of Lines 7 To 8)	647,446
Other Off-Balance Sheet Transactions		
10	Gross Notional Amounts Of Off-Balance Sheet Transactions	57,807,376
11	(Adjustments For Conversion To Credit Equivalent Amounts)	(36,583,749)
12	Total Risks Of Off-Balance Sheet Items (Sum Of Lines 10 And 11)	21,223,627
Capital And Total Risks		
13	Tier I Capital	4,424,981
14	Total Risks (Sum Of Lines 3, 6, 9 And 12)	79,646,007
Leverage Ratio		
15	Leverage Ratio	5.55

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6. Explanations on consolidated risk management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALCO”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Group is exposed. The Board of Directors is the owner of the Group’s Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Group’s Risk Management System is to identify, measure, monitor and control the risks that the Group is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Group’s future cash flows and the level & the quality of related activities.

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31.03.2018	Prior Period 31.12.2017	Current Period 31.03.2018
1	Credit Risk (Excluding Counterparty Credit Risk) (CCR)	33,260,731	27,753,547	2,660,858
2	Of Which Standardised Approach (SA)	33,319,780	27,792,552	2,665,582
3	Of Which Internal Rating-Based (IRB) Approach	-	-	-
4	Counterparty Credit Risk	101,337	94,652	8,107
5	Of Which Standardised Approach For Counterparty Credit Risk (SA-CCR)	101,337	94,652	8,107
6	Of Which Internal Model Method (IMM)	-	-	-
7	Equity Position In Banking Book Under Basic Risk Weighting Or Internal Rating-Based	-	-	-
8	Equity Investments In Funds – Look-Through Approach	59,049	39,005	4,724
9	Equity Investments In Funds – Mandate-Based Approach	-	-	-
10	Equity Investments In Funds – 1250% Risk Weighting Approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitisation Exposures In Banking Book	-	-	-
13	Of Which IRB Ratings-Based Approach (RBA)	-	-	-
14	Of Which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of Which SA/Simplified Supervisory Formula Approach (SSFA)	-	-	-
16	Market Risk	993,141	734,695	79,451
17	Of Which Standardised Approach (SA)	993,141	734,695	79,451
18	Of Which Internal Model Approaches (IMM)	-	-	-
19	Operational Risk	4,354,278	2,877,204	348,342
20	Of Which Basic Indicator Approach	4,354,278	2,877,204	348,342
21	Of Which Standardised Approach			
22	Of Which Advanced Measurement Approach			
23	Amounts Below The Thresholds For Deduction From Capital (Subject To 250% Risk Weight)			
24	Floor Adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	38,768,536	31,499,103	3,101,482

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7. Securitization positions

None.

8. Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions

The Group does not perform purchases, sales and custody services in the name of others. The Group has no fiduciary-based transaction agreements.

9. Explanations on consolidated business segments

The Group operates in Retail Banking, Corporate and Commercial Banking, International Banking sectors.

Corporate and Commercial Banking: to meet the financial needs of the customers', unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail and Enterprise Banking; there are four main activities: fund collection, consumer financing, credit cards and alternative distribution channels. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2018 – 31 March 2018	Retail And Enterprise Banking	Commercial Banking	Corporate And International Banking	Unallocated	Bank's Total Operation
Operating Income	829,358	651,736	65,360	-	1,546,454
Operating Expenses	(544,397)	(166,697)	(182,133)	(376,712)	(1,269,939)
Transfers Between Segments	372,649	(321,624)	(51,025)	-	-
Net Operating Income / Loss	657,610	163,415	(167,798)	(376,712)	276,515
Income From Associates	-	-	-	1,659	1,659
Income / (Loss) Before Tax	657,610	163,415	(167,798)	(375,053)	278,174
Provision For Taxation	-	-	-	43,885	43,885
Net Income For The Period	657,610	163,415	(167,798)	(418,938)	234,289
Segment Assets	19,356,328	23,164,027	16,902,450	-	59,422,805
Associates, Subsidiaries And Joint Ventures	-	-	-	49,443	49,443
Undistributed Assets	-	-	-	1,883,973	1,883,973
Total Assets	19,356,328	23,164,027	16,902,450	1,933,416	61,356,221
Segment Liabilities	33,068,438	10,169,547	11,691,577	-	54,929,562
Undistributed Liabilities	-	-	-	1,535,568	1,535,568
Shareholders' Equity	-	-	-	4,891,091	4,891,091
Total Liabilities	33,068,438	10,169,547	11,691,577	6,426,659	61,356,221
Prior Period 1 January 2017 – 31 March 2017	Retail And Enterprise Banking	Commercial Banking	Corporate And International Banking	Unallocated	Bank's Total Operation
Operating Income	245,232	775,299	81,492	-	1,102,023
Operating Expenses	(365,631)	(78,181)	(129,728)	(323,824)	(897,364)
Transfers Between Segments	285,869	(246,003)	(39,866)	-	-
Net Operating Income / Loss	165,470	451,115	(88,102)	(323,824)	204,659
Income From Associates	-	-	-	628	628
Income / (Loss) Before Tax	165,470	451,115	(88,102)	(323,196)	205,287
Provision For Taxation	-	-	-	43,576	43,576
Net Income For The Period	165,470	451,115	(88,102)	(366,772)	161,711
Prior Period 31 December 2017					
Segment Assets	17,955,408	20,095,632	17,743,947	-	55,794,987
Associates, Subsidiaries And Joint Ventures	-	-	-	43,085	43,085
Undistributed Assets	-	-	-	1,726,630	1,726,630
Total Assets	17,955,408	20,095,632	17,743,947	1,769,715	57,564,702
Segment Liabilities	30,626,355	9,627,238	11,302,692	-	51,556,285
Undistributed Liabilities	-	-	-	1,397,602	1,397,602
Shareholders' Equity	-	-	-	4,610,815	4,610,815
Total Liabilities	30,626,355	9,627,238	11,302,692	6,008,417	57,564,702

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets

1.1 Information regarding the cash assets and the Central Bank of Republic of Turkey:

1.1.1 Cash and balances with the Central Bank of Republic of Turkey:

	Current Period	
	TL	FC
Cash/Foreign Currency	293,235	758,370
The Central Bank Of Republic Of Turkey	289,470	6,577,550
Other (*)	61,091	525,191
Total	643,796	7,861,111
	Prior Period	
	TL	FC
Cash/Foreign Currency	366,164	1,025,763
The Central Bank Of Republic Of Turkey	255,738	6,468,109
Other (*)	3,120	905,825
Total	625,022	8,399,697

(*) As of 31 March 2018, precious metal account amounting to TL 431,355 (31 December 2017 - TL 693,239) and money in transit amounting to TL 154,928 (31 December 2017 - TL 215,706) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey:

	Current Period	
	TL	FC
Unrestricted Demand Deposit	287,094	39
Restricted Time Deposit	-	-
Unrestricted Time Deposit	2,376	6,577,511
Total	289,470	6,577,550
	Prior Period	
	TL	FC
Unrestricted Demand Deposit	254,185	38
Restricted Time Deposit	-	-
Unrestricted Time Deposit	1,553	6,468,071
Total	255,738	6,468,109

In accordance with the “Communiqué no. 2013/15 on Reserve Requirements”, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 4% and 10.5% for TL deposits and other liabilities according to their maturities as of 31 March 2018 (31 December 2017: 4% and 10.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 March 2018 (31 December 2017: 4% and 24% for all foreign currency liabilities).

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

1.2.1 As of 31 March 2017 there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2016 – None).

1.2.2 Positive differences related to marketable derivative financial assets:

Derivative Financial Assets	Current Period	
	TL	FC
Forward Transactions	8,410	6,440
Swap Transactions	214	18,876
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	8,624	25,316

Derivative Financial Assets	Prior Period	
	TL	FC
Forward Transactions	11,141	5,326
Swap Transactions	3,027	7,205
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	14,168	12,531

1.3 Information on Banks:

	Current Period	
	TL	FC
Banks	8,767	3,692,028
Domestic	8,564	2,656,323
Foreign	203	1,035,705
Branches And Head Office Abroad	-	-
Total	8,767	3,692,028

	Prior Period	
	TL	FC
Banks	8,619	3,563,455
Domestic	8,505	2,413,931
Foreign	114	1,149,524
Branches And Head Office Abroad	-	-
Total	8,619	3,563,455

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1.3 Information on Banks:

Information on foreign bank accounts:

	Current period	
	Unrestricted Amount	Restricted Amount
EU Countries	373,157	-
USA and Canada	574,562	-
OECD Countries (*)	11,676	-
Off-shore Banking Regions	439	-
Other	76,074	-
Total	1,035,908	-
	Prior period	
	Unrestricted Amount	Restricted Amount
EU Countries	645,819	-
USA and Canada	455,757	-
OECD Countries (*)	13,107	-
Off-shore Banking Regions	945	-
Other	34,010	-
Total	1,149,638	-

(*) OECD countries other than European Union countries, USA and Canada.

