

**KUVEYT TRK KATILIM BANKASI
ANONİM ŐİRKETİ AND ITS FINANCIAL
SUBSIDIARIES**

**INDEPENDENT AUDITOR’S
REPORT, CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 2017**

*Translated into English
from the Original Turkish Report*

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kuveyt Türk Katılım Bankası A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting 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 No. 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 Standards for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>Providing Sufficient Provision for Loans and Receivables and Possible Losses from Financial Leasing Receivables</p> <p>As explained in Note 5 of Section Five, the Group's receivables from loans and receivables and lease receivables (net) (loans) as of 31 December 2017 amounted to TL 38,686,230 Thousand. The Group has TL 715,060 Thousand of the loans followed in the follow-up accounts and related provision amounting to TL 667,768 Thousand.</p> <p>The Group accounts for the classification and measurement of its loans based on the "Regulation on Procedures and Principles for the Determination of Loans and Reserves for Banks".</p> <p>The overdue status of the Group's loans and receivables is evaluated in accordance with the evaluation of the Group's management and regulatory rules. There is a potential risk of the management evaluation can not be carried out correctly or that there is a mistake in classification due to misapplication of the regulatory rules.</p> <p>There is a potential risk of impairment losses/provisions provided may be miscalculated due to mistake in classification or misapplication of the regulatory rules. Accordingly, the loans are considered as the key audit matter.</p>	<p>The procedures applied to control the Group's classification of loans and receivables and the adequacy of provisions in accordance with BRSA legislation are presented below:</p> <p>We tested and assessed the design and implementation and operational effectiveness of the controls we consider important for the processes related to the determination of impairment on loans and receivables. However, in order to determine whether the loans and receivables were impaired, we evaluated the policies of the Group and conducted a loan file review on the samples we selected for the purpose of determining the impairment, and reviewed the repayment ability of the loan customers.</p> <p>We have tested the classification of loans and receivables by conducting tests on a set of samples based on professional experience and audit methodology.</p> <p>We tested the regulatory compliance of the recalculation of specific provisions for loans and receivables on a sample basis. We also checked that the guarantees used in the calculation were included in the calculation with their fair values and multiplied by the correct guarantee coefficients determined in the legislation.</p> <p>We have tested the regulatory compliance of items subject to general loan loss provisioning and the provision ratios applied to them.</p> <p>We have checked the compliance with the audited consolidated financial statements of the notes and disclosures related to loans and receivables.</p>

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Yaman Polat.

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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group’s consolidated financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

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

Yaman Polat
Partner

İstanbul, 8 March 2018

THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
AS OF DECEMBER 31, 2017

Address of the head office : Büyükdere Cad. No:129/1 34394 Esentepe / İSTANBUL
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The consolidated financial report designed in line with the Banking Regulation and Supervision Agency's official communication on "Financial Statements to be Publicly Announced and the Related Policies and Disclosures" consists of the sections listed below:

- General information about the parent bank
- Consolidated financial statements of the parent bank
- Explanations on accounting policies
- Information on financial structure of the group which is under consolidation
- Footnotes and explanations on consolidated financial statements
- Other explanations
- Independent auditors' report
- Annual report

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

	Subsidiaries	Associates	Entities Under Joint Control
1.	KT Sukuk Varlık Kiralama A.Ş.	-	Katılım Emeklilik ve Hayat A.Ş.
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.	-	-
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-
4.	KT Bank AG	-	-
5.	KT Portföy Yönetimi A.Ş.	-	-
6.	KT Sukuk Company Limited	-	-

The accompanying consolidated financial statements and notes have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and the Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and, unless otherwise indicated, have been prepared in thousands of Turkish Lira. Related appendices and interpretations on these are independently audited and presented hereby.

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

Ufuk UYAN

Ahmet KARACA

İsmail Hakkı YEŞİLYURT

Member of the Audit
Committee

General Manager

Chief Financial Officer

External Reporting Manager

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

Name-Surname: İsmail Hakkı YEŞİLYURT / External Reporting Manager

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

SECTION ONE

GENERAL INFORMATION

I. 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 February 28, 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 consolidated financial subsidiaries are named as "Group" together.

II. Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control over the Management and Supervision of the Bank and the Disclosures on Any Related Changes in the Current Period, if any and information about the Group that the Bank belongs to

As of 31 December 2017, 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.

III. Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in the Bank

Name	Title	Date of the assignment	Date of assignment to the audit committee	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJİ	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	%0.0566
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006		Master	%0.0002
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0035
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	%0.0156
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	%0.0091
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	%0.0007
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	%0.0047
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	%0.0029
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	%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 Bank's share capital (31 December 2016 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

IV. 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 December 2017, 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.

V. Summary information of the Bank's services and field of operations

The Parent Bank's field of operations includes corporate banking, international banking services, 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 December 2017, the Group is operating through 403 domestic branches (31 December 2016 – 391) with 5,846 employees (31 December 2016 – 5,691). 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 Bank in line with 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.

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

None.

SECTION TWO
THE CONSOLIDATED FINANCIAL STATEMENTS

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- VI. Consolidated Statement of Cash Flows
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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017

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

I. CONSOLIDATED BALANCE SHEET-ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
	Note	TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1-1)	625,022	8,399,697	9,024,719	695,627	7,630,187	8,325,814
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(1-2)	21,768	66,466	88,234	36,056	125,663	161,719
2.1 Held for trading financial assets		21,768	66,466	88,234	36,056	125,663	161,719
2.1.1 Public sector debt securities		7,600	28,719	36,319	10,760	36,148	46,908
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		14,168	12,531	26,699	22,217	87,833	110,050
2.1.4 Other marketable securities		-	25,216	25,216	3,079	1,682	4,761
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	(1-3)	8,619	3,563,455	3,572,074	26,887	4,753,493	4,780,380
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(1-4)	2,064,954	2,358,776	4,423,730	1,835,182	1,917,545	3,752,727
5.1 Equity securities		10,325	38,172	48,497	10,325	43,160	53,485
5.2 Public sector debt securities		2,048,171	2,055,277	4,103,448	1,821,991	1,500,041	3,322,032
5.3 Other marketable securities		6,458	265,327	271,785	2,866	374,344	377,210
VI. LOANS AND RECEIVABLES	(1-5)	29,860,983	6,744,517	36,605,500	23,266,913	5,367,770	28,634,683
6.1 Loans and receivables		29,813,800	6,744,408	36,558,208	23,104,574	5,368,014	28,472,588
6.1.1 Loans to risk group of the Bank		84,022	67,951	151,973	73,485	62,891	136,376
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		29,729,778	6,676,457	36,406,235	23,031,089	5,305,123	28,336,212
6.2 Non-performing loans		714,130	930	715,060	748,062	552	748,614
6.3 Specific provisions (-)		666,947	821	667,768	585,723	796	586,519
VII. HELD TO MATURITY INVESTMENTS (Net)	(1-6)	-	-	-	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(1-7)	-	-	-	-	-	-
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)	(1-8)	23,680	-	23,680	23,680	-	23,680
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680	23,680	-	23,680
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(1-9)	19,405	-	19,405	15,301	-	15,301
10.1 Accounted for under equity method		19,405	-	19,405	15,301	-	15,301
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. FINANCE LEASE RECEIVABLES	(1-10)	1,437,354	643,376	2,080,730	1,104,588	439,955	1,544,543
11.1 Finance lease receivables		1,624,695	771,045	2,395,740	1,241,824	503,366	1,745,190
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		187,341	127,669	315,010	137,236	63,411	200,647
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(1-11)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII. TANGIBLE ASSETS (Net)	(1-12)	409,644	6,405	416,049	439,614	5,558	445,172
XIV. INTANGIBLE ASSETS (Net)	(1-13)	119,146	49,819	168,965	95,328	45,138	140,466
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		119,146	49,819	168,965	95,328	45,138	140,466
XV. INVESTMENT PROPERTIES (Net)		25,419	-	25,419	-	-	-
XVI. TAX ASSET	(1-15)	138,710	-	138,710	118,111	-	118,111
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		138,710	-	138,710	118,111	-	118,111
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(1-16)	117,006	-	117,006	47,975	-	47,975
17.1 Held for sale		117,006	-	117,006	47,975	-	47,975
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(1-17)	278,349	582,132	860,481	336,264	399,200	735,464
TOTAL ASSETS		35,150,059	22,414,643	57,564,702	28,041,526	20,684,509	48,726,035

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(2-1)	19,951,556	20,303,407	40,254,963	17,920,145	14,092,833	32,012,978
1.1 Funds from risk group of the Bank		389,739	118,271	508,010	73,536	117,619	191,155
1.2 Other		19,561,817	20,185,136	39,746,953	17,846,609	13,975,214	31,821,823
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2-2)	21,446	59,251	80,697	40,580	79,147	119,727
III. FUNDS BORROWED	(2-3)	110,116	3,277,011	3,387,127	59,080	3,215,662	3,274,742
IV. MONEY MARKET BALANCES		750,524	-	750,524	1,219,873	-	1,219,873
V. MARKETABLE SECURITIES ISSUED (Net)	(2-4)	1,104,618	4,547,223	5,651,841	580,571	4,174,842	4,755,413
VI. SUNDRY CREDITORS	(2-5)	170,672	29,333	200,005	133,655	35,495	169,150
VII. OTHER LIABILITIES	(2-5)	329,741	16,177	345,918	416,174	23,611	439,785
VIII. FINANCE LEASE PAYABLES	(2-6)	-	-	-	-	226	226
8.1 Finance lease payables		-	-	-	-	265	265
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-	-	39	39
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(2-7)	-	70,795	70,795	-	137,829	137,829
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	70,795	70,795	-	137,829	137,829
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
X. PROVISIONS	(2-8)	642,750	152,670	795,420	455,692	127,312	583,004
10.1 General loan loss provisions		312,384	95,570	407,954	238,276	80,549	318,825
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		185,060	334	185,394	129,223	15	129,238
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		145,306	56,766	202,072	88,193	46,748	134,941
XI. TAX LIABILITY	(2-9)	56,259	-	56,259	27,842	-	27,842
11.1 Current tax liability		56,259	-	56,259	27,842	-	27,842
11.2 Deferred tax liability		-	-	-	-	-	-
PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(2-11)	-	1,360,338	1,360,338	-	1,981,646	1,981,646
XIV. SHAREHOLDERS' EQUITY	(2-12)	4,706,108	(95,293)	4,610,815	4,091,183	(87,363)	4,003,820
14.1 Paid-in capital		3,097,322	-	3,097,322	2,787,322	-	2,787,322
14.2 Capital reserves		(86,697)	12,609	(74,088)	(65,314)	(30,347)	(95,661)
14.2.1 Share premium		24,208	-	24,208	24,208	-	24,208
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		(23,192)	12,609	(10,583)	(4,933)	(30,347)	(35,280)
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)	(70,836)	-	(70,836)
14.2.9 Value increase on assets held for sale		-	-	-	-	-	-
14.2.10 Other capital reserves		(26,947)	-	(26,947)	(13,753)	-	(13,753)
14.3 Profit reserves		927,236	-	927,236	741,764	-	741,764
14.3.1 Legal reserves		151,688	-	151,688	122,861	-	122,861
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		688,628	-	688,628	351,949	-	351,949
14.3.4 Other profit reserves		86,920	-	86,920	266,954	-	266,954
14.4 Profit or loss		745,193	(107,902)	637,291	607,418	(57,016)	550,402
14.4.1 Prior period income/(losses)		86,367	(77,931)	8,436	1,365	(22,304)	(20,939)
14.4.2 Current period income/(losses)		658,826	(29,971)	628,855	606,053	(34,712)	571,341
14.5 Minority shares	(2-13)	23,054	-	23,054	19,993	-	19,993
TOTAL LIABILITIES AND EQUITY		27,843,790	29,720,912	57,564,702	24,944,795	23,781,240	48,726,035

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 31 DECEMBER 2017

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

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

	Note	Audited Current period 31.12.2017			Audited Prior period 31.12.2016		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		54,025,598	19,151,373	73,176,971	45,504,238	19,739,616	65,243,854
I. GUARANTEES	(3-1)	6,501,080	4,570,973	11,072,053	5,177,182	4,712,035	9,889,217
1.1. Letters of guarantees		6,342,565	3,227,614	9,570,179	5,026,495	3,089,530	8,116,025
1.1.1. Guarantees subject to state tender law		214,018	-	214,018	163,646	-	163,646
1.1.2. Guarantees given for foreign trade operations		424,035	187,285	611,320	451,059	220,807	671,866
1.1.3. Other letters of guarantee		5,704,512	3,040,329	8,744,841	4,411,790	2,868,723	7,280,513
1.2. Bank loans		2,549	53,409	55,958	2,071	49,973	52,044
1.2.1. Import letter of acceptances		2,549	53,409	55,958	2,071	49,973	52,044
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		1,143	930,957	932,100	188	1,019,598	1,019,786
1.3.1. Documentary letter of credits		78	358,591	358,669	78	302,149	302,227
1.3.2. Other letter of credits		1,065	572,366	573,431	110	717,449	717,559
1.4. Pre-financing given as guarantee		-	27,919	27,919	-	25,642	25,642
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	148,428	527,292	675,720
1.7. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(3-1)	45,832,293	948,032	46,780,325	34,594,651	711,955	35,306,606
2.1. Irrevocable commitments		3,306,919	948,032	4,254,951	2,569,656	711,955	3,281,611
2.1.1. Forward asset purchase commitments		217,951	948,032	1,165,983	316,785	710,168	1,026,953
2.1.2. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		368,519	-	368,519	151,838	-	151,838
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Payment commitment for checks		1,345,239	-	1,345,239	1,178,750	-	1,178,750
2.1.7. Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8. Commitments for credit card expenditure limits		1,357,354	-	1,357,354	904,427	-	904,427
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	1,787	-	19,544
2.2. Revocable commitments		42,525,374	-	42,525,374	32,024,995	-	32,024,995
2.2.1. Revocable loan granting commitments		42,525,374	-	42,525,374	32,024,995	-	32,024,995
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1,692,225	13,632,368	15,324,593	5,732,405	14,315,626	20,048,031
3.1. Derivative financial instruments for hedging purposes		-	1,565,503	1,565,503	-	1,391,124	1,391,124
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	1,565,503	1,565,503	-	1,391,124	1,391,124
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		1,692,225	12,066,865	13,759,090	5,732,405	12,924,502	18,656,907
3.2.1. Forward foreign currency buy/sell transactions		737,140	1,804,963	2,542,103	1,499,492	1,909,112	3,408,604
3.2.1.1. Forward foreign currency transactions-buy		388,590	976,977	1,365,567	712,215	995,591	1,707,806
3.2.1.2. Forward foreign currency transactions-sell		348,550	827,986	1,176,536	787,277	913,521	1,700,798
3.2.2. Other forward buy/sell transactions		955,085	10,261,902	11,216,987	4,232,913	11,015,390	15,248,303
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		264,937,891	106,948,648	371,886,539	205,775,245	106,164,950	311,940,195
IV. ITEMS HELD IN CUSTODY		9,232,412	3,224,354	12,456,766	7,081,056	2,528,760	9,609,816
4.1. Assets under management		-	-	-	20,794	-	20,794
4.2. Investment securities held in custody		965,091	73,865	1,038,956	738,025	58,268	796,293
4.3. Checks received for collection		6,397,936	624,523	7,022,459	5,292,095	539,190	5,831,285
4.4. Commercial notes received for collection		1,869,385	190,069	2,059,454	1,030,142	144,880	1,175,022
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	-	1,786,422	1,786,422
V. PLEDGED ITEMS		255,693,840	103,679,813	359,373,653	198,682,550	103,595,106	302,277,656
5.1. Marketable securities		195,245	73,046	268,291	222,995	63,991	286,986
5.2. Guarantee notes		101,701	1,527,824	1,629,525	101,921	1,421,085	1,523,006
5.3. Commodity		5,045,489	470,272	5,515,761	3,962,735	640,558	4,603,293
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		101,298,823	1,970,258	103,269,081	84,503,198	1,815,288	86,318,486
5.6. Other pledged items		149,052,582	99,638,413	248,690,995	109,891,701	99,654,184	209,545,885
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	44,481	56,120	11,639	41,084	52,723
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		318,963,489	126,100,021	445,063,510	251,279,483	125,904,566	377,184,049

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

3. CONSOLIDATED INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

			Current Period Audited 01.01.2017 – 31.12.2017	Prior Period Audited 01.01.2016- 31.12.2016
	Note			
I.	PROFIT SHARE INCOME	(4-1)	3,867,338	3,141,112
1.1	Profit share on loans		3,343,174	2,751,353
1.2	Profit share on reserve deposits		50,595	25,600
1.3	Profit share on banks		31,929	24,225
1.4	Profit share on money market placements		-	769
1.5	Profit share on marketable securities portfolio		280,612	205,883
1.5.1	Held-for-trading financial assets		-	-
1.5.2	Financial assets at fair value through profit and loss		8,771	5,045
1.5.3	Available-for-sale financial assets		271,841	200,838
1.5.4	Investments held-to-maturity		-	-
1.6	Finance lease income		140,419	110,258
1.7	Other profit share income		20,609	23,024
II.	PROFIT SHARE EXPENSE	(4-2)	1,717,000	1,443,898
2.1	Expense on profit sharing accounts		1,171,225	918,888
2.2	Profit share expense on funds borrowed		196,853	195,311
2.3	Profit share expense on money market borrowings		29,270	74,154
2.4	Expense on securities issued		319,652	255,545
2.5	Other profit share expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		2,150,338	1,697,214
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		250,785	154,660
4.1	Fees and commissions received		406,055	316,072
4.1.1	Non-cash loans		117,348	91,003
4.1.2	Other	(4-12)	288,707	225,069
4.2	Fees and commissions paid		155,270	161,412
4.2.1	Non-cash loans		17	3,231
4.2.2	Other	(4-12)	155,253	158,181
V.	DIVIDEND INCOME	(4-3)	-	509
VI.	NET TRADING INCOME	(4-4)	288,332	330,734
6.1	Capital market transaction gains / (losses)		6,960	7,871
6.2	Gains/ (losses) from derivative financial instruments		(398,234)	155,429
6.3	Foreign exchange gains / (losses)		679,606	167,434
VII.	OTHER OPERATING INCOME	(4-5)	186,489	177,574
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		2,875,944	2,360,691
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(4-6)	786,177	514,113
X.	OTHER OPERATING EXPENSES (-)	(4-7)	1,280,913	1,137,444
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		808,854	709,134
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		4,104	2,423
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(4-8)	812,958	711,557
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(4-9)	(183,251)	(132,481)
16.1	Current income tax charge		(197,654)	(124,964)
16.2	Deferred tax charge / benefit		14,403	(7,517)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		629,707	579,076
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-
18.1	Income on assets held for sale		-	-
	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.2			-	-
18.3	Income on other discontinued operations		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Loss from assets held for sale		-	-
	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.2			-	-
19.3	Loss from other discontinued operations		-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)		-	-
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)	(4-11)	629,707	579,076
23.1	Group's income/loss		628,855	571,341
23.2	Minority interest income/loss (-)		852	7,735
	Earnings per share income/loss (full TL)		-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017**

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

4. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY (STATEMENT OF OTHER COMPREHENSIVE INCOME AND LOSS)

	Audited Current Period 01.01.2017-31.12.2017	Audited Prior Period 01.01.2016-31.12.2016
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FROM	
	AVAILABLE FOR SALE FINANCIAL ASSETS	
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS	
	FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT	
	IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	
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	
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	
XI.	PROFIT/LOSS	
XI.1	Change in fair value of marketable securities (transfer to profit/loss)	
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	
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

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

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital	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 valuation 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 – (01.01.2016-31.12.2016)																				
I. Balances at beginning of the period			2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131
II. Correction made as per TAS 8			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balances at beginning of the period (I+II)			2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131
III. Changes during the period			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease related to merger			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities revaluation differences			-	-	-	-	-	-	-	-	-	-	(40,674)	-	-	-	-	(40,674)	-	(40,674)
VI. Hedging funds (effective portion)			-	-	-	-	-	-	-	43,970	-	-	-	-	-	(38,203)	-	5,767	-	5,767
6.1 Cash-flow hedge			-	-	-	-	-	-	-	-	-	-	-	-	-	5,767	-	5,767	-	5,767
6.2 Hedge of net investment in foreign operations			-	-	-	-	-	-	-	43,970	-	-	-	-	-	(43,970)	-	-	-	-
VII. Tangible assets revaluation differences			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled operations			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences			-	-	-	-	-	-	-	13,756	-	-	-	-	-	-	-	13,756	-	13,756
XI. Changes related to the disposal of assets			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes related to the reclassification of assets			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The effect of change in associate's equity			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase			260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-
14.1 Cash			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources			260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-
XV. Share issue premium			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation adjustment to paid-in capital			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other(*)			-	-	-	-	-	-	-	1,163	-	-	-	-	-	-	-	1,163	-	1,163
XIX. Net income/(loss) for the period			-	-	-	-	-	-	-	-	571,341	-	-	-	-	-	-	571,341	7,735	579,076
XX. Profit distribution(**)			-	-	-	-	22,574	-	110,396	48,788	-	(185,157)	-	-	-	-	-	(3,399)	-	(3,399)
20.1 Dividends distributed			-	-	-	-	-	-	-	-	-	(3,399)	-	-	-	-	-	(3,399)	-	(3,399)
20.2 Transfers to reserves			-	-	-	-	22,574	-	110,396	48,788	-	(181,758)	-	-	-	-	-	-	-	-
20.3 Other			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		(2-11)	2,787,322	-	24,208	-	122,861	-	351,949	253,201	571,341	(20,939)	(35,280)	-	-	(70,836)	-	3,983,827	19,993	4,003,820

(*) In the Ordinary General Assembly Meeting dated 4 April 2016, the Bank decided on reserving primary reserves amount to TL 22,234; other reserves amount to TL 48,788 funded via retained profit from sales of real estates, cash dividend; dividend to management amount to TL 3,399; funding capital increase from internal sources via remaining net income amount to TL 259,524 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 340 and remaining amount to TL 110,396 to extraordinary legal reserves, other reserve amount to TL 476 which obtained from research and development activities according to Law No. 5746 under Articles3, funding capital increase from internal sources.

(**) Amounting to TL 1,163 represents actuarial loss and tax effect of retirement payments

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

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

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

			Effect of inflation accounting on paid-in capital	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	
Audited	Note	Paid-in capital																		
Current Period – (01.01.2017-31.12.2017)																				
I.	Balances at beginning of the period	2,787,322	-	24,208	-	122,861	-	351,949	253,201	-	550,402	(35,280)	-	-	(70,836)	-	3,983,827	19,993	4,003,820	
	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
II.	Balances at beginning of the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Marketable securities revaluation differen	-	-	-	-	-	-	-	-	-	-	24,697	-	-	-	-	24,697	-	24,697	
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	33,159	-	-	-	-	-	(30,523)	-	2,636	-	2,636	
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	2,636	-	2,636	-	2,636	
4.2	Hedge of net investment in foreign operation	-	-	-	-	-	-	-	33,159	-	-	-	-	-	(33,159)	-	-	-	-	
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	(136,532)	-	136,532	-	-	-	-	-	-	-	-	
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operati	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	14,106	-	-	-	-	-	-	-	14,106	-	14,106	
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	(90,767)	-	-	-	-	-	40,593	-	(50,174)	-	(50,174)	
X.	Changes related to the reclassification of a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	The effect of change in associate's equity	-	-	-	-	1,299	-	-	-	-	-	-	-	-	-	-	1,299	-	1,299	
XII.	Capital increase	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Internal sources	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-	
XII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Other(*)	-	-	-	-	-	-	-	(13,194)	-	-	-	-	-	-	-	(13,194)	2,209	(10,985)	
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	628,855	-	-	-	-	-	-	628,855	852	629,707	
XVIII.	Profit distribution(**)	-	-	-	-	27,528	-	336,679	51,667	-	(420,165)	-	-	-	-	-	(4,291)	-	(4,291)	
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	(4,291)	-	(4,291)	
18.2	Transfers to reserves	-	-	-	-	27,528	-	336,679	51,667	-	(415,874)	-	-	-	-	-	-	-	-	
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period																				
(III+IV+V+.....+XVIII+XIX+XX)		(2-11)	3,097,322	-	24,208	-	151,688	-	688,628	59,973	628,855	8,436	(10,583)	-	-	(60,766)	-	4,587,761	23,054	4,610,815

(*) In the Ordinary General Assembly Meeting dated 28 March 2017, the Bank decided on reserving primary reserves amount to TL 27,098; other reserves amount to TL 51,007 funded via retained profit from sales of real estates, cash dividend; dividend to management amount to TL 4,291; funding capital increase from internal sources via remaining net income amount to TL 121,801 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 430 and remaining amount to TL 336,679 to extraordinary legal reserves, other reserve amount to TL 660 which obtained from research and development activities according to Law No. 5746 under Articles3, 136,532 TL funding capital increase from internal sources.

(**) Amounting to TL (13,194) represents actuarial loss and tax effect of retirement payments.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

6. CONSOLIDATED CASH FLOWS STATEMENT

		Audited	Audited
		Current period	Prior Period
	Note	01.01.2017-31.12.2017	01.01.2016-31.12.2016
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	1,394,462	819,666
1.1.1	Profit share income received	4,304,305	3,033,597
1.1.2	Profit share expense paid	(1,664,208)	(1,392,727)
1.1.3	Dividend received	-	509
1.1.4	Fees and commissions received	407,452	316,661
1.1.5	Other income	398,357	302,609
1.1.6	Collections from previously written off loans	53,054	21,564
1.1.7	Payments to personnel and service suppliers	(991,075)	(871,972)
1.1.8	Taxes paid	(222,108)	(167,363)
1.1.9	Others	(891,315)	(423,212)
	(6-3)		
1.2	Changes in operating assets and liabilities	(3,446,052)	(588,799)
1.2.1	Net (increase) decrease held for trading financial assets	(9,866)	(7,663)
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	(916,309)	(1,742,742)
1.2.4	Net (increase) decrease in loans	(9,534,520)	(3,385,011)
1.2.5	Net (increase) decrease in other assets	(279,341)	(302,200)
1.2.6	Net increase (decrease) in bank deposits	-	112,015
1.2.7	Net increase (decrease) in other deposits	8,189,069	3,763,676
1.2.8	Net increase (decrease) in funds borrowed	(508,799)	365,827
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(386,286)	607,299
	(6-3)		
I.	Net cash provided from / (used in) banking operations	(2,051,590)	230,867
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(649,580)	(1,511,284)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	-	(750)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	132,619	-
2.3	Fixed assets purchases	(83,840)	(46,878)
2.4	Fixed assets sales	1,998	10,507
2.5	Cash paid for purchase of financial assets available for sale	(2,139,911)	(2,587,958)
2.6	Cash obtained from sale of financial assets available for sale	1,498,651	1,166,806
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(59,097)	(53,011)
	(6-3)		
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from / (used in) financing activities	1,291,567	1,261,693
3.1	Cash obtained from funds borrowed and securities issued	3,085,860	2,079,050
3.2	Cash used for repayment of funds borrowed and securities issued	(1,790,002)	(813,958)
3.3	Capital increase	-	-
3.4	Dividends paid	(4,291)	(3,399)
3.5	Payments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(16,107)	140,046
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)	(1,425,710)	121,322
VI.	Cash and cash equivalents at the beginning of the period	4,898,436	4,777,114
VII.	Cash and cash equivalents at the end of the period	3,472,726	4,898,436
	(V-a)		

(*) Due to the liquidation of the subsidiary of the Group in Dubai , TL 202,431 amount cash inflow to the Group. TL 69,812 of that cash inflow is indicated on Cash and cash equivalents at the beginning of the period

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

7. THE PARENT BANK'S STATEMENT OF PROFIT DISTRIBUTION

	Current period 01.01.2017- 31.12.2017 (*)	Prior period 01.01.2016- 31.12.2016
I. Distribution of current year profit		
1.1. Current period profit	848,933	663,212
1.2. Taxes and legal duties payable (-)	174,942	121,246
1.2.1. Corporate tax (income tax)	197,638	124,960
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and duties (**)	(22,696)	(3,714)
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	673,991	541,966
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	27,098
1.5. Other statutory reserves (-)	-	-
B. Net profit available for distribution [(A-(1.3+1.4+1.5))]	673,991	514,868
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to board of directors (-)	-	4,291
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	430
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves (***)	-	336,679
1.13. Other reserves	-	51,667
1.14. Special funds	-	-
II. Distribution of reserves	-	-
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1. To owners of ordinary shares	-	0.199
3.2. To owners of ordinary shares (%)	-	19.926
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1. To owners of ordinary shares	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

(*) The profit distribution of the Bank is decided by the General Assembly which is not held as of date of these financial statements.

(**) Deferred income tax is presented under other tax and legal liabilities. Deferred tax income can not be added into profit distribution, thus it is classified under extraordinary reserves.

(***) TL 258,333 from retained earnings and TL 51,667 from other reserves are transferred to paid-in capital within capital increase scope.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

SECTION THREE
ACCOUNTING PRINCIPLES

1. Explanations on basis of presentation

a. 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 Bank prepares its consolidated financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 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 Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

b. Classifications

None.

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

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities held for trading carried at fair value.

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

d. Preparation of the consolidated financial statements in the current purchasing power of money:

Until 31 December 2004, the financial statements of the Group were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). BRSA explained with its decision numbered 1623 and dated 21 April 2005 and its circular dated 28 April 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied beginning from 1 January 2005.

e. Disclosures of 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. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently 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.

The 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

Classification and measurement of financial assets:

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).

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

Impairment of financial assets:

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-c 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. These financial assets will be 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.

As of the transition date, the revisions on the accounting policies, relevant processes and internal controls are ongoing. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financial statements until announcement of the first time adoption financial statements including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted for under equity during transition.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

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. Valuation differences of foreign currencies have been recognized in the income statement under the 'Net foreign exchange income/expense' account. The foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries' foreign currency differences has been recorded in "Other Profit Reserves" under shareholders' equity.

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 Bank'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 gains/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 Group.

3. Information about the Parent Bank and its Consolidated Subsidiaries

The consolidated financial statements have been prepared in accordance with the "Consolidated Financial Statements" ("IFRS 10").

The subsidiaries included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

Description	Address (City/ Country)	Principal Activity	31 December 2017	31 December 2016	Consolidation Method
KT Bank AG	Frankfurt/Germany	Banking	%100.00	%100.00	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	%75.00	%75.00	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	%50.00	%50.00	Full consolidation Accounted for under equity
KT Sukuk Company Limited	George Town/ Cayman Islands	Financial Institution	%100.00	%100.00	Full consolidation

The Parent Bank and its consolidated subsidiaries of the Parent Bank, as a whole, are named as "Group".

Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is obtained as the Bank has more than half of the voting rights directly or indirectly through subsidiaries or do not have the majority of the voting rights but has privileged shares or has half of the voting rights with respect to agreements made with other shareholders or has authority to manage financial and operating policies of the company through a

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regulation or an agreement or has power to control the majority of votes at the board of directors or at executive body containing these rights or has power to appoint or dispose the majority of the members of the board of directors.

In the full consolidation method, 100% assets, liabilities, income, expense and off-balance sheet items of subsidiaries are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group enters into forward agreements to mitigate 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 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 and cross currency swap transactions in order to hedge the change in fair value of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

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 this account. 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" on the balance sheet.