1.4 Information on financial assets at fair value through other comprehensive income:

	Current period
	Debt Securities
Quoted On Stock Exchange	3,446,754
Not Quoted On Stock Exchange	-
Share Certificates	144,453
Quoted On Stock Exchange	93,115
Not Quoted On Stock Exchange	51,338
Impairment Provision	(38,929)
Total	3,552,278
	Prior period
	Debt Securities
Quoted On Stock Exchange	4,289,387
Not Quoted On Stock Exchange	-
Share Certificates	174,134
Quoted On Stock Exchange	124,923
Not Quoted On Stock Exchange	49,211
Impairment Provision	(39,791)
Total	4,423,730

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1.5 Information on loans:

1.5.1 All types of loans and advances given to shareholders and employees of the Bank::

	Current period	
	Cash	Non-Cash
Direct Loans Granted To Shareholders	1,218	856
Corporate Shareholders	-	856
Real Person Shareholders	1,218	-
Indirect Loans Granted To Shareholders	160,093	937
Loans Granted To Employees	19,292	3
Total	180,603	1,796
	Prior period	
	Cash	Non-Cash
Direct Loans Granted To Shareholders	1,030	786
Corporate Shareholders	-	786
Real Person Shareholders	1,030	-
Indirect Loans Granted To Shareholders	150,924	917
Loans Granted To Employees	18,134	3
Total	170,088	1,706

1.5.2 Information on first and second group loans and other receivables including restructured or rescheduled loans:

Current Period Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	40,265,535	2,785,401	109,183	-
Export Loans	37,316	693	3,360	-
Import Loans	2,115,244	32,895	-	-
Corporation Loans	23,718,838	2,264,304	104,352	-
Consumer Loans	6,933,851	332,794	1,471	-
Credit Cards	579,601	44,917	-	-
Loans given to financial sector	1,773,849	62	-	-
Other	5,106,836	109,736	-	-
Other Receivables	287,546	89,830	-	-
Total	40,553,081	2,875,231	109,183	-

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Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	35,390,714	632,516	-	1,159,692	653,608	-
Financing Commodity Against Document	-	-	-	-	-	-
Exports Loan	43,351	16	-	603	-	-
Imports Loans	1,687,948	-	-	168	-	-
Enterprise Loans	22,529,634	610,366	-	836,171	550,430	-
Consumer Loans	6,636,210	17,986	-	212,748	46,444	-
Credit Cards	555,456	-	-	7,250	-	-
Precious Metal Loans	55,033	-	-	-	-	-
Loans Given To Financial Sector	1,226,735	-	-	1	-	-
Loans Extended Abroad	209,358	4,148	-	60,611	56,734	-
Other	2,446,989	-	-	42,140	-	-
Other Receivables	7,045	-	-	757	-	-
Total	35,397,759	632,516	-	1,160,449	653,608	-

Current Period	Standard Loans	Loans and other receivables under close monitoring
12 Month Expected Credit Losses	116,104	-
Significant Increase in Credit Risk	-	316,315

	Prior Period
General Provisions	407,954
I. For Loans and Receivables in Group I (Total)	332,145
Profit Sharing Accounts' Share	116,559
The Bank's Share	215,586
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)	22,318
Profit Sharing Accounts' Share	10,983
The Bank's Share	11,335
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	25,422
Other	28,069

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1.5.3 Breakdown of loans and other receivables according to their maturities:

Cash Loans	Standard Loans	Loans And Other Receivables Under Close Monitoring	
		Loans And Receivables Not Subject To Restructuring	Restructured Loans And Receivables
Short- Term Loans	10,657,341	369,619	2,871
Medium And Long-Term Loans	29,895,740	2,505,612	106,312
Total	40,553,081	2,875,231	109,183

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Close Monitoring	
Cash Loans	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Short-Term Loans And Other Receivables	8,833,779	15,623	36,151	10,748
Loans	8,826,734	15,623	35,394	10,748
Other Receivables	7,045	-	757	-
Medium And Long-Term Loans And Other Receivables (*)	25,931,464	616,893	470,690	642,860
Loans	25,931,464	616,893	470,690	642,860
Other Receivables	-	-	-	-
Total	34,765,243	632,516	506,841	653,608

(*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans".

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1.5.4 Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	76,355	6,965,538	7,041,893
Housing Loans	12,339	6,222,974	6,235,313
Vehicle Loans	15,750	405,043	420,793
Consumer Loans	41,850	191,161	233,011
Other	6,416	146,360	152,776
Consumer Loans-FC Indexed	-	1,136	1,136
Housing Loans	-	1,136	1,136
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	214,329	214,329
Housing Loans	-	138,748	138,748
Vehicle Loans	-	8,748	8,748
Consumer Loans	-	46,655	46,655
Other	-	20,178	20,178
Retail Credit Cards-TL	289,669	208	289,877
With Installment	63,916	208	64,124
Without Installment	225,753	-	225,753
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,030	9,728	10,758
Housing Loans	-	922	922
Vehicle Loans	266	4,590	4,856
Consumer Loans	762	4,216	4,978
Other	2	-	2
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	8,477	57	8,534
With Installment	3,539	57	3,596
Without Installment	4,938	-	4,938
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	375,531	7,190,996	7,566,527

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Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	57,159	6,583,441	6,640,600
Housing Loans	13,722	5,883,855	5,897,577
Vehicle Loans	15,072	379,081	394,153
Consumer Loans	21,920	182,143	204,063
Other	6,445	138,362	144,807
Consumer Loans-FC Indexed	-	1,604	1,604
Housing Loans	-	1,604	1,604
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	195,065	195,065
Housing Loans	-	116,388	116,388
Vehicle Loans	-	8,148	8,148
Consumer Loans	-	44,893	44,893
Other	-	25,636	25,636
Retail Credit Cards-TL	259,700	119	259,819
With Installment	50,251	119	50,370
Without Installment	209,449	-	209,449
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,467	10,222	11,689
Housing Loans	-	1,097	1,097
Vehicle Loans	258	4,665	4,923
Consumer Loans	1,207	4,460	5,667
Other	2	-	2
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	10,151	51	10,202
With Installment	3,124	51	3,175
Without Installment	7,027	-	7,027
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	328,477	6,790,502	7,118,979

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1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	244,547	5,091,761	5,336,308
Business Loans	18,017	1,396,532	1,414,549
Vehicle Loans	159,377	1,714,817	1,874,194
Consumer Loans	67,153	1,980,411	2,047,564
Other	-	1	1
Commercial Installment Loans-FC Indexed	30,178	1,748,560	1,778,738
Business Loans	14,917	409,322	424,239
Vehicle Loans	12,642	362,072	374,714
Consumer Loans	2,619	975,601	978,220
Other	-	1,565	1,565
Commercial Installment Loans-FC	31,067	620,110	651,177
Business Loans	30,791	408,782	439,574
Vehicle Loans	276	38,413	38,689
Consumer Loans	-	-	-
Other	-	172,914	172,914
Corporate Credit Cards-TL	326,107	-	326,107
With Installment	120,530	-	120,530
Without Installment	205,577	-	205,577
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	631,899	7,460,431	8,092,330
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	203,320	4,618,220	4,821,540
Business Loans	7,379	1,237,846	1,245,225
Vehicle Loans	134,318	1,517,461	1,651,779
Consumer Loans	61,623	1,862,838	1,924,461
Other	-	75	75
Commercial Installment Loans-FC Indexed	27,462	1,644,797	1,672,259
Business Loans	14,998	339,825	354,823
Vehicle Loans	9,581	374,138	383,719
Consumer Loans	2,883	923,133	926,016
Other	-	7,701	7,701
Commercial Installment Loans-FC	28,632	595,549	624,181
Business Loans	28,632	397,096	425,728
Vehicle Loans	-	37,664	37,664
Consumer Loans	-	-	-
Other	-	160,789	160,789
Corporate Credit Cards-TL	292,685	-	292,685
With Installment	106,201	-	106,201
Without Installment	186,484	-	186,484
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	552,099	6,858,566	7,410,665