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6. Explanation 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”, “Available for sale”, and Loans and receivables” or “Held to maturity. Sale and purchase transactions of the financial assets mentioned above are recognized at the ‘Settlement dates’. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

7.1. Financial assets at fair value through profit or loss:

This category has two sub categories: “Trading financial assets” and “Financial assets designated at fair value through profit/loss at initial recognition”.

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or dealers’ margin, or are financial assets included in a portfolio and derivative instruments in which a pattern of short-term profit making exists.

Trading financial assets are initially recognized at transaction prices, which are assumed to be the fair value, and subsequently measured at fair value. All gains and losses arising from these valuations are reflected in the income statement.

Other than trading financial assets, the Group has no financial assets at fair value through profit or loss.

7.2. Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized in the profit/share account, current value differences recognized in the “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain/losses in the shareholders’ equity are recognized directly in the income statement.

7.3. Loans and Receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not classified as held for trading, financial assets at the fair value through profit or loss or as available for sale. Loans and receivables are initially recognized at cost, which is assumed to reflect their fair value and subsequently recognized at the amortized cost calculated using the internal rate of return method. The expenses incurred for the loans and receivables received as collateral are not considered as transaction costs and are recognized in the expense accounts.

7.4. Held to maturity financial assets:

Held to maturity financial assets are financial assets with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity that are not classified under ‘Loans and receivables’. Held to maturity financial assets are initially recognized at cost which is assumed to reflect their fair value, and subsequently carried at ‘Amortized Cost’ using the ‘Internal Rate of Return’. Profit share income from held to maturity financial assets is reflected in the income statement. The Group does not have any held to maturity financial assets as of the balance sheet date.

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8. Explanations on impairment of financial assets

At each balance sheet date an assessment is made as to whether there is objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, impairment is provided for financial asset categories as explained below.

8.1. Loans and Receivables:

If there is objective evidence that the loans might not be collected, the Bank reclassifies such loans to III. IV. and V. groups and provides impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 1 November 2006 in the Official Gazette No: 26333. For the loans with poor financial position and/or payment capability, the Parent Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

Collections related to the provisions provided in the current period for such loans are deducted from “Provisions for Loan losses and Other Receivables” account in the income statement. Subsequent recoveries of amounts previously written off or provisions made in prior periods are included in “Other Operating Income” in the income statement.

8.2. Financial assets held to maturity:

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present values of future estimated cash flows discounted using the original profit share and the carrying value; provision is made for impairment and the provision is associated with expense accounts.

8.3. Financial assets available for sale:

If there is objective evidence indicating that the fair value of an available for sale financial asset, for which decreases in the fair value has been accounted under the equity, has been impaired then the total loss which was accounted directly in the equity is transferred from equity to the income statement.

Impairment losses recognized in the income statement related to the investments in equity instruments classified as available for sale financial assets cannot be reversed through the income statement. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity instruments cannot be reversed.

9. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the 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 rent certificates that are recognized in the assets of the Bank in return for conditional repurchasing. Beginning from this date, the Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for Treasury rent certificates that are reported as assets in balance sheet in order to raise funds.

As of 31 December 2017, the Group has repurchasing agreements amounting to TL 750,524 (31 December 2016 - TL 1,219,873).

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.

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 Parent 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 repairs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed.

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.

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.

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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.

The Group records rent payments made in the context of operating leases in equal amounts during the lease term.

Bank as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Group 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 Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Bank recognizes provisions for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made.

Provisions are recognized for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made. A provision is provided if liabilities have been originated 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.

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 fulfil 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.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on “Turkish Accounting Standard on Employee Benefits (“TAS 19”), 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 Parent Bank pays defined contribution plans to publicly administered Social Security Funds for its employees as mandated by the Social Security Association. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as employee benefit expense when they are due.

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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

The corporate tax rate in Turkey is 20%. 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 code, each quarter advance tax amount is calculated using a rate of 20% over tax base and paid, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year.

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.

Each quarter advance tax amount is calculated using a rate of 20% over tax base and Corporate tax returns are filed by the fourteenth day of the second month following the balance sheet date and taxes is paid by the seventeenth day of the second until evening. Paid advance taxes are paid during the year are belong to the current year, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year. If the balance of paid advance taxes remains after deduction of paid advance taxes, it 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 gains 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 instalment 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.

As of 31 December 2017, the tax rates applied in foreign countries where the Group operates is as follow:

Country	Tax Rate
Germany	%15

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Deferred tax

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). Deferred tax asset is calculated on all temporary differences other than general provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax rate used in the calculation of deferred tax assets and liabilities is 22% over the temporary timing differences expected to reverse in 2018, 2019 and 2020, and 20% over the temporary timing differences expected to reverse after 2021 (2016: 20%).

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.

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 bill guarantees and acceptances

Bill guarantees and acceptances 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; Retail and Enterprise Banking; Commercial Banking; Corporate and International Banking, 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 X.

23. Explanations on other matters

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

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SECTION FOUR

INFORMATION ON THE BANK'S FINANCIAL STRUCTURE AND RISK MANAGEMENT

1. Explanations on shareholders' equity

Shareholders' equity amount and capital adequacy standard ratio are calculated within the framework of "Regulation Regarding Equities of Banks" and "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2017, the shareholders' equity of the Group is TL 5,825,898 (31 December 2016: TL 5,729,368) and the capital adequacy standard ratio is 17.32% (31 December 2016: 18.19%).

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a. Components of consolidated shareholders' equity:

<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	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 Interests	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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated 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 Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated 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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
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 Ratios 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 Ratios 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)	4,394,331	
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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated 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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital 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 Unconsolidated 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 Unconsolidated 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	
Bank-specific Counter-Cyclical Capital 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 Unconsolidated 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 Unconsolidated 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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Reconciliation of consolidated capital items to balance sheet :

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	3,097,322	2,678	3,100,000	Adjustment related to its own draw backed share of the Bank
Capital Reserves	(74,088)	-	(74,088)	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Other Comprehensive Income According to TAS	(98,296)	-	(98,296)	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Securities Value Increase Fund	(10,583)	-	(10,583)	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Revaluation Surplus on Tangible Assets	-	-	-	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(60,766)	-	(60,766)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	(26,947)	-	(26,947)	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*) and inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	24,208	-	24,208	
Profit Reserves	927,236	-	927,236	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Profit or Loss	637,291	-	637,291	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Prior Periods Profit/Loss	8,436	-	8,436	
Current Period Net Profit/Loss	628,855	-	628,855	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Minority Shareholders	23,054	-	23,054	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 (*)
Deductions from Common Equity Tier I Capital (-)	246,077		296,274	Deductions from Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	4,364,738		4,428,124	

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	
Tier I Capital			4,394,331	
Subordinated Debts			1,322,272	
General Provisions			280,412	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			1,602,684	
Deductions from Total Capital (-)			171,117	Deductions from Capital as per the Regulation
Total			5,825,898	

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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	2,790,000	
Share Premium	24,208	
Reserves	741,764	
Other Comprehensive Income according to TAS	-	
Profit	550,402	
Current Period Profit	571,341	
Prior Period Profit	(20,939)	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shares	19,993	
Common Equity Tier I Capital Before Deductions	4,126,367	
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 (-)	119,869	
Leasehold Improvements on Operational Leases (-)	47,732	
Goodwill Netted with Deferred Tax Liabilities		
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	84,280	140,466
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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated 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 Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated 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	254,559	
Total Common Equity Tier I Capital	3,871,808	

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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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
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 Ratios of Banks (-)	56,186	140,466
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 Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	56,186	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	3,815,622	
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)	1,794,270	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	-	
Total Deductions from Tier II Capital	220,123	
Deductions from Tier II Capital	2,014,393	
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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated 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	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,014,393	
Total Equity (Total Tier I and Tier II Capital)	5,830,015	

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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 (-)	5,208	
Other items to be Defined by the BRSA (-)	95,439	
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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital 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 Unconsolidated 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 Unconsolidated 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)	5,729,368	
Total Risk Weighted Assets	31,499,103	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12.29	
Tier I Capital Ratio (%)	12.11	
Capital Adequacy Ratio (%)	18.19	
BUFFERS		
Bank-specific total CET1 Capital Ratio	0.63	
Capital Conservation Buffer Ratio (%)	0.63	
Bank-specific Counter-Cyclical Capital 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	7.79	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated 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)	220,123	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	220,123	
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 for assessment of adequacy of internal capital requirements for 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 for these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Bank's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effects 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 Bank's 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.

2. Explanations on Consolidated Credit Risk

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfillment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Group had taken in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits generated to the people residing abroad or with foreign nationality, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Group in Turkey should be followed up.

The risks and limits arising of the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the control of the limits allocated as based on the degrees of the correspondent banks and the maximum risk that the Bank can take within its equities are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to off the balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee.

The loans which do not meet the delay term required for classification as Third Group loans defined in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, are qualified as "past due" loans; all the loans and receivables classified in the third, fourth and fifth groups indicated in the same Regulation are accepted to be "impaired loans".

The positions in the form of futures, options agreements and similar agreements are not held.

Indemnified non-cash loans are subject to the same risk weight with the overdue loans in compliance with the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans. The re-scheduled and re-structured loans are followed up in compliance with the methods determined in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents and the country risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes.

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The Bank's top 100 and 200 cash loan customers represent 19% and 26% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 42% and 50% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 20% and 26% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 407,954 (31 December 2016 - 318,825 TL).

Exposure Categories (Current Period)	Period end Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional exposures to central governments or central banks	11,834,234	10,304,922
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	6,104,252	6,356,336
Conditional and unconditional exposures to corporates	10,892,833	10,166,377
Conditional and unconditional retail exposures	7,876,889	6,909,911
Conditional and unconditional exposures secured by real estate property	14,381,976	13,373,928
Past due items	18,320	64,302
Items in regulatory high-risk categories	7,299	21,978
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	163,734	103,723
Equity share investments	-	-
Other items	3,666,991	3,489,748
Total	54,946,528	50,791,223

(*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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Explanations on consolidated Credit Risk (Continued)

Exposure Categories (Prior Period)	Period end Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional exposures to central governments or central banks	10,172,133	8,710,127
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	7,604,636	5,315,064
Conditional and unconditional exposures to corporates	9,137,686	11,421,828
Conditional and unconditional retail exposures	5,800,248	4,177,551
Conditional and unconditional exposures secured by real estate property	12,056,561	12,512,656
Past due items	105,115	67,137
Items in regulatory high-risk categories	56,985	69,349
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	83,760	50,501
Stock Certificate Investments	-	-
Other items	3,931,025	3,683,194
Total	48,948,149	46,007,407

(*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports according to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank

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2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of collective investment undertakings	Other	Total
Domestic	11,834,234	3,881,462	10,123,609	7,848,907	14,287,876	18,208	7,299	145,383	-	48,146,978
European Union (EU)	-	627,212	718,969	2,420	12,431	109	-	-	-	1,361,141
Countries										
OECD Countries(**)	-	541,635	840	344	976	-	-	-	-	543,795
Off-Shore Banking Regions	-	275,384	-	120	831	-	-	3,824	-	280,159
USA, Canada	-	330,188	-	92	1,162	1	-	-	-	331,443
Other Countries	-	448,371	49,415	25,006	78,700	2	-	14,527	-	616,021
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	377,647	377,647
Unallocated	-	-	-	-	-	-	-	-	3,289,344	3,289,344
Assets/Liabilities(***)										
Total	11,834,234	6,104,252	10,892,833	7,876,889	14,381,976	18,320	7,299	163,734	3,666,991	54,946,528

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes assets and liability items that can not be allocated on a consistent basis

Prior Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total	Prior Period (*)
Domestic	10,172,133	4,546,405	9,004,866	5,789,632	11,889,941	105,040	56,985	69,613	-	41,634,615
European Union (EU)	-	1,209,259	1,895	532	19,473	-	-	-	-	1,231,159
OECD Countries(**)	-	433,750	1,174	16	5,143	-	-	-	-	440,083
Off-Shore Banking Regions	-	94,014	21,209	1,691	75,343	-	-	361	-	192,618
USA, Canada	-	395,943	174	21	1,628	-	-	-	-	397,766
Other Countries	-	925,265	108,368	8,356	65,033	75	-	13,786	-	1,120,883
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	349,513	349,513
Unallocated										
Assets/Liabilities(***)	-	-	-	-	-	-	-	-	3,581,512	3,581,512
Total	10,172,133	7,604,636	9,137,686	5,800,248	12,056,561	105,115	56,985	83,760	3,931,025	48,498,149

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes assets and liability items that can not be allocated on a consistent basis.

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2.2. Risk profile by sectors or counterparties

Current Period(*)	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total	
Agriculture	-	-	-	-	-	-	26,832	67,001	92,983	189	129	-	-	-	-	-	136,914	50,220	187,134	
Farming and Stockbreeding	-	-	-	-	-	-	16,351	31,712	44,691	66	-	-	-	-	-	-	60,200	32,620	92,820	
Forestry	-	-	-	-	-	-	10,457	32,412	47,808	123	129	-	-	-	-	-	73,367	17,562	90,929	
Fishery	-	-	-	-	-	-	24	2,877	484	-	-	-	-	-	-	-	3,347	38	3,385	
Manufacturing	-	-	-	-	-	-	1,361,540	918,037	1,256,538	4,074	3,932	-	-	-	-	-	2,031,799	1,512,322	3,544,121	
Mining and Quarrying	-	-	-	-	-	-	254,543	169,297	166,850	629	125	-	-	-	-	-	345,072	246,372	591,444	
Production	-	-	-	-	-	-	752,979	682,853	1,036,530	3,444	3,807	-	-	-	-	-	1,404,541	1,075,072	2,479,613	
Electricity, Gas and Water	-	-	-	-	-	-	354,018	65,887	53,158	1	-	-	-	-	-	-	282,186	190,878	473,064	
Construction	-	-	-	-	-	-	1,369,793	893,329	879,668	5,128	556	-	-	-	-	-	2,375,625	772,849	3,148,474	
Services	11,834,234	-	-	-	-	-	6,104,252	2,202,692	1,406,385	1,910,385	5,387	1,716	-	-	-	163,734	-	7,503,803	16,124,982	23,628,785
Wholesale and Retail Trade	-	-	-	-	-	-	1,136,399	863,704	1,318,295	4,253	1,463	-	-	-	-	-	2,531,426	792,688	3,324,114	
Accommodation and Dining	-	-	-	-	-	-	65,364	54,671	93,219	189	5	-	-	-	-	-	145,646	67,802	213,448	
Transportation and Telecom.	-	-	-	-	-	-	687,406	214,529	182,450	626	89	-	-	-	-	-	612,783	472,317	1,085,100	
Financial Institutions	11,834,234	-	-	-	-	-	6,104,252	1,032	1,331	1,283	-	-	-	-	-	163,734	-	3,502,934	14,602,932	18,105,866
Real Estate and Rental																				
Services	-	-	-	-	-	-	95,046	32,815	62,258	1	79	-	-	-	-	-	121,798	68,401	190,199	
Professional Services	-	-	-	-	-	-	311	150	624	-	-	-	-	-	-	-	1,072	13	1,085	
Educational Services	-	-	-	-	-	-	20,784	22,293	30,285	16	52	-	-	-	-	-	69,654	3,776	73,430	
Health and Social Services	-	-	-	-	-	-	196,350	216,892	221,971	302	28	-	-	-	-	-	518,490	117,053	635,543	
Others	-	-	-	-	-	-	5,931,976	4,592,137	10,242,402	3542	966	-	-	-	-	-	3,666,991	21,556,656	2,881,358	24,438,014
Total	11,834,234	-	-	-	-	-	6,104,252	10,892,833	7,876,889	14,381,976	18,320	7,299	-	-	-	163,734	3,666,991	33,604,797	21,341,731	54,946,528