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1.5.6 Breakdown of domestic and foreign loans:

	Current period
Domestic Loans	40,745,775
Foreign Loans	439,385
Total	41,185,160
	Prior period
Domestic Loans	36,288,239
Foreign Loans	269,969
Total	36,558,208

1.5.7 Loans granted to subsidiaries and associates:

	Current period
Loans Granted Directly To Subsidiaries And Associates (*)	22
Loans Granted Indirectly To Subsidiaries And Associates	-
Total	22
	Prior period
Loans Granted Directly To Subsidiaries And Associates	19
Loans Granted Indirectly To Subsidiaries And Associates	-
Total	19

1.5.8 Specific provisions for loans:

	Current period
Specific Provisions	
Loans And Receivables With Limited Collectability	115,456
Loans And Receivables With Doubtful Collectability	81,908
Uncollectible Loans And Receivables	319,800
Total	517,164
	Prior period
Specific Provisions	
Loans And Receivables With Limited Collectability	145,827
Loans And Receivables With Doubtful Collectability	97,155
Uncollectible Loans And Receivables	424,786
Total	667,768

1.5.9 Information on non-performing loans (Net):

1.5.9.1 Information on non-performing loans and other receivables restructured or rescheduled:

None (31 December 2017-None).

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1.5.9.2 Information on the movement of total non-performing loans:

Current Period	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Ending Balance Of Prior Period 31.12.2017	158,589	117,234	439,237
Additions In The Current Period (+)	171,219	31,720	42,446
Transfers From Other Categories Of Non-Performing Loans(+)	-	167,326	129,141
Transfers To Other Categories Of Non-Performing Loans (-)	166,762	129,705	-
Collections In The Current Period (-)	13,013	44,418	129,060
Write Offs (-)	-	-	-
Sold Portfolio (-)			
Corporate And Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending Balance Of The Current Period	150,033	142,157	481,764
Specific Provisions (-)	115,456	81,908	319,800
Net Balance At The Balance Sheet	34,577	60,249	161,964

1.5.9.3 Information on non-performing loans granted as foreign currency:

Current Period	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Ending Balance Of The Current Period	-	-	894
(Provision)	-	-	(883)
Prior Period			
Ending Balance Of The Prior Period	-	-	930
(Specific Provision)	-	-	(821)

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1.5.9.4 Gross and net amounts of non-performing loans with respect to user groups:

	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)	34,577	60,249	161,964
Loans Granted To Real Persons And Legal Entities (Gross)	150,033	142,157	481,764
Specific Provision (-)	115,456	81,908	319,800
Loans To Real Persons And Legal Entities (Net)	34,577	60,249	161,964
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans And Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans And Receivables (Net)	-	-	-
Prior Period (Net)	12,762	20,079	14,451
Loans To Real Persons And Legal Entities (Gross)	158,589	117,234	439,237
Specific Provision (-)	145,827	97,155	424,786
Loans To Real Persons And Legal Entities (Net)	12,762	20,079	14,451
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans And Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans And Receivables (Net)	-	-	-

The Parent Bank holds collaterals like mortgage pledge, customer cheques and other collaterals against these financial assets.

1.5.9.5 Information on profit share accruals, rediscounts and valuation differences computed for non-performing loans and their provision:

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	1,282	250	836
Profit Share Accruals Rediscount And Valuation Differences	4,085	382	1,117
Provision (-)	2,803	132	281

1.5.10 Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. The Parent Bank has no receivables deleted from records during the year of 2018 (31 December 2017: TL 461,353).

1.5.11 Information on the write-off policy:

The Parent Bank's write-off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

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1.6 Information on financial assets measured at amortised cost:

None (31 December 2017 – None).

1.7 Information on investment in associates (Net):

1.7.1 The 1.69% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 4,719 (31 December 2017 – TL 4,719), 8.36% ownership of the shares of Islamic International Rating Agency amounting to TL 714 (31 December 2017 – TL 714), and 6.99% ownership of the shares of Neova Sigorta A.Ş. amounting to TL 5,201 (31 December 2017 – TL 5,201), Swift shares amounting to TL 390 (31 December 2017 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2017 – TL 15) and VISA Inc. shares amounting to TL 7,474 (31 December 2017 – TL 7,149) are classified as financial assets available for sale since the Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

1.7.2 Information about investments in consolidated associates: None (31 December 2017 – None).

1.7.3 Information related to consolidated associates: None (31 December 2017 – None).

1.8 Information on Subsidiaries (Net):

1.8.1 Although the Parent Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş does not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated. The Bank has reflected its subsidiary at restated cost less any provision for impairment in its financial statements until 31 December 2004.

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1.8.2 Information on subsidiaries:

Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.99%	99.99%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75.00%	97.61%
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	100%	100%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100%	100%
KT Bank AG (*)	Frankfurt/Germany	100%	100%
KT Portföy Yönetimi A.Ş (**).	İstanbul/Turkey	100%	100%
Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş (**)	İstanbul/Turkey	100%	100%
KT Sukuk Company Limited (***)	George Town/ Cayman Islands	100%	100%

Information on subsidiaries according to the order of the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
31,773	7,452	-	-	-	31,529	3,601	-
97,379	94,272	58	-	-	(1,523)	3,546	-
176,261	405	-	-	-	191	2	-
6,241,485	101	-	-	-	(6)	1	-
699,727	438,091	64,687	-	-	(9,695)	(7,741)	-
6,455	6,177	180	-	-	(175)	(1)	-
8,247	7,574	408	-	-	888	904	-
353,236	1	-	-	-	-	-	-

(*) As of 31 March 2018, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Commercial Law financial statements as at 31 March 2018.

(***) KT Sukuk Company Limited is established in Cayman Islands on 31 July 2015, for the need of a second subordinated loan at the Bank. According to relevant article of TFRS 10, it is described as a subsidiary.

Movement regarding the subsidiaries

	Current period
Balance At The Beginning Of The Year	23,680
Movements During The Year	-
Purchases	-
Transfers From Subsidiaries	-
Bonus Shares	-
Dividends From Current Year Income	-
Sales	-
Revaluation Increase (*)	-
Impairment	-
Capital Commitment Payments	-
Balance At The End Of The Year	23,680
Capital Commitments	-
Share Percentage At The End Of The Year (%)	-

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	Prior period
Balance At The Beginning Of The Year	23,680
Movements During The Year	-
Purchases	-
Transfers From Subsidiaries	-
Bonus Shares	-
Dividends From Current Year Income	-
Sales	-
Revaluation Increase	-
Impairment	-
Capital Commitment Payments	-
Balance At The End Of The Year	23,680
Capital Commitments	-
Share Percentage At The End Of The Year (%)	-

1.8.3 Information on the consolidated subsidiaries:

Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	100.00%	100.00%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00%	100.00%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75.00%	%97.61
KT Bank AG (*)	Frankfurt/Germany	100.00%	100.00%
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00%	100.00%
KT Sukuk Company Limited (*)	GeorgeTown/ Cayman Islands	100.00%	100.00%

(*) Financial figures as of 31 March 2018 for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) KT Sukuk Varlık Kiralama A.Ş. ("Special Purpose Entity"), which had 100% control power established for the issuance of Islamic Bond ("Sukuk") on 24 August 2010 in the absence of a subsidiary of the Parent Bank has been included in the scope of the consolidation.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	63,515
	Prior period
Banks	293,694
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	60,273

Consolidated subsidiaries that are quoted on the stock exchange: None (31 December 2017 - None).

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1.8.4 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of March 31, 2018 was EUR 47,302,895 and the capital adequacy ratio was 33.27%.

1.8.5 Reasons for consolidation of the consolidated subsidiaries and the methods used in the accounting of these subsidiaries:

The entities that are not considered in the scope of the consolidation due to them not being a financial subsidiary, are accounted at their cost value less impairment, if any.

1.9 Information on joint ventures (business partnerships) (Net):

	Share of the Bank	Total Asset	Equity	Total Fixed Asset	Current Period Profit/Loss	Previous Period Profit/Loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	%50	1,260,604	40,000	4,955	3,318	1,256

(*) These figures are shown per Turkish Trade Law financial statements as of 31 March 2018.