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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Prior Period(*)	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development bank	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	-	73,556	91,495	128,003	1,059	5,498	-	-	-	-	-	191,842	107,769	299,611
Farming and Stockbreeding	-	-	-	-	-	-	62,493	52,283	50,874	425	301	-	-	-	-	-	100,602	65,774	166,376
Forestry	-	-	-	-	-	-	11,039	38,621	66,207	592	2,366	-	-	-	-	-	78,080	40,745	118,825
Fishery	-	-	-	-	-	-	24	591	10,922	42	2,831	-	-	-	-	-	13,160	1,250	14,410
Manufacturing	-	-	-	-	-	-	3,731,555	1,373,920	2,165,416	24,278	9,077	-	-	-	-	-	2,445,853	4,858,393	7,304,246
Mining and Quarrying	-	-	-	-	-	-	476,706	269,497	334,786	2,472	1,582	-	-	-	-	-	487,378	597,665	1,085,043
Production	-	-	-	-	-	-	1,881,530	1,020,827	1,720,147	21,366	6,802	-	-	-	-	-	1,779,467	2,871,205	4,650,672
Electricity, Gas and Water	-	-	-	-	-	-	1,373,319	83,596	110,483	440	693	-	-	-	-	-	179,008	1,389,523	1,568,531
Construction	-	-	-	-	-	-	2,079,688	979,590	2,442,200	20,356	15,440	-	-	-	-	-	3,198,214	2,339,060	5,537,274
Services	10,172,133	-	-	-	-	7,604,636	2,439,272	1,978,821	3,328,469	36,790	25,739	-	-	-	83,760	-	7,632,706	18,036,914	25,669,620
Wholesale and Retail Trade	-	-	-	-	-	-	1,161,617	1,334,400	2,127,021	23,811	20,293	-	-	-	-	-	2,489,646	2,177,496	4,667,142
Accommodation and Dining	-	-	-	-	-	-	51,603	52,379	217,081	2,899	2,302	-	-	-	-	-	170,604	155,660	326,264
Transportation and Telecom.	-	-	-	-	-	-	698,823	286,889	319,276	5,006	803	-	-	-	-	-	479,165	831,632	1,310,797
Financial Institutions	10,172,133	-	-	-	-	7,604,636	24,139	4,446	24,213	-	-	-	-	-	83,760	-	3,782,645	14,130,682	17,913,327
Real Estate and Rental Services	-	-	-	-	-	-	289,348	46,623	273,481	1,996	-	-	-	-	-	-	135,218	476,230	611,448
Professional Services	-	-	-	-	-	-	32	442	258	-	-	-	-	-	-	-	649	83	732
Educational Services	-	-	-	-	-	-	45,431	19,951	128,116	32	32	-	-	-	-	-	129,871	63,691	193,562
Health and Social Services	-	-	-	-	-	-	168,279	233,691	239,023	3,046	2,309	-	-	-	-	-	444,908	201,440	646,348
Others	-	-	-	-	-	-	813,615	1,376,422	3,992,473	22,632	1,231	-	-	-	0	3,931,025	7,140,293	2,997,105	10,137,398
Total	10,172,133	-	-	-	-	7,604,636	9,137,686	5,800,248	12,056,561	105,115	56,985	-	-	-	83,760	3,931,025	20,608,908	28,339,241	48,948,149

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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2.3. Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories (*)– Current Period	Term to Maturity				
	1 Month	1–3 Months	3–6 Months	6–12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	733,495	-	-	-	3,976,618
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	406,051	462,087	449,180	154,059	1,188,461
Conditional and unconditional exposures to corporates	2,715,591	207,722	366,131	910,098	6,660,767
Conditional and unconditional retail exposures	1,539,990	204,543	381,882	690,451	4,879,665
Conditional and unconditional exposures secured by real estate property	2,344,188	139,328	441,883	957,315	10,499,262
Past due exposures	-	-	-	-	-
Items in regulatory high-risk categories	125	2,418	40	460	4,256
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	163,734	-	-	-	-
Other items	-	-	-	-	-
Total	7,903,174	1,016,098	1,639,116	2,712,383	27,209,029

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Exposure Categories (*) Prior Period	Term to Maturity				
	1 Month	1–3 Months	3–6 Months	6–12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1,181,398	-	-	-	2,843,165
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	360,094	749,327	478,971	151,718	1,166,445
Conditional and unconditional exposures to corporates	1,925,614	245,383	449,780	793,041	5,697,019
Conditional and unconditional retail exposures	566,460	194,535	444,758	934,129	3,499,088
Conditional and unconditional exposures secured by real estate property	330,512	131,511	295,867	1,042,870	10,255,801
Past due exposures	-	-	-	-	-
Items in regulatory high-risk categories	26,038	2,830	4,630	6,552	16,935
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	4,073	6,282	19,101	6,027	48,277
Other items	-	-	-	-	-
Total	4,394,189	1,329,868	1,693,107	2,934,337	23,526,730

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions

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2.4. Exposure Categories

In compliance with the 7th article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights is performed based on the credit ratings provided by the rating companies.

The ratings of the credit rating institution are used for Banks and Corporate Receivables class, being limited to the receivables, in which the counter party resides abroad. The banks and institutions residing in the country are evaluated without rating.

"Credit Quality Levels" corresponding to the ratings of the credit rating institution are presented in the following table.

Exposure Categories					
Credit Quality Grade	Fitch Risk Rating	Exposures from Banks and Brokerage Houses			
		Exposures to Central Governments or Central Banks	Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	Exposures to Corporates
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC+ CCC CCC- CC C D	%150	%150	%150	%150
Unrated	Unrated	%100	%20 (*)	%50 (*)	%100

(*) This is used under the condition of not being less than the implemented one in the centralized management of the Bank's located country.

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2.5. Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

		Receivable before CCF and CRM		Receivable post-CCF and CRM		RWA and RWA density	
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments and Central Banks	11,100,739	-	11,100,739	-	1,042,054	9
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	5,770,632	1,048,111	5,770,632	213,883	3,009,380	50
7	Receivables from corporate	7,958,019	5,969,775	7,958,019	2,929,027	10,702,505	98
8	Retail receivables	5,962,561	5,825,652	5,962,561	1,908,081	5,792,965	74
9	Receivables secured by residential property	6,150,505	669,805	6,150,505	285,231	2,229,734	35
10	Receivables secured by commercial property	7,383,780	1,175,277	7,383,780	560,827	5,007,288	63
11	Non-performing receivables	18,320	-	18,320	-	15,775	86
12	Receivables in high-risk categories	7,299	-	7,299	-	10,949	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	163,734	-	163,734	-	56,256	34
16	Other receivables	3,666,990	-	3,666,990	-	1,462,642	40
17	Equity share investments	-	-	-	-	-	-
18	Total	48,182,579	14,688,620	48,182,579	5,897,049	29,329,548	639

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2.5.2. Credit risk exposed and credit risk mitigation effects:

Risk Classes / Risk Weights *		0%	10%	20%	5%0	75%	100%	150%	200%	Others *	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	9,020,593	-	-	2,076,184	-	3,962	-	-	-	11,100,739
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,764	-	1,256,299	3,918,663	-	798,789	-	-	-	5,984,515
7	Receivables from corporate	122,048	-	78,117	-	-	10,686,881	-	-	-	10,887,046
8	Retail receivables	88,378	-	79,514	-	7,702,750	-	-	-	-	7,870,642
9	Receivables secured by residential property	41,708	-	54,506	-	-	-	-	-	6,339,522	6,435,736
10	Receivables secured by commercial property	49,693	-	66,690	5,668,548	-	2,159,676	-	-	-	7,944,607
11	Non-performing receivables	2	-	-	5,086	-	13,232	-	-	-	18,320
12	Receivables in high-risk categories	-	-	-	-	-	-	7,299	-	-	7,299
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	62,124	-	28,978	44,344	-	28,288	-	-	-	163,734
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	1,961,113	-	304,042	-	-	1,401,835	-	-	-	3,666,990
18	Total	11,356,423	-	1,868,146	11,712,825	7,702,750	15,092,663	7,299	-	6,339,522	54,079,628

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2.6. Risk amounts according to risk weights:

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
Risk Weights										from Equity
Exposures before										
Credit Risk Mitigation	11,054,594	-	1,589,319	6,435,736	11,797,208	7,870,642	15,324,830	7,299	-	171,117
Exposures after Credit										
Risk Mitigation	11,356,423	-	1,868,146	6,339,522	11,712,825	7,702,750	15,092,663	7,299	-	171,117
Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
Risk Weights										from Equity
Exposures before										
Credit Risk Mitigation	4,598,836	-	1,880,300	5,415,558	16,892,523	5,798,200	12,889,292	57,217	-	100,647
Exposures after Credit										
Risk Mitigation	4,778,558	-	2,082,563	5,377,873	16,813,225	5,684,604	12,737,886	57,217	-	100,647

2.7. Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “specific provisions” are allocated as per the Provisioning Regulation.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated as per the Provisioning Regulation

	Credits		Provisions	
Current Period	Impaired Credits	Past due Credits	Value Adjustments (*)	Impaired Credits
Agriculture	11,913	8,155	48	11,293
Farming and Stockbreeding	2,121	861	21	1,997
Forestry	4,889	7,293	27	4,393
Fishery	4,903	1	-	4,903
Manufacturing	117,724	371,499	5,795	102,452
Mining and Quarrying	38,749	77,201	1,279	37,324
Production	59,645	260,600	3,871	45,799
Electricity, Gas and Water	19,330	33,698	645	19,329
Construction	200,518	232,952	5,518	189,524
Services	341,976	309,913	6,795	329,029
Wholesale and Retail Trade	216,419	210,527	4,483	206,034
Accommodation and Dining	11,799	10,753	671	11,546
Transportation and				
Telecommunication	18,759	35,486	559	17,368
Financial Institutions	17,756	-	-	17,756
Real Estate and Rental				
Services.	65,432	12,207	259	65,276
Professional Services	-	-	-	-
Educational Services	530	552	54	402
Health and Social Services	11,281	40,388	769	10,647
Others	42,929	237,930	4,162	35,470
Total	715,060	1,160,449	22,318	667,768

(*) The general provision amount is presented for past due loans.

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Prior Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Value Adjustments(*)	Impaired Credits
Agriculture	12,911	7,418	149	6,356
Farming and Stockbreeding	2,096	2,880	59	1,371
Forestry	5,496	3,700	74	2,538
Fishery	5,319	838	16	2,447
Manufacturing	151,649	356,287	7,237	118,278
Mining and Quarrying	40,872	101,654	1,958	36,822
Production	107,475	245,392	5,067	79,288
Electricity, Gas and Water	3,302	9,241	212	2,168
Construction	207,297	329,181	6,821	171,501
Services	304,037	556,834	11,171	241,443
Wholesale and Retail Trade	225,312	361,914	7,209	181,142
Accommodation and Dining	11,949	49,255	1,015	6,748
Transportation and Telecommunication	43,191	73,849	1,505	37,382
Financial Institutions	-	43	1	-
Real Estate and Rental Services.	7,244	33,227	643	5,248
Professional Services	-	-	-	-
Educational Services	1,106	6,629	133	1,042
Health and Social Services	15,235	31,917	665	9,881
Others	72,720	294,429	5,685	48,941
Total	748,614	1,544,149	31,063	586,519

(*) The general provision amount is presented for past due loans.

2.8. Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals(**)	Other Adjustments(*)	Closing Balance
Specific Provisions	586,519	632,352	(89,750)	(461,353)	667,768
General Provisions	318,825	101,046	(14,403)	-	407,954

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	330,407	464,013	(57,039)	(150,862)	586,519
General Provisions	334,118	-	(15,293)	-	318,825

(*) Represents written-off loans.

(**) Related amount includes provision reversals and foreign exchange differences.

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2.9. Risk involved in counter-cyclical capital buffer calculation

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	22,921,263	-	22,921,263
Bahrain	49,193	-	49,193
Saudi Arabia	28,069	-	28,069
Marshall Islands	9,596	-	9,596
Albania	8,075	-	8,075
Kuwait	6,812	-	6,812
Uzbekistan	4,059	-	4,059
Burundi	1,969	-	1,969
United Arab Emirates	3,241	-	3,241
Germany	719,917	-	719,917
Other	17,783	-	17,783

2.10. Information of Cash and Noncash Loans according to Bank Risk Rating System

The bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2017.

	Cash Loans	Non-Cash Loans	Total
High Quality	%54	%69	%57
Medium Quality	%28	%20	%26
Average	%9	%6	%9
Below Average	%5	%2	%4
Unrated	%4	%3	%4

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3. 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 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 December 2017, the Group carries a net foreign currency short position of TL 542 (31 December 2016 – TL 4,261,855 long position) comprising of TL 154,675 off-balance sheet long position (31 December 2016 - TL 4,152,382 short position) and TL 154,133 off balance sheet long position (31 December 2016 – TL 109,473 long position).

The announced current foreign exchange buying rates of the Group as of 31 December 2017 and the previous five working days are as follows (full TL):

	25/12/2017	26/12/2017	27/12/2017	28/12/2017	29/12/2017	Balance sheet evaluation rate
USD	3.8091	3.8051	3.8205	3.7987	3.7779	3.7779
EURO	4.5213	4.5136	4.5410	4.5353	4.5264	4.5264
GBP	5.0956	5.0849	5.1208	5.1067	5.1019	5.1019
CHF	3.8524	3.8435	3.8618	3.8747	3.8706	3.8706
100 JPY	0.0336	0.0336	0.0337	0.0337	0.0336	0.0336

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	3.8419
EUR	4.5501
GBP	5.1550
CHF	3.8911
100 JPY	0.0340

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Currency risk of the Group:

	EURO	USD	Other FC	Total
Current period				
Assets	878,294	4,939,786	2,581,617	8,399,697
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	2,631,483	482,842	449,130	3,563,455
Banks	-	53,935	-	53,935
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	26,614	2,332,876	-	2,359,490
Available-for-sale financial assets (**)	4,782,284	9,789,249	56,688	14,628,221
Loans and finance lease receivables (*)	-	-	-	-
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	6,221	184	-	6,405
Tangible assets	49,766	53	-	49,819
	548,257	33,318	149	581,724
Total assets	8,922,919	17,632,243	3,087,584	29,642,746
Liabilities				
Current account and funds collected from Banks via participation accounts	22,145	67,355	216,582	306,082
Current and profit sharing accounts FC (****)	4,613,960	12,517,373	2,865,992	19,997,325
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	156,185	4,389,215	91,949	4,637,349
Marketable securities issued	-	3,777,708	769,515	4,547,223
Miscellaneous payables	10,880	17,910	543	29,333
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	41,034	61,702	23,240	125,976
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	(3,986,204)	3,230,809	764,145	154,675
Financial derivative assets	665,383	5,406,552	1,222,468	7,294,403
Financial derivative liabilities	4,505,708	2,175,697	458,323	7,139,728
Non-cash loans (***)	1,549,915	2,616,933	404,125	4,570,973
Prior period				
Total assets	9,755,657	15,530,851	2,582,901	27,869,409
Total liabilities	3,205,582	17,274,519	3,127,453	23,607,554
Net balance sheet position	6,550,075	(1,743,668)	(544,552)	4,261,855
Net off-balance sheet position	(6,447,687)	1,761,924	533,381	(4,152,382)
Financial derivative assets	311,483	3,966,378	1,158,845	5,436,706
Financial derivative liabilities	6,759,170	2,204,454	625,464	9,589,088
Non-cash loans (***)	1,653,815	2,698,112	360,108	4,712,035

- (*) Includes foreign currency indexed loans amounting to TL 7,240,328 (31 December 2016 – TL 7,272,665) followed as TL on the balance sheet.
- (**) Includes TL 714 (31 December 2016 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 2,048,243 on the balance sheet.
- (***) Does not have any effect to the net off-balance sheet position.
- (****) Precious metals are included in “Other FC” column.
- (*****) General provision for FC indexed loans amount of TL 33,718 included in Other Liabilities. General loan provisions for the Bank’s share and provisions for financial assets at fair value through profit and loss amount of TL . 76,209 and TL 380 respectively are not included in currency risk of the Bank.

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 12,531 (31 December 2016 – 87,833 TL)
- Prepaid expenses : TL 408 (31 December 2016 – 646 TL)
- Derivative financial liabilities held for trading: TL 59,251 (31 December 2016 – 79,147 TL)
- Marketable securities of FC revaluation reverse: TL12,609 (31 December 2016 – 30,347 TL)
- Derivative financial liabilities held for hedging : TL 70,795 (31 December 2016 - 137,829 TL)

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

- Forward foreign currency purchase transactions :TL 492,002 (31 December 2016 – TL 306,728)
- Forward foreign currency sale transactions: TL 456,030 (31 December 2016 – TL 403,440)

Currency risk sensitivity:

The Group is mainly exposed to foreign currency risk in EURO, USD and GOLD.

The following table shows the bank's sensitivity to 10% change both USD, EURO and GOLD exchange rate.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	
USD	%10	3,179	1,826	4,439	(1,209)
EUR	%10	9,251	10,239	9,251	10,239
GOLD	%10	(11,072)	(11,023)	(11,072)	(11,023)

4. Explanations on position risk of equity securities in banking accounts

4.1. 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.

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

Current Period		Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value	
1 Securities Available-for-Sale (*)	48,497	-	-	
Quoted Securities	-	-	-	
2 Investment in Subsidiaries	-	-	-	
Quoted Securities	-	-	-	
3 Investments in Associates	23,680	-	-	
Quoted Securities	-	-	-	
4 Other	19,405	-	-	
Quoted Securities	-	-	-	

Prior Period		Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value	
1 Securities Available-for-Sale (*)	53,485	-	-	
Quoted Securities	-	-	-	
2 Investment in Subsidiaries	-	-	-	
Quoted Securities	-	-	-	
3 Investments in Associates	23,680	-	-	
Quoted Securities	-	-	-	
4 Other	15,301	-	-	
Quoted Securities	-	-	-	

4.3. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

None noted.

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5. Explanations on consolidated liquidity risk

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.

5.1. Information on risk capacity of the Group, Responsibilities and structure of liquidity risk management, the Bank's 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, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread the base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Group which meets its cash outflows with the high-quality liquid assets is evaluated as high. There are also ready-to-use limits for the CBRT and financial institutions.

Senior management in the ALCO meetings are analyzed indicators of the liquidity situation and liquidity risk are weekly discussed. In addition, 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 Bank 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 Bank. 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.

5.2. 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 Group'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.

5.3. 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.

5.4. Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

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

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5.5. 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.

5.6. Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists for 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 Bank, 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.

5.7. 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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Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Bank's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that is mentioned is included the maturity analysis however it is not included the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustment s	Balance Sheet Value
31 December 2017								
Collective Fundings	35,435,820	3,503,609	1,226,759	88,775	-	40,254,963	-	40,254,963
Other Fundings	102,193	350,347	2,751,889	2,327,619	-	5,532,048	(784,583)	4,747,465
Funds provided under repurchase agreements	751,048	-	-	-	-	751,048	(524)	750,524
Issued Securities	608,398	490,583	369,498	3,194,820	1,687,880	6,351,179	(699,338)	5,651,841
Borrowings from Leasings	-	-	-	-	-	-	-	-
Total	36,897,459	4,344,539	4,348,146	5,611,214	1,687,880	52,889,238	(1,484,445)	51,404,793

31 December 2016								
Collective Fundings	27,826,381	3,134,948	1,036,181	15,468	-	32,012,978	-	32,012,978
Other Fundings	441,003	589,379	2,115,235	3,744,760	-	6,890,377	(1,633,989)	5,256,388
Funds provided under repurchase agreements	1,258,349	-	-	-	-	1,258,349	(38,476)	1,219,873
Issued Securities	191,733	475,657	274,014	2,434,770	1,669,596	5,045,770	(290,357)	4,755,413
Borrowings from Leasings	-	-	229	-	-	229	(3)	226
Total	29,717,466	4,199,984	3,425,659	6,194,998	1,669,596	45,207,703	(1,962,825)	43,244,878

Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
31 December 2017								
Letters of Guarantee	4,910,302	208,190	537,290	2,103,104	1,748,757	62,536	-	9,570,179
Bills of Exchange and Bank Acceptances	-	13,380	19,098	21,497	1,983	-	-	55,958
Letters of Credit	279,735	112,881	263,010	264,459	12,015	-	-	932,100
Other guarantees	305,764	593	2,971	162,176	14,393	-	-	485,897
Pre-financings given as guarantee	27,919	-	-	-	-	-	-	27,919
Total	5,523,720	335,044	822,369	2,551,236	1,777,148	62,536	-	11,072,053

31 December 2016								
Letters of Guarantee	3,914,848	166,539	572,861	1,876,238	1,471,708	113,831	-	8,116,025
Bills of Exchange and Bank Acceptances	148	5,407	15,320	28,850	2,319	-	-	52,044
Letters of Credit	369,976	76,908	247,672	268,172	57,058	-	-	1,019,786
Other guarantees	150,651	263	2,284	302,238	220,284	-	-	675,720
Pre-financings given as guarantee	25,642	-	-	-	-	-	-	25,642
Total	4,461,265	249,117	838,137	2,475,498	1,751,369	113,831	-	9,889,217

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Contractual maturity analysis of derivative instruments:

31 December 2017						
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	4,828,992	1,140,288	961,865	-	-	6,931,145
Exit	4,859,152	1,142,688	826,105	-	-	6,827,945
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	746,440	-	746,440
Exit	-	-	-	819,063	-	819,063
Total Cash Inflow	4,828,992	1,140,288	961,865	746,440	-	7,677,585
Total Cash Outflow	4,859,152	1,142,688	826,105	819,063	-	7,647,008

31 December 2016						
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	7,742,474	1,354,727	232,490	-	-	9,329,691
Exit	7,751,615	1,351,680	223,921	-	-	9,327,216
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	628,152	-	628,152
Exit	-	-	-	762,972	-	762,972
Total Cash Inflow	7,742,474	1,354,727	232,490	628,152	-	9,957,843
Total Cash Outflow	7,751,615	1,351,680	223,921	762,972	-	10,090,188

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Liquidity Coverage Ratio-The Parent Bank

<i>Current Period</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
Cash Outflows					
2	Retail deposits and deposits from small usiness 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
				Total Adjusted Value	
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 weekly simple averages. The table below presents highest, lowest and average liquidity coverage ratios as of 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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<i>Prior Year</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)	7,248,378	6,328,808	6,144,352	5,224,782
Cash Outflows					
2	Retail deposits and deposits from small usiness customers, of which:	23,479,779	9,318,830	1,517,332	597,257
3	Stable deposits	16,612,915	6,692,505	830,646	334,625
4	Less stable deposits	6,866,864	2,626,325	686,686	262,632
5	Unsecured wholesale funding, of which:	6,214,737	2,217,841	3,845,879	934,698
6	Operational deposits	2,319,448	1,241,513	579,862	310,379
7	Non-operational deposits	2,213,026	912,697	1,583,754	560,688
8	Unsecured funding	1,682,263	63,631	1,682,263	63,631
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which	5,309,816	2,511,422	424,294	274,342
11	Outflows related to derivative exposures and other collateral requirements	10,561	-	10,561	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,299,255	2,511,422	413,733	274,342
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	Total Cash Outflows			5,787,505	1,806,297
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	4,589,956	4,468,844	662,942	595,905
19	Other cash inflows	44,971	3,350,234	44,971	3,350,234
20	Total Cash Inflows	4,634,927	7,819,078	707,913	3,946,139
				Total Adjusted Value	
21	Total HQLA			6,144,352	5,224,782
22	Total Net Cash Outflows			5,079,592	451,574
23	Liquidity Coverage Ratio (%)			120.96	1,157.02

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages. The table below presents highest, lowest and average liquidity coverage ratios as of 31 December 2016:

	Highest	Date	Lowest	Date	Average
TL+FC	294.78	08.01.2016	110.53	30.12.2016	166.66
FC	1,498.10	05.08.2016	393.39	25.03.2016	1,132.26

The liquidity coverage rate is calculated by the ratio of the high quality liquid assets that the bank has to the net cash outflows in the one month maturity window. Important balance sheet items that determine the rate are: required reserves held by CBRT, securities not subject to repo / receivables, institutional qualified participation accounts, funds originated from abroad and receivables from banks. These items have higher share of liquid assets and net cash outflows, higher than other items due to their high rate of consideration and their variability over time.

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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	2,571,186	6,453,533	-	-	-	-	-	9,024,719
Banks	3,571,314	-	760	-	-	-	-	3,572,074
Financial assets at fair value through profit and loss	-	13,371	21,801	20,723	25,675	6,664	-	88,234
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	827,887	814,956	434,763	1,490,617	677,363	178,144	4,423,730
Loans (*)	-	6,065,576	4,823,703	12,341,013	13,025,786	2,382,969	47,183	38,686,230
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	28,625	702,108	166,573	-	138,710	-	733,699	1,769,715
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
Liabilities								
Current account and funds collected from banks via participation accounts	301,999	8,472	-	-	-	-	-	310,471
Current and profit sharing accounts	15,989,925	19,135,424	3,503,609	1,226,759	88,775	-	-	39,944,492
Funds provided from other financial institutions	-	102,444	407,620	2,713,373	163,690	1,360,338	-	4,747,465
Money market borrowings	-	750,524	-	-	-	-	-	750,524
Marketable securities issued	-	598,850	369,810	93,169	4,590,012	-	-	5,651,841
Miscellaneous payables	138,424	61,180	401	-	-	-	-	200,005
Other liabilities (**)	-	378,457	73,047	20,315	70,795	-	5,417,290	5,959,904
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)	-
Prior period								
Total assets	7,835,927	12,431,459	4,508,293	9,775,829	11,170,634	2,114,018	889,875	48,726,035
Total liabilities	12,148,944	17,951,603	3,822,475	3,717,904	5,190,194	1,267,765	4,627,150	48,726,035
Net liquidity gap	(4,313,017)	(5,520,144)	685,818	6,057,925	5,980,440	846,253	(3,737,275)	-

(*) This line also 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, joint ventures, 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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6. Explanations on leverage ratio

Leverage ratio table:

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement 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 (*)	Prior Period (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	57,880,037	47,713,307
2	(Assets deducted in determining Tier I capital)	(278,887)	(218,855)
3	Total on-balance sheet risks (sum of lines 1 and 2)	57,601,150	47,494,452
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative instruments and credit derivatives	55,367	90,391
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	118,417	115,612
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	173,784	206,003
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	647,446	247,175
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	247,175
	Other off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	57,807,376	41,997,030
11	(Adjustments for conversion to credit equivalent amounts)	(36,583,749)	(24,926,904)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	21,223,627	17,070,126
	Capital and total risks		
13	Tier I capital	4,424,981	3,810,218
14	Total risks (sum of lines 3, 6, 9 and 12)	79,646,007	65,017,756
	Leverage ratio		
15	Leverage ratio	5.55	5.86

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

The leverage ratio calculated on the basis of the arithmetic average of the nominal value at the month-ends for the prior three-month period as of the consolidated balance sheet date of the Bank, was realized as 5.55% (31 December 2016 – 5.86%). The main reason for the changes compared to the previous period is that the increase in off-balance sheet items is higher than the increase in other items. According to this, while balance sheet items not increased, the core capital was increased by 16% due to increase in profit, off balance sheet items showed a 24% increase. Accordingly, the leverage ratio of the current period compared to the previous year shows an increase of 31 basis points.

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7. Explanations on consolidated fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Bank's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

Current Period	Book Value		Fair Value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Banks	3,572,074	4,780,380	3,572,074	4,780,380
Financial assets available for sale	4,423,730	3,752,727	4,423,730	3,752,727
Loans and lease receivables	38,638,938	30,017,131	35,933,362	29,741,737
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	310,471	540,702	310,471	540,702
Other current and profit sharing accounts	39,944,492	31,472,276	39,944,492	31,472,276
Money market balances	750,524	1,219,873	750,524	1,219,873
Funds provided from other financial institutions	4,747,465	5,256,614	5,565,826	5,565,826
Miscellaneous payables	5,651,841	4,755,413	4,794,549	4,794,549
Payables from leasing transactions	200,005	169,150	200,005	169,150

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

8. Explanations on the activities carried out on behalf and account of other persons

The Parent bank does not perform purchases, sales and custody services in the name of others. The Bank has no fiduciary based transactions.

9. 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 Bank'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.

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9.1. Explanations on risk management and risk weighted amounts:

9.1.1. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2017	Prior Period 31/12/2016	Current Period 31/12/2017
1	Credit risk (excluding counterparty credit risk) (CCR) ^(*)	29,273,292	27,753,547	2,341,863
2	Of which standardised approach (SA)	29,329,548	27,792,552	2,346,364
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	81,509	94,652	6,521
5	Of which standardised approach for counterparty credit risk (SA-CCR)	81,509	94,652	6,521
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	56,256	39,005	4,500
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	664,964	734,695	53,197
17	Of which standardised approach (SA)	664,964	734,695	53,197
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	3,552,857	2,877,204	284,229
20	Of which basic indicator approach	3,552,857	2,877,204	284,229
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)	33,628,878	31,499,103	2,690,310

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9.1.2. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:

Assets	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	9,024,719	9,024,719	-	-	-	-
Financial Assets Held for Trading	88,234	-	26,699	-	61,535	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	3,572,074	3,572,074	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	4,423,730	4,423,730	-	-	-	-
Loans and receivables	36,605,500	36,605,500	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-
Investments in subsidiaries (net)	23,680	23,680	-	-	-	-
Investments in joint ventures (net)	19,405	19,405	-	-	-	-
Leasing receivables	2,080,730	2,080,730	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	416,049	416,049	-	-	-	-
Intangible assets (net)	168,965	168,965	-	-	-	-
Investment properties (net)	25,419	25,419	-	-	-	-
Tax assets	138,710	138,710	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	117,006	117,006	-	-	-	-
Other Assets	860,481	860,481	-	-	-	-
Total Assets	57,564,702	57,476,468	26,699	-	61,535	-

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Liabilities	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Deposits						
Derivative Financial Liabilities Held for Trading	40,254,963	-	-	-	-	40,254,963
Loans	80,697	-	-	-	-	80,697
Money market borrowings	3,387,127	-	-	-	-	3,387,127
Securities issued	750,524	-	750,524	-	-	-
Funds	5,651,841	-	-	-	-	5,651,841
Misscellaneous Payables	-	-	-	-	-	-
Other liabilities	200,005	-	-	-	-	200,005
Liabilities	345,918	-	-	-	-	345,918
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	70,795	-	-	-	-	70,795
Provisions	795,420	-	-	-	-	795,420
Tax Liability	56,259	-	-	-	-	56,259
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated Debts	1,360,338	-	-	-	-	1,360,338
Equity	4,610,815	-	-	-	-	4,610,815
Total Liabilities	57,564,702	-	750,524	-	-	56,814,178

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9.1.3. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as per template 1B)	57,564,702	57,476,468	-	26,699	61,535
2- Carrying Value of Liabilities in Accordance with TAS (as per template 1B)	-	-	-	750,524	-
3- Total net amount	57,564,702	57,476,468	-	777,223	61,535
4- Off-balance sheet amounts	73,176,971	5,897,049	-	133,405	15,324,593
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
9-Risk Amounts	130,741,673	63,373,517	-	910,628	15,386,128

9.2. General qualitative information on credit risk:

9.2.1. How the business model translates into the components of the bank's credit risk profile:

The business model of the Group basically consists of two main business fields: collecting funds by means of current accounts and profit/loss participation accounts subject to the interest-free banking rules, and using those funds and equity funds to make funds available to customers. Because of these main business fields, the group's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The Group lends funds to finance the real sector in general and increases its volume of credits by taking into account its risk-return balance to achieve sustainable growth.