(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Parent Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

1.10 Information on finance lease receivables (Net):

1.10.1 Presentation of remaining maturities of net finance leases:

	Current period	
	Gross	Net
Less than 1 year	1,879,253	1,556,048
1 to 4 years	663,355	631,535
More than 4 years	169,913	164,752
Total	2,712,521	2,352,335
	Prior period	
	Gross	Net
Less than 1 year	1,601,249	1,325,209
1 to 4 years	615,546	583,034
More than 4 years	178,945	172,487
Total	2,395,740	2,080,730

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1.10.2 Net investments in finance leases:

	Current period
Gross Receivable From Finance Leases	2,712,521
Unearned Finance Lease Income (-)	(360,186)
Cancelled Lease Amount (-)	-
Net Receivable From Finance Leases	2,352,335
	Prior period
Gross Receivable From Finance Leases	2,395,740
Unearned Finance Lease Income (-)	(315,010)
Cancelled Lease Amount (-)	-
Net Receivable From Finance Leases	2,080,730

1.10.3 Information on finance lease contracts:

The Group determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Group gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Group sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 8,042 are included in the non-performing loans in the balance sheet (31 December 2017 – TL 5,040).

1.11 Information on derivative financial assets for hedging purposes:

None (31 December 2017 – None).

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1.12 Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 March 2018 is TL 157,859 (31 December 2017 – TL 111,110) and deferred tax liability is TL 19,781 (31 December 2017 – TL 7,405).

	Current period
Reserve For Employee Benefits	14,573
Retirement Pay Liability	18,624
Deferred Income	49,586
Rediscounts For Derivative Instruments Held For Trading (Net)	8,550
Impairment Provision For Subsidiaries, Fixed Assets And Assets Held For Sale	36,436
Tfrs 9 Provisions	5,211
Precious Metals Valuation Difference	505
Carry Forward Financial Losses	16,073
Other	8,301
Deferred Tax Asset	157,859
Effects On Equity Regarding TFRS 9 Provisions	(8,987)
Difference Between Carrying Value And Tax Base Of Tangible Assets	(10,794)
Deferred Tax Liability	(19,781)
Deferred Tax Asset, (Net)	138,078
	Prior Period
Reserve For Employee Benefits	20,197
Retirement Pay Liability	16,788
Deferred Income	46,597
Rediscounts For Derivative Instruments Held For Trading (Net)	26,181
Impairment Provision For Subsidiaries, Fixed Assets And Assets Held For Sale	36,436
Other	11,046
Deferred Tax Asset	157,245
Difference Between Carrying Value And Tax Base Of Tangible Assets	(10,044)
Valuation Difference On Available For Sale Financial Asset	(3,556)
Precious Metals Valuation Difference	(652)
Other	(4,283)
Deferred Tax Liability	(18,535)
Deferred Tax Asset, (Net)	138,710

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Table of deferred tax asset movement:

	Current Period
As Of January 1	138,710
Deferred Tax (Expense)/Income	7,589
Deferred Tax Accounted Under Other Comprehensive Income	765
TFRS 9 Opening Effect	(8,986)
Deferred Tax Asset	138,078
	Prior Period
As Of January 1	118,111
Deferred Tax (Expense)/Income	(12,895)
Deferred Tax Accounted Under Other Comprehensive Income	(1,511)
Deferred Tax Asset	103,705

1.13 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 1,127,258 (31 December 2017 – TL 860,481). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to liabilities

2.1 Information on funds collected

2.1.1 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 and over	Accumulated profit sharing accounts	Total
I. Real Persons Current Accounts-TI	4,847,808	-	-	-	-	-	-	4,847,808
ii. Real Persons Profit Sharing Accounts TI	-	4,284,897	6,668,508	479,953	-	241,144	219,135	11,893,637
iii. Other Current Accounts-TI	2,946,753	-	-	-	-	-	-	2,946,753
Public Sector	101,514	-	-	-	-	-	-	101,514
Commercial Sector	2,807,383	-	-	-	-	-	-	2,807,383
Other Institutions	32,894	-	-	-	-	-	-	32,894
Commercial And Other Institutions	-	-	-	-	-	-	-	-
Banks And Participation Banks	4,962	-	-	-	-	-	-	4,962
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-
Foreign Banks	4,835	-	-	-	-	-	-	4,835
Participation Banks	127	-	-	-	-	-	-	127
Others	-	-	-	-	-	-	-	-
iv. Profit Sharing Accounts-TI	-	432,890	1,087,972	162,156	-	229,725	124,715	2,037,458
Public Sector	-	99	38,129	-	-	253	-	38,481
Commercial Sector	-	398,219	961,155	150,885	-	221,568	122,782	1,854,609
Other Institutions	-	34,557	88,577	11,271	-	7,901	1,729	144,035
Commercial And Other Institutions	-	15	96	-	-	3	204	318
Banks And Participation Banks	-	-	15	-	-	-	-	15
v. Real Persons Current Accounts-Fc	5,011,899	-	-	-	-	-	-	5,011,899
vi. Real Persons Profit Sharing Accounts-Fc	-	2,504,114	4,496,849	909,097	-	455,930	217,924	8,583,914
vii. Other Current Accounts-Fc	2,628,035	-	-	-	-	-	-	2,628,035
Commercial Residents In Turkey	2,078,202	-	-	-	-	-	-	2,078,202
Commercial Residents In Abroad	477,912	-	-	-	-	-	-	477,912
Banks And Participation Banks	71,921	-	-	-	-	-	-	71,921
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-
Foreign Banks	71,921	-	-	-	-	-	-	71,921
Participation Banks	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
viii. Profit Sharing Accounts- Fc	-	535,120	1,680,387	125,749	-	170,969	8,224	2,520,449
Public Sector	-	7	42	-	-	-	-	49
Commercial Sector	-	476,813	1,456,834	95,811	-	169,898	8,138	2,207,494
Other Institutions	-	23,550	149,988	40	-	457	-	174,035
Commercial And Other Institutions	-	34,745	64,703	29,898	-	614	-	129,960
Banks And Participation Banks	-	5	8,820	-	-	-	86	8,911
ix. Precious Metal Funds	1,292,813	323,722	1,078,569	93,958	-	52,127	5	2,841,194
x. Profit Sharing Accounts Special Funds - TI	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
xi. Profit Sharing Accounts Special Funds - Fc	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
Total	16,727,308	8,080,743	15,012,285	1,770,913	-	1,149,895	570,003	43,311,147

There are no 7 day notification and accumulative deposit accounts of the Group.

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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-TI	4,089,584	-	-	-	-	-	-	-	4,089,584
ii. Real Persons Profit Sharing Accounts-TI	-	3,920,064	6,325,033	449,754	-	245,635	194,490	-	11,134,976
iii. Other Current Accounts-TI	2,892,984	-	-	-	-	-	-	-	2,892,984
Public Sector	70,537	-	-	-	-	-	-	-	70,537
Commercial Sector	2,775,649	-	-	-	-	-	-	-	2,775,649
Other Institutions	42,423	-	-	-	-	-	-	-	42,423
Commercial And Other Institutions	-	-	-	-	-	-	-	-	-
Banks And Participation Banks	4,375	-	-	-	-	-	-	-	4,375
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	3,875	-	-	-	-	-	-	-	3,875
Participation Banks	500	-	-	-	-	-	-	-	500
Others	-	-	-	-	-	-	-	-	-
iv. Profit Sharing Accounts-TI	-	421,907	960,907	131,032	-	193,737	126,429	-	1,834,012
Public Sector	-	108	34,391	-	-	29	-	-	34,528
Commercial Sector	-	394,722	852,072	122,025	-	187,200	124,735	-	1,680,754
Other Institutions	-	27,062	74,334	9,007	-	6,505	1,694	-	118,602
Commercial And Other Institutions	-	15	96	-	-	3	-	-	114
Banks And Participation Banks	-	-	14	-	-	-	-	-	14
v. Real Persons Current Accounts-Fc	5,006,983	-	-	-	-	-	-	-	5,006,983
vi. Real Persons Profit Sharing Accounts-Fc	-	2,406,130	4,048,379	857,533	-	426,661	229,940	-	7,968,643
vii. Other Current Accounts-Fc	2,824,367	-	-	-	-	-	-	-	2,824,367
Commercial Residents In Turkey	2,444,177	-	-	-	-	-	-	-	2,444,177
Commercial Residents In Abroad	288,612	-	-	-	-	-	-	-	288,612
Banks And Participation Banks	91,578	-	-	-	-	-	-	-	91,578
Central Bank Of Republic Of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	91,578	-	-	-	-	-	-	-	91,578
Participation Banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
viii. Profit Sharing Accounts- Fc	-	336,381	941,748	83,056	-	166,331	55,867	-	1,583,383
Public Sector	-	5	47	-	-	-	-	-	52
Commercial Sector	-	281,489	868,374	62,970	-	165,324	55,781	-	1,433,938
Other Institutions	-	24,687	25,848	48	-	423	-	-	51,006
Commercial And Other Institutions	-	30,195	39,112	20,038	-	584	-	-	89,929
Banks And Participation Banks	-	5	8,367	-	-	-	86	-	8,458
ix. Precious Metal Funds	1,478,006	270,606	1,038,247	87,510	-	45,658	4	-	2,920,031
x. Profit Sharing Accounts Special Funds - TI	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
xi. Profit Sharing Accounts Special Funds - Fc	-	-	-	-	-	-	-	-	-
Residents In Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	16,291,924	7,355,088	13,314,314	1,608,885	-	1,078,022	606,730	-	40,254,963

The Group does not have cumulative participation accounts with 7 days notice.

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2.1.2 Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

2.1.2.1 Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under The Guarantee Of Saving Deposit Insurance	Exceeding The Limit Of Saving Deposit
	Current Period	Current Period
Real Persons Current And Profit Sharing Accounts That Are Not Subject To Commercial Activities		
TL Accounts	10,509,977	6,168,051
FC Accounts	5,772,275	10,409,679
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-
Off-Shore Banking Regions' Under Foreign Authorities' Insurance	-	-
	Under The Guarantee Of Saving Deposit Insurance	Exceeding The Limit Of Saving Deposit
	Prior Period	Prior Period
Real Persons Current And Profit Sharing Accounts That Are Not Subject To Commercial Activities		
TL Accounts	9,730,510	5,440,996
FC Accounts	5,804,410	9,535,405
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-
Off-Shore Banking Regions' Under Foreign Authorities' Insurance	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

2.1.2.2 If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

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2.1.2.3 Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Parent Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the participation funds of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current Period	
Foreign Branches' Profit Sharing Accounts And Other Accounts		-
Profit Sharing Accounts And Other Accounts Of Controlling Shareholders And Profit Sharing Accounts Of Their Mother, Father, Spouse, Children In Care		-
Profit Sharing Account And Other Accounts Of President And Members Of Board Of Directors, CEO And Vice Presidents And Profit Sharing Accounts Of Their Mother, Father, Spouse And Children In Care		5,902
Profit Sharing Account And Other Accounts In 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		-
	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		4,573
Profit Sharing Account And Other Accounts In 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		-

2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period	
	TL	FC
Forward Transactions	8,923	3,877
Swap Transactions	8,265	13,803
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	17,188	17,680
	Prior Period	
	TL	FC
Forward Transactions	10,269	4,679
Swap Transactions	11,177	54,572
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	21,446	59,251

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2.3 Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period	
	TL	FC
Loans From The Central Bank Of The Republic Of Turkey	-	-
From Domestic Banks And Institutions	48,263	217,045
From Foreign Banks, Institutions And Funds	59,959	3,223,163
Total	108,222	3,440,208
	Prior Period	
	TL	FC
Loans From The Central Bank Of The Republic Of Turkey	-	-
From Domestic Banks And Institutions	51,243	280,602
From Foreign Banks, Institutions And Funds	58,873	2,996,409
Total	110,116	3,277,011

2.3.2 Information on maturity structure of borrowings:

	Current Period	
	TL	FC
Short-Term	108,222	3,295,981
Medium And Long-Term	-	144,227
Total	108,222	3,440,208
	Prior Period	
	TL	FC
Short-Term	110,116	3,113,321
Medium And Long-Term	-	163,690
Total	110,116	3,277,011

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2.3.3 The details of some significant transactions that are accounted under the borrowings line are as follows:

Current Period

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wekale	KFH - KUWAIT	02/06/2017	08/06/2018	USD	2.25%	120,000,000	2,782,500
Wekale	KFH - KUWAIT	27/06/2017	03/07/2018	USD	2.40%	100,000,000	2,473,333
Wekale	KFH - KUWAIT	07/08/2017	14/08/2018	USD	2.40%	100,000,000	2,480,000
Wekale	KFH - KUWAIT	28/09/2017	05/10/2018	USD	2.50%	100,000,000	2,583,333
Wekale	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	07/11/2017	14/11/2018	USD	2.30%	103,925,361	2,469,959

Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wekale	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	07/11/2017	14/11/2018	USD	%2.30	103,925,361	2,469,959
Wekale	KFH - KUWAIT	02/06/2017	08/06/2018	USD	%2.25	120,000,000	2,782,500

2.3.3 Explanations related to the concentrations of the Parent Bank's major liabilities:

All of the borrowings consist of foreign currency loans.

There is no risk concentration of the Parent Bank's current and profit sharing accounts.

2.4 Information on the issued marketable securities:

The Group has the following issued sukuk certificates. The average income rate for the issued marketable securities is 12% for Turkish Lira, 5% for US Dollar, 6% for Malaysian Ringgit. The maturities for the sukuk issued in Turkish Lira, US Dollar and Malaysian Ringgit are between April 2018 – March 2019, between June 2019 – November 2021, between March 2020 – July 2020, respectively.

Current Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,408,761	45,000	-	4,766,976
Distribution of residual income	51,428	-	-	616,767
Carrying value	1,430,900	45,236	-	4,842,706

Prior Period	TL		FC	
	Short term	Medium long term	Short term	Medium long term
Nominal	1,031,433	45,000	-	4,524,360
Distribution of residual income	40,051	-	-	601,376
Carrying value	1,059,378	45,240	-	4,547,223

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2.5 Information on other liabilities and miscellaneous payables:

As of 31 March 2018, other liabilities amount to TL 616,010 (31 December 2017 – TL 345,918), sundry creditors amount to TL 237,282 (31 December 2017 - TL 200,005). These items are included in the “Other Liabilities” line of the balance sheet and they do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (net):

The Group bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly installments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Group.

2.6.1 Information on the changes in agreements and new obligations originating from these changes:

None (31 December 2017 – None).

2.6.2 Information on Financial Lease Obligations:

None (31 December 2017 – None).

2.6.3 Information on Operational Leases:

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

2.6.4 Information on sale and leaseback transactions:

None (31 December 2017 – None).

2.7 Information on hedging derivative financial liabilities:

	Current Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	-	21,822
Hedge Of Net Investment In Foreign Operations	-	-
Total	-	21,822
	Prior Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	-	70,795
Hedge Of Net Investment In Foreign Operations	-	-
Total	-	70,795

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2.8 Information on provisions:

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 March 2018, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 4,688 (31 December 2017 – TL 19,143) and TL 141 for leasing receivables (31 December 2017 – TL 376) is offset against loans and receivables.

2.8.2 Information on other provisions:

	Current Period
Provisions For Non- Liquidated Non Cash Loans	194,780
Provisions For Cheque Books	56,870
Provisions From Equity/Profit Sharing Accounts	126,704
Provisions For Promotion Activities For Credit Cards	1,514
Other (*)	74,882
Total	454,750
	Prior Period
Provisions For Non- Liquidated Non Cash Loans	95,685
Provisions For Cheque Books	2,276
Provisions From Equity/Profit Sharing Accounts	30,422
Provisions For Promotion Activities For Credit Cards	1,242
Other (*)	72,447
Total	202,072

(*) Other item includes TL 6,915 (31 December 2017 – TL 6,915) litigation provision. In addition to this, TL 14,450 (31 December 2017 – TL 14,450) includes provision amount which belongs to audit related penalty from Ministry of Customs and Trade and TL 45,060 (31 December 2017 – 40,560) includes provision amount for projected repayment of delay penalties.

2.8.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 91,967 (31 December 2017 – TL 84,286), vacation pay liability amounting to TL 18,350 (31 December 2017 – TL 522), performance premium amounting to TL 15,769 (31 December 2017 – TL 69,670), retirement bonuses on payment of TL 23,500 (31 December 2017 – TL 23,500), committee fee amounting to TL 8,491 (31 December 2017 – TL 7,291) and other fees amounting to TL 131 (31 December 2017 – TL 125).