The risk profile of the Group indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Bank is exposed or expects to be exposed within its current and target business model is the credit risk. Since the risk of concentration is one of the most important components of the credit risk, concentration limits were set by sector for the concentration risk. Internal limits are set for cash, non-cash and total credits for each of 20 different sectors. Limits were set for monitoring Defaulted Credit Exposures in mentioned sectors and for taking corrective measures. With regard to concentration of the credit risk, internal limits were set for the top 10, 20, 30, 40, 50 and 100 debtor/credit risk groups. Furthermore, country limits were set to avoid concentration in countries selected as part of the sovereign risk process.

9.2.2. Criteria and approach used for defining credit risk policy and for setting credit risk limits:

The main purpose of the credit risk policy are to measure the counterparty risk undertaken as part of a credit transaction, to monitor the risk against the legal limits and the Bank's internal limits, to research new techniques and applications for measuring and controlling the risk, to monitor overdue receivables, to analyze the reason of overdue, and to take measures to prevent such reasons from repeating. The term 'credit risk' refers to the potential loss the Group might be exposed to because of credit borrowers' partial or full default of the credit agreements they signed with the bank. This term also includes the loss of market value because of the breakdown of the counterparty's financial position. This term includes on-balance sheet and off-balance sheet transactions too.

Risk limits are set by openly relating it with the Bank's volume on consolidated and non-consolidated basis within the financial system as part of its risk appetite structure. In this context the appetite for risk approved by the Board of Directors are divided between and allocated to other levels considered necessary by type of risk. The uses of the limits are closely monitored, and overdrafts are reported to the executive management for ensuring the necessary measures to be taken.

9.3. Structure and organization of the credit risk management and control function:

Risk Control and Compliance Group works under the Audit Committee and the Internal System Committee reporting to the Board of Directors. Risk Control and Compliance Group Manager and Risk Management Department Manager working under the former are in charge of and responsible for the strategies and policies approved by the Board of Directors and for performing the other tasks assigned by the Internal System Committee. Credit Risk Management and Modeling Unit is one of the units comprising the Risk Management Department performs the risk measurement and management tasks concerning the credit risk.

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9.4. Relations between the credit risk management, risk control, compliance and internal audit functions:

The units comprising the internal systems report to the Board of Directors as required by the organizational chart of the group. Board of Directors has transferred its tasks and responsibilities for the internal systems to the Internal Systems Committee formed by four members of the Board of Directors and appointed to be Internal System Executives. The units in question are supervised and coordinated by the Internal Systems Committee.

The internal control function of the Group is performed by the Internal Control Department. Internal Control System has been founded in such a manner to be capable and efficient to mitigate, manage, monitor and control the exposure risks of the Group in accordance with the Group's organizational structure and business fields as well as changing circumstances, and covers all domestic and international branches, head office, consolidated subsidiaries and all business activities of the Group. The internal control system and internal control activities of the Group are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the Group's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the group's activities to comply with the applicable laws and regulations.

Risk Management Department performs the tasks of determining, measuring and managing the exposure risks of the Group. An efficient risk management system infrastructure has been established for credit risk management tasks, credit policy, and risk management activities falling within the credit risk policy. The internal credit risk limits set by the Board of Directors are measured and reported at regular intervals to the Audit Committee.

Audit Department is in charge of assuring the Board of Directors and the executive management that the Group's business activities are performed in accordance with the Banking Law, other applicable laws and regulations and the internal strategies, policies, principles and targets of the group, and that the internal control and risk management systems are efficient and sufficient.

9.5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors

Risk Management Report for the Executive Management, which is the basic report presented to the Board of Directors and the executive management, is prepared before each meeting of the Audit Committee. The report in question contains the basic subjects described below:

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. The report describes the credit risk limits and the figures realized in the relevant fiscal period. Credits lent in 20 different economic sectors are monitored by cash, non-cash and total credits. Credit shares and development trends of the economic sectors are monitored. The risk limits set in accordance with the Group's appetite for risk and the figures realized are explained. Observed key risk indicators include the ratio of credit risk-weighted items over the total assets, the ratio of the total gross amount of defaulted credits over the total financing (cash credits) portfolio and their distribution by sector, distribution of guarantees by guarantee group, the ratio of the top 10/20/30/40/50/100 risks over the total financing (cash and non-cash credits) portfolio, and the ratio of write-off.

Distribution of cash credits by maturity term is monitored. Detailed information is given about the top 10 customers against whom internal or legal proceedings were filed, their limits, risks, guarantees and provisions, description of their sectors and their state are described. The trend of restructured credits is monitored. Also, loans are reported to risk group of the Main Partner .

Sovereign ratings, limits and used limits are monitored and compared with the previous fiscal year.

The Parent bank creates credit portfolios in accordance with its internal segment structure. These segments are divided into sub-segments. Risks realized for cash, non-cash and total credits are monitored by each of these portfolios.

Real estate price indexes are analyzed to monitor whether the values of the real estates received as guarantees for the funds lent have increased or decreased. These real estates are also monitored by subcategory in accordance with the classification of regions published by the Turkish Central Bank. They are also compared with the House Price Index of Turkey published by the Turkish Central Bank.

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Credit quality of assets:

		<i>Gross carrying value as per TAS included in the financial statements prepared as per legal consolidation</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	715,060	38,638,938	667,768	38,686,230
2	Debt securities	-	4,463,521	39,791	4,423,730
3	Off-balance sheet exposures(*)	-	22,343,477	256,505	22,086,971
4	Total	715,060	65,445,936	964,064	65,196,931

(*) Accruals of derivative transactions are presented as net amounts under impairments.

Changes in stock of defaulted loans and debt securities:

	Current Period
1 Defaulted loans and debt securities at end of the previous reporting period	748,614
2 Loans and debt securities that have defaulted since the last reporting period	520,283
3 Receivables back to non-defaulted status	-
4 Amounts written off	461,353
5 Other changes	(92,484)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	715,060

9.6. Qualitative disclosures related to the credit quality of assets:

9.6.1. Scope and definitions of "overdue" and "provision allocated" receivables for accounting purposes and the differences of definitions between "overdue" and "provision allocated" , if any

Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves.

9.6.2. The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application

None noted.

9.6.3. Definitions of the methods used when determining the provision amount

It includes the loans or other receivables classified in the third, fourth and fifth groups and minimum required statutory reserve ratios indicated in paragraph 8 of the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves and minimum statutory collateral consideration ratios required indicated in paragraph 9 of the same legislation.

9.6.4. Definitions of restructured receivables

According to the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves, restructuring for the performing and non-performing loans means new contractual conditions only for the loan obligators encountered or likely to be encountered in repayment as a result of financial difficulties, excluding loan obligators with no repayment difficulties.

9.6.5. Breakdown of exposures by geographical areas, industry and ageing:

Current Period	Loans Under Follow-Up	Specific Provisions	Write-Offs
Domestic	708,725	660,835	448,635
European Union (EU) Countries	875	1,284	3
OECD Countries	123	123	2
Off-Shore Banking Countries	-	-	-
USA, Canada	237	236	-
Other Countries	5,100	5,290	12,713
Total	715,060	667,768	461,353

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	<i>Loans Under Follow-Up</i>	Specific Provisions	Write-Offs
Agriculture	11,913	11,293	2,246
Farming and Stockbreeding	2,121	1,997	638
Forestry	4,889	4,393	1,514
Fishery	4,903	4,903	94
Manufacturing	117,724	102,452	117,122
Mining and Quarrying	38,749	37,324	42,648
Production	59,645	45,799	73,269
Electricity, Gas and Water	19,330	19,329	1,205
Construction	200,518	189,524	83,671
Services	342,363	328,705	172,464
Wholesale and Retail Trade	216,806	205,710	117,362
Accommodation and Dining	11,799	11,546	3,714
Transportation and Telecommunication	18,759	17,368	40,727
Financial Institutions	17,756	17,756	0
Real Estate and Rental Services	65,432	65,276	3,626
Professional Services	-	-	-
Educational Services	530	402	737
Health and Social Services	11,281	10,647	6,298
Other	42,542	35,794	85,850
TOTAL	715,060	667,768	461,353

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	165,976	161,962	323,043	12,961	17,479
Retail Loans	8,020	8,398	8,489	2,106	720
Credit cards	3,180	1,240	1,239	167	80
Other	-	-	-	-	-
Total	177,176	171,600	332,771	15,234	18,279

9.7. Credit risk mitigation techniques:

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	29,733,563	8,952,667	580,655	-	-	-	-
2 Debt securities	4,423,730	-	-	-	-	-	-
3 Total	34,157,293	8,952,667	580,655	-	-	-	-
4 Overdue	43,933	3,359	17	-	-	-	-

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9.8. Explanations on Counterparty Credit Risk (CCR):

9.8.1. Risk management objectives and policies for CCR:

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Group in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Group in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

9.8.2. The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks:

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

9.8.3. Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk:

All of the Group's counterparty credit risk and central counterparty limits are non-committed limits and they include cash and non-cash limits. In case of any transactions involving non-cash risk exposure, the reinsurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

9.8.4. Rules with respect to wrong-way risk:

Internal model is not used for CCR; and as such, no calculation is made with respect to the wrong-way risk.

9.8.5. The impact in terms of the amount of collateral that the bank is required to provide in case of a credit rating downgrade:

Currently, the Group does not borrow by providing security for the cash exposure transactions where it is debtor. Therefore, the Group is not subject to such impacts in case of a possible rating downgrade and the Group's contracts do not contain such terms and conditions.

9.8.6. Counterparty credit risk (CCR) approach analysis:

		Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	26,710	108,838	-	1.4	135,548	62,870
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total						62,870

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9.8.7. Capital requirement for credit valuation adjustment (CVA)

		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation		
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital obligation	135,548	18,641
4	Total subject to the CVA capital obligation	135,548	18,641

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9.8.8. CCR exposures by risk class and risk weights

	Risk Classes / Risk Weights *	%0	%10	%20	%50	%75	%100	%150	%200	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	733,495	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	46,167	63,210	-	10,360	-	-	-	51,198
7	Receivables from corporate	-	-	-	-	-	5,788	-	-	-	5,788
8	Retail receivables	-	-	-	-	6,247	-	-	-	-	4,685
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	433	152
10	Receivables secured by commercial property	-	-	-	308	-	893	-	-	-	1,047
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	733,495	-	46,167	63,518	6,247	17,041	-	-	433	62,870

* Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

** Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

*** 35% Risk Weight is classified in Other

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9.9. Explanations on securitization positions

None.

9.10. Qualitative explanations on market risk:

9.10.1. 1.Bank's processes and strategies:

Procedures for the identification, measurement, monitoring and control of the market risk of the Group, as well as processes for risk protection and strategies/processes for monitoring of the continuity of the hedging effectiveness, as well as the strategic objectives for the Group's trading activities:

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Group is involved in. These activities are carried out by the Group's Risk Management Department.

The definition of the market risk is made by legislation within the scope of the Pillar 1 risks. The components of the market risk that do not fall within the scope of Pillar 1 risks are assessed internally. This process is carried out by the Risk Management Department with the consultation to other relevant departments.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the Group's risk exposure to be within the limits specified by the legislation and to be in accordance with the Group's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with the Group's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored. .

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Group.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The Parent Bank's strategic objectives for trading activities are given below.

- Ensure that the bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices,
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably.

9.10.2. The organization and structure of the market risk management function:

Definition of the market risk management structure established for the implementation of the Group's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in part 1.

The market risk service, operates under the Deputy Head responsible from the Market Risk, Operational Risk and Capital Planning within Risk Management Department. This service directly reports to the Board of Directors through the Internal Systems Committee. The results of risk measurement and risk monitoring are shared with other related units. The activities coordinated within the Internal Capital Adequacy Assessment Process are carried out together with other relevant departments of the Bank.

9.10.3. Structure and scope of risk reporting and/or measurement systems

Within the scope of risk management system, the Group established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results is reported to the Internal Systems Committee on a timely manner.

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There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk. This system is regularly monitored

The details of the market risk calculated as of 31 December 2017 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

9.10.4. Market risk under standardised approach:

		Risk Weighted Amounts	
		Current Period	Current Period
	Outright products	664,964	734,695
1	Profit share risk (general and specific)	370,459	398,423
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	293,678	277,222
4	Commodity risk	827	59,050
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	664,964	734,695

9.11. Explanation on Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Bank. The amount that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2016, 2015 and 2014 in compliance with "Calculation of the Operational Risk" which is the Third Section of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 284,229 corresponding to the 8% of TL 3,552,857 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 284,229 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2014 Amount	31/12/2015 Amount	31/12/2016 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1,493,752	1,916,914	2,273,905	1,894,857	15	284,229
Value at Operational Risk (Total*12.5)						3,552,857

Prior Period	31/12/2013 Amount	31/12/2014 Amount	31/12/2015 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1,192,861	1,493,752	1,916,914	1,534,509	15	230,176
Value at Operational Risk (Total*12.5)						2,877,204

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9.12. Profit-share rate risk related to banking accounts:

9.12.1. Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method

Current Period:

	Currency(*)	Applied Shock (+/- x basis points)*	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TRY	(+) 500bp	(531,871)	% (9.09)
2	TRY	(-) 400bp	496,216	% 8.48
3	USD	(+) 200bp	271,534	% 4.64
4	USD	(-) 200bp	(303,292)	% (5.18)
5	EURO	(+) 200bp	(23,052)	% (0.39)
6	EURO	(-) 200bp	28,817	% 0.49
	Total (For negative shocks)		221,740	% 3.79
	Total (For positive shocks)		(283,389)	% (4.84)

*Parent Bank

Prior Period:

	Currency(*)	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's equity- Losses/shareholder's equity
1	TRY	(+) 500bp	(390,520)	% (6.87)
2	TRY	(-) 400bp	371,356	% 6.53
3	USD	(+) 200bp	304,557	% 5.36
4	USD	(-) 200bp	(352,670)	% (6.21)
5	EURO	(+) 200bp	43,591	% 0.77
6	EURO	(-) 200bp	(45,914)	% (0.81)
	Total (For negative shocks)		(27,228)	% (0.49)
	Total (For positive shocks)		(42,372)	% (0.74)

*Parent Bank

9.13. Risk management objectives and policies:

In accordance with Group's strategies, risk policies and vision, the analysis that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance to market trends, economic conduct and Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analysis contribute to Group Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Group and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance to Board of Director's Group's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitorized.

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Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Financial instruments valued by applying methods that are based on observable market prices, directly or indirectly, on data that have significant effect on the fair value reflected in the inputs

Level 3: Financial instruments valued by applying methods that are not based on observable market prices, directly or indirectly, on data that have significant effect on the fair value reflected in the inputs.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2017 and 31 December 2016 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	61,535	26,699	-	88,234
Forward transactions	-	16,467	-	16,467
Swap transactions	-	10,232	-	10,232
Government debt securities	36,319	-	-	36,319
Other marketable securities	25,216	-	-	25,216
Available-for-sale financial assets	4,423,730	-	-	4,423,730
Equity securities	48,497	-	-	48,497
Government debt securities	4,103,448	-	-	4,103,448
Other marketable securities	271,785	-	-	271,785
Financial liabilities				
Financial liabilities held for trading	-	80,697	-	80,697
Forward transactions	-	14,948	-	14,948
Swap transactions	-	65,749	-	65,749
Financial liabilities held for cash flow hedges	-	70,795	-	70,795
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	51,669	110,050	-	161,719
Forward transactions	-	22,304	-	22,304
Swap transactions	-	87,746	-	87,746
Government debt securities	46,908	-	-	46,908
Other marketable securities	4,761	-	-	4,761
Available-for-sale financial assets	3,752,727	-	-	3,752,727
Equity securities	53,485	-	-	53,485
Government debt securities	3,322,032	-	-	3,322,032
Other marketable securities	377,210	-	-	377,210
Financial liabilities				
Financial liabilities held for trading	-	119,727	-	119,727
Forward transactions	-	16,753	-	16,753
Swap transactions	-	102,974	-	102,974
Financial liabilities held for cash flow hedges	-	137,829	-	137,829

There are no transfers between Level 1 and Level 2 in the current year.

10. Explanations on consolidated business segments

The Parent Bank operates in Retail and SME Banking, Commercial Banking, Corporate and International Banking.

In 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.

The main activities of Retail and Enterprise Banking are fund collection, commercial installment loan, enterprise loan, non-cash loans, consumer financing and credit cards. 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.

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In International Banking, in the scope of the aim of improvement of the foreign trade financing and long-term mutual financing agreements with foreign banks, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which exceed certain limits, are classified as "corporate" customers and directed to the Corporate Banking. The products offered to these customers are similar to the products of 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.

Specific balance sheet and income statement items according to segments:

Current Period 1 January – 31 December 2017	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Total operations of the Group
Operating income	3,276,503	1,209,587	262,124	-	4,748,214
Operating expenses	1,576,719	519,866	561,971	1,280,804	3,939,360
Transfers between segments	1,207,795	(271,476)	(936,319)	-	-
Net operating income(loss)	2,907,579	418,245	(1,236,166)	(1,280,804)	808,854
Income from associates	-	-	-	4,104	4,104
Income (loss) before tax	2,907,579	418,245	(1,236,166)	(1,276,700)	812,958
Provision for taxation	-	-	-	183,251	183,251
Net income for the period	2,907,579	418,245	(1,236,166)	(1,459,951)	629,707
Current 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
Prior Period 1 January 2016 - 31 December 2016					
Operating income	1,635,946	2,152,956	177,099	-	3,966,550
Operating expenses	1,272,947	304,290	542,552	1,137,627	3,257,416
Transfers between segments	897,849	(909,841)	11,992	-	-
Net operating income(loss)	1,260,848	938,825	(353,461)	(1,137,627)	709,134
Income from associates	-	-	-	2,423	2,423
Income (loss) before tax	1,260,848	938,825	(353,461)	(1,135,204)	711,557
Provision for taxation	-	-	-	131,932	132,481
Net income for the period	1,260,848	938,825	(353,461)	(1,267,136)	579,076
Prior Period 31 December 2016					
Segment assets	10,479,838	19,277,131	17,442,897	-	47,199,866
Associates, subsidiaries and joint Ventures	-	-	-	38,981	38,981
Undistributed assets	-	-	-	1,487,188	1,487,188
Total assets	10,479,838	19,277,131	17,442,897	1,526,169	48,726,035
Prior Period 31 December 2016					
Segment liabilities	24,678,208	7,332,820	11,491,407	-	43,502,435
Undistributed liabilities	-	-	-	1,219,780	1,219,780
Shareholders' equity	-	-	-	4,003,820	4,003,820
Total liabilities	24,678,208	7,332,820	11,491,407	5,223,600	48,726,035

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets

1.1. a. Cash and balances with the Central Bank of Republic of Turkey:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	366,164	1,025,763	429,341	1,136,330
The Central Bank of Republic of Turkey	255,738	6,468,109	266,286	5,671,920
Other (*)	3,120	905,825	-	821,937
Total	625,022	8,399,697	695,627	7,630,187

(*) As of 31 December 2017, precious metal account amounting to TL 693,239 (31 December 2016- TL 802,280) and money in transit are presented in this line amounting to TL 215,706 (31 December 2016 – TL 19,657).

1.1.2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	254,185	38	259,936	20
Unrestricted time deposit	-	-	-	-
Restricted time deposit	1,553	6,468,071	6,350	5,671,900
Total	255,738	6,468,109	266,286	5,671,920

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the 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 December 2017 (31 December 2016: 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 December 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

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

1.2.1. As of 31 December 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 Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	11,141	5,326	20,373	1,931
Swap transactions	3,027	7,205	1,844	85,902
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	14,168	12,531	22,217	87,833

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1.3. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	8,619	3,563,455	26,887	4,753,493
Domestic	8,505	2,413,931	26,859	3,555,895
Foreign	114	1,149,524	28	1,197,598
Branches and head office abroad	-	-	-	-
Total	8,619	3,563,455	26,887	4,753,493

Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	645,819	-	689,699	-
USA and Canada	455,757	-	393,755	-
OECD Countries (*)	13,107	-	7,893	-
Off-shore Banking Regions	945	-	562	-
Other	34,010	-	105,717	-
Total	1,149,638	-	1,197,626	-

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

1.4. Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt Securities	4,289,387	3,699,871
Quoted on stock exchange	4,289,387	3,699,871
Not quoted on stock exchange	-	-
Share certificates	174,134	101,212
Quoted on stock exchange	124,923	47,013
Not quoted on stock exchange	49,211	54,199
Impairment provision (-)	(39,791)	(48,356)
Total	4,423,730	3,752,727

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The details of the Rent Certificates included in Bank's Portfolio of "Financial Assets Available for-Sale" as of 31 December 2017 are presented below.

The Bank purchased the rent certificates ("sukuk"), the details of which are given in the table below from private entities. These aforementioned rent certificates are stated under "Other Securities" in the hereby financial statements.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE (%)
US71567RAD89	USD	6	REPUBLIC OF INDONESIA	12/10/2017	28/05/2025	3,950	4.32
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	16,623	6.26
XS0922143382	USD	6	TÜRKİYE FİNANS K.B.A.Ş.	02/05/2013	02/05/2018	126,255	3.96
XS1057852912	USD	6	TÜRKİYE FİNANS K.B.A.Ş.	24/04/2014	24/04/2019	27,654	3.96
XS1241110300	USD	6	DIB	03/06/2015	03/06/2020	7,563	0.58
XS1696457289	USD	3	IILM	10/10/2017	23/01/2018	56,669	1.88

Additionally, the Bank included rent certificates, details of which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE (%)
TRD140721T18	TRY	6	T.C. HAZİNE	20/07/2016	14/07/2021	3,176	9.40
TRD140218T18	TRY	6	T.C. HAZİNE	17/02/2016	14/02/2018	21,435	10.64
TRD220921T16	TRY	6	T.C. HAZİNE	28/09/2016	22/09/2021	176,340	2.24
TRD260918T17	TRY	6	T.C. HAZİNE	28/09/2016	26/09/2018	17,317	8.80
TRD211118T18	TRY	6	T.C. HAZİNE	23/11/2016	21/11/2018	980	2.80
TRD130219T18	TRY	6	T.C. HAZİNE	15/02/2017	13/02/2019	22,391	11.04
TRD190619T18	TRY	6	T.C. HAZİNE	21/06/2017	19/06/2019	172,675	10.72
TRD100822T10	TRY	6	T.C. HAZİNE	16/08/2017	10/08/2022	24,540	10.76
TRD121022T14	TRY	6	T.C. HAZİNE	18/10/2017	12/10/2022	97,180	2.80
XS0831353361	USD	6	REPUBLIC OF TURKEY	26/09/2012	26/03/2018	61,633	2.80
XS1586385178	USD	6	REPUBLIC OF TURKEY	06/04/2017	06/04/2023	9,651	5.00
XS1141043296	USD	6	REPUBLIC OF TURKEY	25/11/2014	25/11/2024	31,610	4.48
XS0975124180	USD	6	REPUBLIC OF TURKEY	26/04/2016	10/10/2018	41,174	4.56
XS1303467077	USD	6	REPUBLIC OF TURKEY	08/06/2016	08/06/2021	42,342	4.26

1.5. Information on loans and receivables:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	1,030	786	998	16,818
Corporate shareholders	-	786	-	16,656
Real person shareholders	1,030	-	998	162
Indirect loans granted to shareholders	150,924	917	135,364	20,290
Loans granted to employees	18,134	3	14,333	319
Total	170,088	1,706	150,695	37,427

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

Current 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 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	-

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 Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	26,910,523	547,437	-	1,541,100	1,006,339	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	19,007	-	-	337	-	-
Imports Loans	1,250,992	-	-	10,420	-	-
Enterprise Loans	16,903,795	540,986	-	1,246,959	909,349	-
Consumer Loans	5,363,417	6,451	-	176,927	31,340	-
Credit Cards	319,971	-	-	8,637	-	-
Precious Metal Loans	104,024	-	-	1736	1,736	-
Loans Given to Financial Sector	609,604	-	-	-	-	-
Loans Extended Abroad	249,977	-	-	67,766	63,914	-
Other	2,089,736	-	-	28,318	-	-
Other Receivables	17,916	-	-	3,049	-	-
Total	26,928,439	547,437	-	1,544,149	1,006,339	-

The information regarding the changes in the payment terms and plans of the loans and other receivables with standard qualifications, under close monitoring and the contractual terms of which have changed in relation to the extension of the first payment plan, is presented below, in accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated 1 November 2006 and numbered 2633.

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Number of Extensions for Repayment Plan		
Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
1 or 2 times	632,516	653,608
3, 4 or 5 times	-	-
Over 5 times	-	-
Total	632,516	653,608

Extension Periods for Repayment Plan Changes		
	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 - 6 months	8,819	20,056
6 - 12 months	16,032	53,819
1 - 2 years	211,754	227,286
2 - 5 years	322,770	284,832
5 years and over	73,141	67,615
Total	632,516	653,608

Number of Extensions for Repayment Plan		
Prior Period	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
1 or 2 times	547,437	1,006,339
3, 4 or 5 times	-	-
Over 5 times	-	-
Total	547,437	1,006,339

Extension Periods for Repayment Plan Changes		
	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 - 6 months	4,633	31,479
6 - 12 months	15,611	107,110
1 - 2 years	153,136	313,943
2 - 5 years	238,648	497,695
5 years and over	135,409	56,112
Total	547,437	1,006,339

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

Current 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	Cash Loans	Loans and other receivables
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

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	Cash Loans	Loans and other receivables
Short-term loans and other receivables	6,725,075	7,459	66,125	40,937
Loans	6,707,159	7,459	63,076	40,937
Other receivables	17,916	-	3,049	-
Medium and long-term loans and other receivables (*)	19,655,927	539,978	471,685	965,402
Loans	19,655,927	539,978	471,685	965,402
Other receivables	-	-	-	-
Total	26,381,002	547,437	537,810	1,006,339

(*) Loans with the original maturities upon first utilization 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	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	-	-	-
With Installment	-	-	-
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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Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	36,077	5,327,039	5,363,116
Housing Loans	8,603	4,832,622	4,841,225
Vehicle Loans	8,669	286,162	294,831
Consumer Loans	16,578	156,424	173,002
Other	2,227	51,831	54,058
Consumer Loans-FC Indexed	-	4,754	4,754
Housing Loans	-	4,754	4,754
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	16	162,231	162,247
Housing Loans	-	96,990	96,990
Vehicle Loans	16	5,298	5,314
Consumer Loans	-	13,065	13,065
Other	-	46,878	46,878
Retail Credit Cards-TL	179,305	79	179,384
With Installment	31,809	79	31,888
Without Installment	147,496	-	147,496
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,064	9,163	10,227
Housing Loans	-	1,396	1,396
Vehicle Loans	302	4,632	4,934
Consumer Loans	760	3,135	3,895
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	7,614	22	7,636
With Installment	2,256	22	2,278
Without Installment	5,358	-	5,358
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	224,076	5,503,288	5,727,364

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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	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
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	131,542	3,350,939	3,482,481
Business Loans	8,363	805,525	813,888
Vehicle Loans	53,877	899,076	952,953
Consumer Loans	69,302	1,646,104	1,715,406
Other	-	234	234
Commercial Installment Loans-FC Indexed	19,738	1,600,468	1,620,206
Business Loans	518	361,055	361,573
Vehicle Loans	13,966	401,823	415,789
Consumer Loans	5,254	836,926	842,180
Other	-	664	664
Commercial Installment Loans-FC	44,004	279,574	323,578
Business Loans	-	144,340	144,340
Vehicle Loans	-	13,693	13,693
Consumer Loans	44,004	41,386	85,390
Other	-	80,155	80,155
Corporate Credit Cards-TL	141,588	-	141,588
With Installment	20,605	-	20,605
Without Installment	120,983	-	120,983
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	336,872	5,230,981	5,567,853

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1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	17,136	12,780
Private	36,541,072	28,459,808
Total	36,558,208	28,472,588

1.5.7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	36,288,239	28,154,845
Foreign loans	269,969	317,743
Total	36,558,208	28,472,588

1.5.8. Loans granted to subsidiaries and associates::

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	19	14
Loans granted indirectly to subsidiaries and associates	-	-
Total	19	14

(*) The loan amounts stated above, that are granted to the subsidiaries and associates of the Bank are presented in line of "Banks" in the accompanying financial statements

1.5.9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	145,827	71,172
Loans and receivables with doubtful collectability	97,155	211,227
Uncollectible loans and receivables	424,786	304,120
Total	667,768	586,519

1.5.10. Information on non-performing loans (net):

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables

Current period

(Gross amounts before specific provision)

Restructured loans and other receivables

- - -

Rescheduled loans and other receivables

- - -

Prior period

(Gross amounts before specific provision)

Restructured loans and other receivables

- - -

Rescheduled loans and other receivables

- - -

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

	Group III	Group IV	Group V
Current Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Balance at the end of the prior period 31.12.2016	128,436	278,874	341,304
Additions in the current period (+)	305,164	117,193	97,926
Transfers from other categories of non-performing loans(+)	-	267,078	531,746
Transfers to other categories of non-performing loans (-)	267,178	531,646	-
Collections in the current period (-)	7,833	14,265	70,386
Write offs (-)	-	-	461,353
Corporate and commercial loans	-	-	406,236
Retail loans	-	-	38,252
Credit Cards	-	-	16,865
Other	-	-	-
Balance at the end of the current period	158,589	117,234	439,237
Specific provisions (-)	145,827	97,155	424,786
Net balance at the balance sheet	12,762	20,079	14,451

1.5.10.3. Information on non-performing loans granted as foreign currency:

	Group III	Group IV	Group V
Current Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Period End Balance	-	-	930
(Specific Provision)	-	-	(821)
Prior Period			
Period End Balance	-	-	552
(Specific Provision)	-	-	(796)

1.5.10.4. Gross and net amounts of non-performing loans with respect to user group

	Group III:	Group IV:	Group V:
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	12,762	20,079	14,451
Loans granted 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)	-	-	-
Prior period (Net)	57,264	67,647	37,184
Loans to real persons and legal entities (Gross)	128,436	278,874	341,304
Specific provision (-)	71,172	211,227	304,120
Loans to real persons and legal entities (Net)	57,264	67,647	37,184
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

1.5.10.5. Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	683,540	137,828	119,108	-	940,476
Retail loans	38,107	132,728	41,889	-	212,724
Credit cards	4,764	1,736	749	-	7,249
Total	726,411	272,292	161,746	-	1,160,449

Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	904,414	276,634	177,537	-	1,358,585
Retail loans	33,502	90,083	53,342	-	176,927
Credit cards	4,416	2,743	1,478	-	8,637
Total	942,332	369,460	232,357	-	1,544,149

1.5.11. 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. Within 2017, non-performing loans amounting to TL 461,353 have been written-off (31 December 2016 – TL 150,682).

1.5.12. Information on the write-off policy:

The Group’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.

1.6. Information on held-to-maturity investments (Net):

None. (31 December 2016 – None).