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The amount payable consists of one month's salary limited to a maximum of TL 5,002 (full amount) (31 December 2017 – TL 4,732) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	Current Period
Discount Rate (%)	12.27
Inflation Rate (%)	9.01
Salary Increase Rate (%)	12.00
	Prior Period

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Discount Rate (%)	11.60
Inflation Rate (%)	8.90
Salary Increase Rate (%)	9.90

Movements in the reserve for employment termination benefits during period are as follows:

	Current Period
Balance At The Beginning Of The Period	59,886
Provisions Recognized During The Period	33,679
Paid During The Period	(1,598)
Actuarial Loss	-
Balances At The End Of The Period	91,967

	Prior Period
Balance At The Beginning Of The Period	55,464
Provisions Recognized During The Period	6,354
Paid During The Period	(1,932)
Actuarial Loss	-
Balances At The End Of The Period	59,886

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2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: As of 31 March 2018, the Group has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 52,528.

	Current Period
Provision For Corporate Income Tax	252,318
Prepaid Taxes	(199,790)
Total (*)	52,528
	Prior Period
Provision For Corporate Income Tax	199,510
Prepaid Taxes	(143,251)
Total (*)	56,259

(*) Related amount is presented in the current tax liability line, under liabilities.

2.9.1.2 Information on tax payable:

	Current Period
Taxation Of Marketable Securities	20,379
Taxation Of Immovable Property	1,584
Banking Insurance Transaction Tax (Bitt)	20,595
Value Added Tax Payable	1,104
Income Tax Deducted From Wages	7,820
Other	1,248
Total	52,730
	Prior Period
Taxation Of Marketable Securities	19,651
Taxation Of Immovable Property	1,185
Banking Insurance Transaction Tax (Bitt)	18,431
Value Added Tax Payable	1,349
Income Tax Deducted From Wages	8,192
Other	1,129
Total	49,937

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2.9.1.3 Information on premiums (*):

	Current Period
Social Security Premiums-Employee	12,257
Social Security Premiums-Employer	13,237
Unemployment Insurance-Employee	877
Unemployment Insurance-Employer	2,006
Total	28,377
	Prior Period
Social Security Premiums-Employee	4,862
Social Security Premiums-Employer	5,234
Unemployment Insurance-Employee	348
Unemployment Insurance-Employer	801
Total	11,245

(*) Included in sundry creditors line item on the balance sheet.

2.9.1.4 Information on deferred tax liability: None (31 December 2017 – None).

2.10 Information on subordinated loans:

	Current Period	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	-
From Other Foreign Institutions	-	1,394,348
Total	-	1,394,348
	Prior period	
	TL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1,360,338
From Other Foreign Institutions	-	-
Total	-	1,360,338

Kuwait Turkish Participation Bank, on 17 February 2016 Cayman Islands' as resident Special Purpose Vehicle (SPV) KT Sukuk Company Limited with over 350 million US dollars worth of sukuk issued by the BRSA by the issue in the Regulation on the Capital Adequacy requirements having a contribution, it has provided capital loans. BRSA dated 2 September 2015 and 20008792101.01[93]E.12819 Letter of Conformity No included in the loan be included in the calculation of capital contribution to the Bank / sukuk annual rate of return is 7.90%, 5 year maturity and repayment option at the end of the Bank 10 it is determined as years. Sukuk returns under the said payment, the implementation of the transfer price of the assets, expressed as a yearly rate of return will be calculated by and principal will be made in two equal installments on 17 July and 17 February each year.

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2.11 Information on shareholders' equity:

2.11.1 Presentation of paid-in capital:

	Current Period
Common Shares	3,100,000
Preference Shares	-
Repurchased Shares Amount (*)	(2,678)
Total	3,097,322
	Prior Period
Common Shares	3,100,000
Preference Shares	-
Repurchased Shares Amount (*)	(2,678)
Total	3,097,322

(*) It represents the Bank's acquisition of its own shares as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank.

2.11.2 Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the Parent Bank.

2.11.3 Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:

Increase Date	Increase Amount	Internal Sources	Legal Reserves Used In The Increase
28 March 2017	310,000	310,000	-

2.11.4 Information on share capital increases from capital reserves during the current period: None (31 December 2017 – None).

2.11.5 Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

2.11.6 Summary of privileges given to shares representing the capital: None.

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2.11.7 Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Associates, Subsidiaries And Entities Under Common Control (Joint Vent.)		
Valuation Difference(*)	(78,756)	5,716
Foreign Exchange Difference	-	-
Total	(78,756)	5,716
	Prior period	
	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)		
Valuation Difference(*)	(23,192)	12,609
Foreign Exchange Difference	-	-
Total	(23,192)	12,609

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under financial assets at fair value through other comprehensive income in the balance sheet.

2.12 Information on minority shares:

The minority shares amount to TL 24,279 (31 December 2017– TL 23,054).

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3. Explanations and notes related to consolidated off-balance sheet contingencies and commitments

3.1 Explanations on off-balance sheet accounts:

3.1.1 Type and amount of irrevocable commitments: Commitment for credit card limits, as of 31 March 2018 is TL 1,494,480 (31 December 2017 – TL 1,357,354); payment commitments for cheque books are TL 1,549,407 (31 December 2017 – TL 1,345,239).

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

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

As of 31 March 2018, the Group has guarantees and surety ships constituting of TL 10,116,724 (31 December 2017 – TL 9,570,179) letters of guarantee; TL 65,255 (31 December 2017 – TL 55,958) acceptances and TL 1,228,550 (31 December 2017 – TL 932,100) letters of credit. Also banks has other acceptances amount of TL 369,488 (31 December 2017 – TL 513,816).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i.)

3.1.3 Total amount of non-cash loans:

	Current Period
Non-Cash Loans Given Against Cash Loans	-
With Original Maturity Of 1 Year Or Less	-
With Original Maturity Of More Than 1 Year	-
Other Non-Cash Loans	11,780,017
Total	11,780,017
	Prior Period
Non-Cash Loans Given Against Cash Loans	-
With Original Maturity Of 1 Year Or Less	-
With Original Maturity Of More Than 1 Year	-
Other Non-Cash Loans	11,072,053
Total	11,072,053

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4. Explanations and notes related to the consolidated income statement

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current Period	
	TL	FC
Profit Share On Loans	969,920	67,336
Short Term Loans	242,611	12,233
Medium And Long Term Loans	723,248	55,103
Profit Share On Non-Performing Loans	4,061	-
Premiums Received From Resource Utilization Support Fund	-	-
	Prior Period	
	TL	FC
Profit Share On Loans	667,404	55,857
Short Term Loans	168,232	7,005
Medium And Long Term Loans	497,534	48,852
Profit Share On Non-Performing Loans	1,638	-
Premiums Received From Resource Utilization Support Fund	-	-

4.1.2 Information on profit share received from banks:

	Current Period	
	TL	FC
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	18,223
Branches And Head Office Abroad	-	-
Total	-	18,223
	Prior Period	
	TL	FC
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	-	-
Foreign Banks	-	7,904
Branches And Head Office Abroad	-	-
Total	-	7,904

4.1.3 Information on profit share income from securities portfolio:

The Parent Bank has received TL 80,264 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information (1 January - 31 March 2017 - TL 65,591).

4.1.4 Information on profit share income received from associates and subsidiaries:

None (1 January - 31 March 2017 – None).

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4.2 Information on profit share expenses:

4.2.1 Profit share expense paid to utilized loans:

	Current Period	
	TL	FC
Banks		
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	658	2,269
Foreign Banks	1,409	4,842
Branches And Head Office Abroad	-	-
Other Institutions	18,436	22,314
Total	20,503	29,425

	Prior Period	
	TL	FC
Banks		
The Central Bank Of The Republic Of Turkey	-	-
Domestic Banks	70	2,299
Foreign Banks	1,075	22,672
Branches And Head Office Abroad	-	-
Other Institutions	13,103	22,986
Total	14,248	47,957

4.2.2 Profit share expense given to associates and subsidiaries::

	Current Period
Profit Share Expenses Given To Associates And Subsidiaries	249

	Prior Period
Profit share expenses given to associates and subsidiaries	213

4.2.3 Profit share expense paid to securities:

Within the year 2018, profit share expense amounting to TL 99,299 was realised (31 March 2017 – TL 69,952).

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4.2.4 **Distribution of profit share on funds based on maturity of funds:**

Current Period	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
TL								
Collected Funds From Banks Through Current And Profit Share Accounts	-	-	-	-	-	-	-	-
Real Person's Non-Trading Profit Sharing Account	89,938	146,411	10,788	-	5,702	5,153	-	257,992
Public Sector Profit Sharing Account	69	1,048	-	-	-	-	-	1,117
Commercial Sector Profit Sharing Account	9,115	21,129	3,890	-	339	256	-	34,729
Other Institutions Profit Sharing Account	860	2,210	267	-	90	46	-	3,473
Total	99,982	170,798	14,945	-	6,131	5,455	-	297,311
FC								
Banks	8	42	-	-	-	-	-	50
Real Person's Non-Trading Profit Sharing Account	13,079	23,398	5,039	-	2,424	1,399	-	45,339
Public Sector Profit Sharing Account	-	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Account	1,506	8,249	1,407	-	936	32	-	12,130
Other Institutions Profit Sharing Account	455	837	144	-	6	-	-	1,442
Precious Metal Accounts	920	3,311	285	-	161	-	-	4,677
Total	15,968	35,837	6,875	-	3,527	1,431	-	63,638
Grand Total	115,950	206,635	21,820	-	9,658	6,886	-	360,949
Prior Period	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
TL								
Collected Funds From Banks Through Current And Profit Share Accounts	-	-	-	-	-	-	-	-
Real Person's Non-Trading Profit Sharing Account	63,596	117,475	9,321	-	4,274	3,625	-	198,291
Public Sector Profit Sharing Account	1	732	-	-	-	-	-	733
Commercial Sector Profit Sharing Account	6,838	16,659	2,439	-	179	187	-	26,302
Other Institutions Profit Sharing Account	501	1,054	180	-	49	8	-	1,792
Total	70,936	135,920	11,940	-	4,502	3,820	-	227,118
FC								
Banks	330	182	-	-	-	-	-	512
Real Person's Non-Trading Profit Sharing Account	8,380	13,297	3,285	-	2,019	936	-	27,917
Public Sector Profit Sharing Account	-	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Account	977	2,900	769	-	29	22	-	4,697
Other Institutions Profit Sharing Account	514	396	82	-	9	75	-	1,076
Precious Metal Accounts	-	2,105	168	-	101	-	-	2,374
Total	10,201	18,880	4,304	-	2,158	1,033	-	36,576
Grand Total	81,137	154,800	16,244	-	6,660	4,853	-	263,694

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4.3 Information on dividend income: None (31 March 2017 – None).

4.4 Information on trading income/loss (Net):

	Current Period
Trading Income/Loss (Net)	52,335
Income	2,991,595
Gain On Capital Market Transactions	7,320
Gain On Derivative Financial Instruments	306,235
Foreign Exchange Profit	2,678,040
Losses (-)	(2,939,260)
Losses On Capital Market Transactions	(1,826)
Losses On Derivative Financial Instruments	(338,192)
Foreign Exchange Losses	(2,599,242)
	Prior Period
Trading Income/Loss (Net)	130,648
Income	4,491,260
Gain On Capital Market Transactions	3,560
Gain On Derivative Financial Instruments	583,359
Foreign Exchange Profit	3,904,341
Losses (-)	(4,360,612)
Losses On Capital Market Transactions	(395)
Losses On Derivative Financial Instruments	(776,614)
Foreign Exchange Losses	(3,583,603)

4.5 Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current Period
Reversal Of Prior Period Provisions	149,950
Income From Sale Of Assets	9,550
Income From the Real Estate Sales' Gains by Rent Certificates	637
Other Income	5,274
Total	165,411
	Prior Period
Reversal Of Prior Period Provisions	31,085
Income From Sale Of Assets	3,426
Income From the Real Estate Sales' Gains by Rent Certificates	628
Other Income	5,526
Total	40,665

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4.6 Impairment provisions for the loans and other receivables:

	Current Period
Expected Credit Loss	314,347
12 Month Expected Credit Loss (Stage 1)	142
Significant Increase In Credit Risk (Stage 2)	64,545
Non-Performinf Loans (Stage 3)	249,660
Marketable Securities Impairment Expense	733
Financial Assets At Fair Value Through Profit Or Loss	733
Financial Assets At Fair Value Through Other Comprehensive Income	-
Impairment Losses From Associates, Subsidiaries And Jointly Controlled Entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	10,823
Total	325,903
	Prior Period
Specific Provisions For Loans And Other Receivables	117,136
Iii. Group Loans And Receivables	59,906
Iv. Group Loans And Receivables	22,803
V. Group Loans And Receivables	34,427
Doubtful Commissions, Fees And Other Receivables	754
General Provision Expenses	14,028
Provision Expenses From Possible Losses	-
Impairment Provision Of Marketable Securities	103
Financial Assets At Fair Value Through Profit And Loss	103
Investment Securities Available For Sale	-
Impairment Provision Of Associates, Subsidiaries, Joint Ventures And Held To Maturity Investments	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Held To Maturity Investments	-
Other (*)	8,779
Total	140,800

(*) According to the provision regulation, it consists of the provision is allocated 5% of profit to be distributed to participation accounts for up to 5% general reserve.

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4.7 Information on other operating expenses:

	Current Period
Personnel Expenses	217,387
Provision For Retirement Pay Liability	6,049
Depreciation Expenses Of Fixed Assets	15,615
Impairment Expenses Of Tangible Assets	9,323
Depreciation Expenses Of Intangible Assets	-
Depreciation Expenses Of Assets Held For Sale	78,756
Rent Expenses	31,075
Maintenance Expenses	10,792
Advertisement Expenses	1,512
Communication Expenses	8,821
Heating, Electricity And Water Expenses	3,948
Cleaning Expenses	1,505
Vehicle Expenses	1,702
Stationery Expenses	2,220
Other Expenses	17,181
Losses On Sales Of Assets	24
Deposit Insurance Fund Expenses	22,829
Other	26,753
Total	376,736
	Prior Period
Personnel Expenses	182,202
Provision For Retirement Pay Liability	4,422
Depreciation Expenses Of Fixed Assets	13,195
Impairment Expenses Of Tangible Assets	5,902
Depreciation Expenses Of Intangible Assets	-
Depreciation Expenses Of Assets Held For Sale	74,397
Other Operating Expenses	27,871
Rent Expenses	8,018
Maintenance Expenses	8,837
Advertisement Expenses	8,754
Communication Expenses	3,995
Heating, Electricity And Water Expenses	1,340
Cleaning Expenses	1,315
Vehicle Expenses	1,268
Stationery Expenses	12,999
Other Expenses	19
Losses On Sales Of Assets	19,441
Deposit Insurance Fund Expenses	24,265
Total	323,843

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4.8 Information on profit/loss from continued and discontinued operations before taxes:

Income before tax amounting to TL 278,174 increased by 35.5% as compared to the prior period (31 March 2017 – TL 205,287). Income before tax includes TL 680,301 (31 March 2017 – TL 443,536) net profit share income and TL 81,107 (31 March 2017 – TL 54,453) net fees and commission income. Other operating expense amount is TL 376,736 (31 March 2017 – TL 323,843).

4.9 Information on tax provision for continued and discontinued operations:

As of 31 March 2018, deferred tax charge of the Group is TL 7,589 (1 January-31 March 2017 – TL 12,895 deferred tax expense) and current tax provision expense is TL 51,474 (1 January-31 September 2017 – TL 30,681 expense).

4.10 Information on net income/loss from continued and discontinued operations:

There is no income or loss for discontinued operation in net operating income after tax.

4.11 Information on net income/loss:

4.11.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 March 2018, net profit share income is TL 680,301 (31 March 2017 – TL 443,536), net fees and commission income is TL 81,107 (31 March 2017 – TL 54,453).

4.11.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (31 March 2017 – None).

4.12 Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 31 March 2018, other fees and commissions received is TL 90,281 (31 March 2017 – TL 63,184), TL 21,141 of this amount is related with credit card fees and commissions (31 March 2017 – TL 13,779) and TL 16,676 of this amount is related with POS machine commissions (31 March 2017 – TL 11,699).

As of 31 March 2018, other fees and commissions given is TL 42,762 (31 March 2017 – TL 34,462), TL 18,862 (31 March 2017 – TL 13,307) of this amount is related with POS clearing commissions and installation expenses, TL 3,705 (31 March 2017 – TL 2,428) of this amount is related with fees and commissions paid for credit cards.

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5. Explanations and notes related to the consolidated cash flow statement

5.1 Information regarding the balances of cash and cash equivalents:

Not prepared as per the Article 25 of the Communiqué on “Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof.”

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6. Explanations and notes related to the risk group of the Parent Bank

6.1 Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses from 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	Cash	Cash	Non-Cash
Loans And Other Receivables						
Balance At Beginning Of Period	19	447	1,030	786	150,924	917
Balance At End Of Period	22	447	1,218	856	160,093	937
Profit Share And Commission Income	-	78	15	-	3,085	1

(*) Defined In The Subsection 2, Article 49 Of The Banking Law No. 5411.

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	Cash	Cash	Non-Cash
Loans And Other Receivables						
Balance At Beginning Of Period	14	132	998	16,818	135,364	20,290
Balance At End Of Period	19	447	1,030	786	150,924	917
Profit Share And Commission Income	-	-	1,262	-	10,648	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

Information on current and profit sharing accounts of the Bank's risk group:

Risk Group Of The Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)		Direct And Indirect Shareholders Of The Bank		Other Real Or Legal Persons Included In The Risk Group	
	Current Period		Current Period		Current Period	
Current And Profit Sharing Accounts						
Balance At Beginning Of Period		30,010		60,187		417,813
Balance At End Of Period		28,735		71,866		311,009
Profit Share Expense		249		1,168		5,023

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	
	Prior Period		Prior Period		Prior Period	
Current And Profit Sharing Accounts						
Balance At Beginning Of Period		18,799		58,441		113,915
Balance At End Of Period		30,010		60,187		417,813
Profit Share Expense		213		939		2,009

Current And Profit Sharing Accounts

Balance At Beginning Of Period		18,799		58,441		113,915
Balance At End Of Period		30,010		60,187		417,813
Profit Share Expense		213		939		2,009

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

Forward and option agreements and other similar agreements with the risk group of the Bank: None. (31 March 2017 - None).

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Information on loans associated with the risk group of the Bank:

Risk Group Of The Bank (*)	Investment In Associates, Subsidiaries And Joint Ventures (Business Partnerships)	Direct And Indirect Shareholders Of The Bank	Other Real Or Legal Persons Included In The Risk Group
	Current Period		Current Period

Borrowings			
Balance At Beginning Of Period	-	2,175,759	-
Balance At End Of Period	-	2,287,961	-
Profit Share Expense	-	19,656	-

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
	Prior Period	Prior Period	Prior Period

Borrowings			
Balance At Beginning Of Period	-	2,954,769	166,742
Balance At End Of Period	-	2,175,759	-
Profit Share Expense	-	12,646	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

6.2 Information on remunerations provided to top management:

As of 1 January - 31 March 2018, the Parent Bank has paid TL 17,967 to top management (1 January - 31 March 2017- TL 17,215).

7. Significant events and matters arising subsequent to balance sheet date

In the Ordinary General Assembly Meeting dated 3 April 2018, the Parent Bank decided on reserving primary reserves amounting to TL 33,700; other reserves amount to TL 12,419 funded via retained profit from sales of real estates, to not pay cash dividends to shareholders; dividend to management amount to TL 4,894; funding capital increase from internal sources via remaining net income amount to TL 387,142 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 489 and remaining amount to 234,908 to extraordinary legal reserves. In accordance with Article 3 of the Law on support for research and development activities numbered 5746, TL 439 received for the development activities carried out has not been distributed.

The Parent Bank has issued sukuk with nominal value of TL 285,000 thousand, 114 days maturity and 12.82% cost via KT Kira Sertifikaları Varlık Kiralama A.Ş.

The Parent Bank has issued sukuk with the nominal value of TL 310,000 thousand, maturity of 385 days and cost rate of 13.00%, through KT Kira Sertifikaları Varlık Kiralama A.Ş. by public offering.

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SECTION SIX
OTHER EXPLANATIONS

1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet

None.

SECTION SEVEN
LIMITED REVIEW REPORT

1. Explanations on the limited review report

The consolidated financial statements have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report is presented preceding the consolidated financial statements.

2. Notes and disclosures prepared by the independent auditor

None.

SECTION EIGHT
CONSOLIDATED INTERIM ANNUAL REPORT

1. Explanations on Interim Annual Report

1.1 About Kuveyt Türk

Kuveyt Türk Katılım Bankası A.Ş. ("The Bank") was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/ Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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1.2 Financial Informations Summary

CONSOLIDATED BALANCE SHEET	31 March 2018
CASH BALANCES AND CENTRAL BANK	8,504,907
BANKS	3,700,795
LOANS	41,009,531
FINANCE LEASE RECEIVABLES (Net)	2,352,335
TANGIBLE ASSETS (Net)	415,299
OTHER ASSETS	5,373,354
TOTAL ASSETS	61,356,221
FUND COLLECTED	43,311,147
FUNDS BORROWED	3,548,430
MARKETABLE SECURITIES ISSUED (Net)	6,318,842
SUBORDINATED LOANS	1,394,348
OTHER LIABILITIES	1,892,363
EQUITY	4,891,091
TOTAL LIABILITIES	61,356,221
CONSOLIDATED BALANCE SHEET	31 December 2017
CASH BALANCES AND CENTRAL BANK	9,024,719
BANKS	3,572,074
LOANS	36,605,500
FINANCE LEASE RECEIVABLES (Net)	2,080,730
TANGIBLE ASSETS (Net)	416,049
OTHER ASSETS	5,865,630
TOTAL ASSETS	57,564,702
FUND COLLECTED	40,254,963
FUNDS BORROWED	3,387,127
MARKETABLE SECURITIES ISSUED (Net)	5,651,841
SUBORDINATED LOANS	1,360,338
OTHER LIABILITIES	2,299,618
EQUITY	4,610,815
TOTAL LIABILITIES	57,564,702

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS	31 March 2018
PROFIT SHARE INCOME	1,204,834
PROFIT SHARE EXPENSE	524,533
NET PROFIT SHARE INCOME/EXPENSE	680,301
NET FEES AND COMMISSION INCOME/EXPENSE	81,107
PERSONNEL EXPENSES	223,436
NET TRADING INCOME / LOSS	52,335
OTHER OPERATING INCOME	165,411
EXPECTED LOSS PROVISIONS (-)	325,903
OTHER OPERATING EXPENSES (-)	153,300
INCOME/LOSS FROM SHAREHOLDERS UNDER EQUITY METHOD	1,659
INCOME/ LOSS BEFORE TAX	278,174
TAX CHARGE	(43,885)
PERIOD NET INCOME/LOSSES	234,289

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	31 March 2017
PROFIT SHARE INCOME	841,791
PROFIT SHARE EXPENSE	398,255
NET PROFIT SHARE INCOME/EXPENSE	443,536
NET FEES AND COMMISSION INCOME/EXPENSE	54,453
PERSONNEL EXPENSES	130,648
NET TRADING INCOME / LOSS	40,665
OTHER OPERATING INCOME	140,800
EXPECTED LOSS PROVISIONS (-)	323,843
OTHER OPERATING EXPENSES (-)	628
INCOME/LOSS FROM SHAREHOLDERS UNDER EQUITY METHOD	205,287
INCOME/ LOSS BEFORE TAX	(43,576)
TAX CHARGE	
PERIOD NET INCOME/LOSSES	161,711

31 March 2018	
Total Loans/Total Assets (*)	70.67%
Total Loans/Fund Collected (*)	100.12%
Average Equity Profit (**)	19.73%
Average Assets Profit (**)	1.58%
Capital Adequacy Ratio	15.77%

31 December 2017	
Total Loans/Total Assets (*)	%67.20
Total Loans/Fund Collected (*)	%96.10
Average Equity Profit (**)	%14.62
Average Assets Profit (**)	%1.18
Capital Adequacy Ratio	%17.32

(*) Finance Lease Receivables is included in total loans.

(**) Related ratios calculated by included in interim periods' profit amounts to year-end balances.

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1.3 Financial Position, Performance and Assessment of the Prospects for the Future

As of 31 March 2018, consolidated financial statements asset size is TL 61 million 356 thousand, amount of the utilization of funds is TL 43 million 362 thousand and funds collected amount is TL 43 million 311 thousand. Due to the effect of the first three months' profit of TL 234 thousand, the ratio of shareholder equity increased 6.08% by reaching TL 4 million 891 thousand. As of 31 March 2018, consolidated capital adequacy ratio has been realized as 15.77%.

The expectations for growth and profitability will continue in the development line.

1.4 Announcement regarding important developments during the period

The Bank has issued sukuk with a total nominal value of TL 1,250,000 thousand with six separate transactions over KT Kira Sertifikaları Varlık Kiralama A.Ş. with a minimum 12.38% and maximum 12.67% cost in different maturity periods.

1.5 Assessment of the expectations related to the postintermediate period

The Bank continues to open new branches after subsequent interim. The number of branches is planned to reach 429 by the end of 2018.