1.7. Information on investment in associates (Net):

1.7.1. The 1.69% ownership of Kredi Garanti Fonu A.Ş. of TL 4,719 (31 December 2016 – TL 4,719), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2016 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2016 – TL 5,201), TL 390 amount of swift shares (31 December 2016 – TL 390) and 0.0035% ownership of share of TL 15 (31 December 2016 – TL 15) that is traded in Borsa İstanbul A.Ş. and VISA Inc.share of TL 7,149 (31 December 2016 – TL 6,660) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Parent Bank does not have a significant influence on these institutions.

1.7.2. Information about investments in unconsolidated associates: None (31 December 2016 – None).

1.7.3. Information related to consolidated associates: None (31 December 2016 – None).

1.8. Information on investment in associates (Net):

1.8.1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do 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 these subsidiaries which are “Körfüz Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş. ve Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş ” have not been consolidated. The Bank has reflected its subsidiaries 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. (*)	İstanbul/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 respective to the order presented in the above, is given below:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
33,050	32,862	7,445	-	-	3,669	6,946	-
148,947	147,961	63	-	-	45,384	30,935	-
151,716	215	-	-	-	61	11	-
5,703,311	107	-	-	-	13	5	-
866,438	407,373	55,987	-	-	(33,923)	(41,161)	-
6,877	6,348	163	-	-	(1,221)	(1,587)	-
8,054	7,028	340	-	-	4,356	1,674	-
1,360,339	1	-	-	-	-	-	-
33,050	32,862	7,445	-	-	3,669	6,946	-

(*) These figures are shown per Turkish Trade Law financial statements as at 31 December 2017.

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

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	23,680	22,930
Movements during the year	-	-
Purchases	-	750
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	23,680
Capital commitments	-	-
Period-end share of capital (%)	-	-

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1.8.3. Information on capital adequacies of major 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.	Istanbul/Turkey	% 100.00	% 100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	% 100.00	% 100.00
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	% 75.00	% 97.61
KT Bank AG	Frankfurt/Germany	% 100.00	% 100.00
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	% 100.00	% 100.00
KT Sukuk Company Limited (*)	GeorgeTown/ Cayman Island	% 100.00	% 100.00

(*) The special purpose entity, Kuveyt Turk Sukuk is not a subsidiary of the Parent Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	293,694	270,560
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	60,273	55,273

Subsidiaries that are quoted on the stock exchange: None.(31 December 2016- None).

1.8.4. Information on capital adequacies of major subsidiaries

Calculated equity amount of domiciled subsidiary of the Bank in Germany , KT Bank AG, is EUR 59,628,649 and capital adequacy ratio is %41.49.

1.8.5. Accounting methods and reasons of unconsolidation for the unconsolidated subsidiaries:

Subsidiaries which are not subject to consolidation due to they are not subsidiaries are accounted at cost if any values after impairment.

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	%50	1,135,119	40,000	4,251	7,883	4,846

(*) As of 31 December 2017, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations.

(**) 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 a Pension Company. 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		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	1,601,249	1,325,209	1,119,851	958,746
1 to 4 years	615,546	583,034	493,529	461,817
More than 4 years	178,945	172,487	131,810	123,980
Total	2,395,740	2,080,730	1,745,190	1,544,543

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1.10.2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	2,395,740	1,745,190
Unearned finance lease income (-)	(315,010)	(200,647)
Cancelled amounts (-)	-	-
Net receivable from finance leases	2,080,730	1,544,543

1.10.3. General Information on finance lease contracts:

The Bank determines the installments of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be modified with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer within 60 days if necessary. Non performing finance lease receivables amounting to TL 5,040 are included in the non-performing loans in the balance sheet (31 December 2016– TL 13,086).

Impairment provision amounting to TL 4,420 (31 December 2016– TL 12,126) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

1.11. Information on derivative financial assets for hedging purposes: None (31 December 2016 – None).

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1.12. Explanations on Tangible Assets (Net)

	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period: 31 December 2016					
Cost	163,628	80,032	1,173	462,431	707,264
Accumulated Depreciation (-)	19,559	18,354	944	223,235	262,092
Net Book Value	144,069	61,678	229	239,196	445,172
At End of Current Period: 31 December 2017					
Net book value at beginning of period	144,069	61,678	229	239,196	445,172
Additions	15,204	251	999	41,809	58,263
Disposals (-)	1,348	-	-	650	1,998
Transfers to assets held for sale (-)	-	-	-	(38,853)	(38,853)
Transfer from assets held for sale	-	-	-	-	-
Impairment/Reversal of Impairment Losses	-	-	-	-	-
Depreciation Expense (-)	6,466	770	133	48,417	55,786
Cost at period end	177,484	80,283	2,172	473,988	733,927
Accumulated depreciation end of period (-)	26,025	19,124	1,077	271,652	317,878
Closing net book value	151,459	61,159	1,095	202,336	416,049
At End of Prior Period: 31 December 2015					
Cost	168,989	79,667	1,123	421,114	670,893
Accumulated Depreciation (-)	12,060	17,615	907	178,669	209,251
Net Book Value	156,929	62,052	216	242,445	461,642
At End of Current Period: 31 December 2016					
Net book value at beginning of period	156,929	62,052	216	242,445	461,642
Additions	2,110	365	50	44,353	46,878
Disposals (-)	7,471	-	-	3,036	10,507
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment/Reversal of Impairment Losses	-	-	-	-	-
Depreciation Expense (-)	7,499	739	37	44,566	52,841
Cost at period end	163,628	80,032	1,173	462,431	707,264
Accumulated depreciation end of period (-)	19,559	18,354	944	223,235	262,092
Closing net book value	144,069	61,678	229	239,196	445,172

1.13. Explanations on Intangible Assets:

1.13.1. Gross carrying value and accumulated amortization balances at beginning and at the end of the period:

	Current Period	Prior Period
Cost	290,608	237,034
Accumulated Amortization	(121,643)	(96,568)
Total (net)	168,965	140,466

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1.13.2. Movements of intangible assets

	Current Period	Prior Period
Opening balance	158,757	119,340
Additions	42,893	56,425
Disposals (-), net	1,928	8,414
Depreciation amount (-)	30,757	26,885
Closing net book value	168,965	140,466

Intangible assets include computer software and program licenses purchased for banking systems.

1.14. Investment property:

	Current Year	Prior Year
Opening balance	-	-
Additions	25,577	-
Disposals (-), net	-	-
Depreciation amount (-)	158	-
Closing net book value	25,419	-

(*) Fair value of the investment properties is TL 30.900.

1.15. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 December 2017 is TL 157,245 (31 December 2016 – TL 130,520) and deferred tax liability is TL 18,535 (31 December 2016 – TL 12,409).

	Current period	Prior period
Reserve for employee benefits	20,197	14,755
Retirement pay liability	16,788	11,092
Deferred income	46,597	29,683
Rediscounts for derivative instruments held for trading	26,181	27,731
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,436	36,425
Precious metals valuation difference	11,046	10,834
Other		
	157,245	130,520
Deferred tax asset		
Difference between carrying value and tax base of tangible assets	(10,044)	(7,754)
Valuation difference on available for sale financial asset	(3,556)	(220)
Valuation difference on precious metal	(652)	(3,131)
Other	(4,283)	(1,304)
Deferred tax liabilities	(18,535)	(12,409)
Deferred tax asset, (net)	138,710	118,111

Table for deferred tax asset movement:

	Current period	Prior period
As of January 1	118,111	107,150
Deferred tax (expense) /income	14,403	(7,517)
Deferred tax accounted under shareholders' equity	6,196	18,478
Deferred tax asset	138,710	118,111

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1.16. Explanation regarding the assets held for sale

Tangible assets which are obtained through receivables of the Parent Bank and which the Parent Bank plans to sell within one year and that have been announced in the web site are valued with the lower of the cost less accumulated net book value and fair value as is required by the Communiqué of “Principles and Procedures on Bank’s Disposal of Precious Metals and Asset Held For Sale” published on 1 November 2006 in the Official Gazette No. 26333 in the consolidated financial statements.

	Current Period	Prior Period
Opening balance	47,975	32,640
Additions	30,957	15,335
Transfer from tangible assets	38,853	-
Disposals (-), net	779	-
Transfer to tangible assets	-	-
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
Closing net book value	117,006	47,975

1.17. Information on other assets:

As of balance sheet date, the Group’s other assets amount to TL 860,481 (31 December 2016 – TL 735,464) Other assets balance does not exceed 2% of the total assets on the balance sheet excluding off balance sheet commitments.

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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	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	4,089,584	-	-	-	-	-	-	-	4,089,584
II. Real persons profit sharing accounts TL	-	3,920,064	6,325,033	449,754	-	245,635	194,490	-	11,134,976
III. Other current accounts-TL	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-TL	-	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 – TL	-	-	-	-	-	-	-	-	-
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

There are no 7 day notification and cumulative participation accounts of the Bank.

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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	Accumulat ed profit sharing accounts	Total
I. Real persons current accounts-TL	3,573,258	-	-	-	-	-	-	-	3,573,258
II. Real persons profit sharing accounts-TL	-	3,455,975	6,185,646	481,322	-	227,354	160,993	-	10,511,290
III. Other current accounts-TL	2,350,257	-	-	-	-	-	-	-	2,350,257
Public sector	57,536	-	-	-	-	-	-	-	57,536
Commercial sector	2,260,763	-	-	-	-	-	-	-	2,260,763
Other institutions	27,325	-	-	-	-	-	-	-	27,325
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,633	-	-	-	-	-	-	-	4,633
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	741	-	-	-	-	-	-	-	741
Foreign banks	3,090	-	-	-	-	-	-	-	3,090
Participation banks	802	-	-	-	-	-	-	-	802
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	349,795	821,092	44,001	-	132,379	135,889	-	1,483,156
Public sector	-	301	33,481	-	-	40	-	-	33,822
Commercial sector	-	321,734	738,429	32,343	-	126,604	135,150	-	1,354,260
Other institutions	-	27,021	48,987	11,658	-	5,725	401	-	93,792
Commercial and other institutions	-	739	182	-	-	10	-	-	931
Banks and participation banks	-	-	13	-	-	-	338	-	351
V. Real persons current accounts-FC	3,090,964	-	-	-	-	-	-	-	3,090,964
VI. Real persons profit sharing accounts-FC	-	1,625,988	2,820,800	651,610	-	454,239	164,990	-	5,717,627
VII. Other current accounts-FC	1,718,839	-	-	-	-	-	-	-	1,718,839
Commercial residents in Turkey	1,341,943	-	-	-	-	-	-	-	1,341,943
Commercial residents in Abroad	277,192	-	-	-	-	-	-	-	277,192
Banks and participation banks	99,704	-	-	-	-	-	-	-	99,704
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	7,665	-	-	-	-	-	-	-	7,665
Foreign banks	89,721	-	-	-	-	-	-	-	89,721
Participation banks	2,318	-	-	-	-	-	-	-	2,318
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	378,656	649,008	93,215	-	63,706	40,797	-	1,225,382
Public sector	-	-	80	-	-	-	-	-	80
Commercial sector	-	286,537	559,916	80,034	-	57,366	29,608	-	1,013,461
Other institutions	-	59,622	37,781	28	-	741	-	-	98,172
Commercial and other institutions	-	28,971	47,051	13,153	-	5,599	11,103	-	105,877
Banks and participation banks	-	3,526	4,180	-	-	-	86	-	7,792
IX. Precious metal funds	1,299,314	-	930,175	73,925	-	36,607	-	-	2,340,021
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	2,184	-	2,184
Residents in Turkey	-	-	-	-	-	-	2,184	-	2,184
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	12,032,632	5,810,414	11,406,721	1,344,073	-	914,285	504,853	-	32,012,978

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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	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	9,730,510	8,985,542	5,440,996	5,052,687
FC accounts	5,804,410	4,058,175	9,535,405	6,504,045
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 published in the Official Gazette dated 1 November 2015 with No 26333.

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.

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 current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives..

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	4,573	3,046
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	-	355

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2.2. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	10,269	4,679	15,459	1,294
Swap transactions	11,177	54,572	25,121	77,853
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	21,446	59,251	40,580	79,147

2.3. Information on funds borrowed:

2.3.1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	51,243	280,602	73	281,737
From Foreign Banks, Institutions and Funds	58,873	2,996,409	59,007	2,933,925
Total	110,116	3,277,011	59,080	3,215,662

2.3.2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	110,116	3,113,321	48,852	3,059,071
Medium and Long-Term	-	163,690	10,228	156,591
Total	110,116	3,277,011	59,080	3,215,662

Details of significant transactions that are accounted under Funds Borrowed are stated in table below.

Current Period:

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

Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/10/2016	27/01/2017	USD	%2.20	100,000,000	562,222
Wakala	KFH - KUWAIT	04/11/2016	06/02/2017	USD	%2.20	100,000,000	574,444
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/05/2016	02/06/2017	USD	%1.90	120,000,000	2,349,667
Wakala	KFH - KUWAIT	21/06/2016	27/06/2017	USD	%2.05	100,000,000	2,112,639
Wakala	KFH - KUWAIT	31/10/2016	07/11/2017	USD	%2.15	101,666,667	2,258,694

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

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

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

2.4. Information on issued securities:

The sukuks issued by the Group are below. The yield rates for issued securities are 13% for Turkish Lira and 5% for USD on average and for 6% Malaysian Ringgit. The maturity range of issued securities in TRY is January 2018 – March 2019 and securities (sukuk) in USD is June 2019-November 2021 and securities (sukuk) in Malaysian Ringgit is March 2020-July 2020.

Current Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	1,031,433	45,000	-	4,524,360
Distributed Yields	40,051	-	-	601,376
Book Value	1,059,378	45,240	-	4,547,223

Prior Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	561,657	10,000	-	4,147,352
Distributed Yields	15,203	-	-	818,891
Book Value	570,343	10,228	-	4,174,842

2.5. Information on other liabilities and miscellaneous payables:

As of 31 December 2017, other liabilities amounting TL 345,918 (31 December 2016 – TL 439,785), sundry creditors amounting to TL 200,005 (31 December 2016 – TL 169,150), both of them do not exceed 10% of the balance sheet total.

2.6. Information on finance lease payables (net):

The Bank 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 2016 – None).

2.6.2. Information on Financial Lease Obligations:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	265	226
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	-	-	265	226

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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.

2.7. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	70,795	-	137,829
Hedge of net investment in foreign operations	-	-	-	-
Total	-	70,795	-	137,829

2.8. Information on provisions:

2.8.1. Information on general provisions

	Current period	Prior Period
General Provisions		
	407,954	318,825
I.For Loans and Receivables in Group I (Total)	332,145	238,477
Profit Sharing Accounts' Share	116,559	85,063
The Bank's Share	215,586	153,414
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	31,063
Profit Sharing Accounts' Share	10,983	13,639
The Bank's Share	11,335	17,424
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	21,629
Other	28,069	27,656

2.8.2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2017, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 19,143 (31 December 2016 – TL 651) and TL 376 (31 December 2016 – TL 5,953) is offset against loans and leasing receivables.

2.8.3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans (*)	95,685	74,736
Provisions for cheque books (*)	2,276	4,633
Provisions from equity/profit sharing accounts	30,422	14,668
Provisions for promotion activities for credit cards	1,242	818
Other (**)	72,447	40,086
Total	202,072	134,941

(*) According to temporary article 2 of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", the Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank.

(**) Other item includes TL 6,915 litigation provision in current period (31 December 2016 – TL 4,050). In addition to this, TL 14,450 includes provision amount which is related to a penalty from Ministry of Customs and Trade (31 December 2016 – TL 14,450) and TL 40,560 includes the repayment amount foreseen for delay in penalties (31 December 2016 – TL 18,850).

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2.8.4. Information on provisions for employee benefits: :

Provisions for employee benefits consist of reserve for employee termination benefits amounting to, TL 84,286 (31 December 2016 – TL 55,464), vacation pay liability amounting to TL 522 (31 December 2016 – TL 792), performance premium amounting TL 69,670 (31 December 2016 – TL 55,928), retirement bonuses on payment of TL 7,291 (31 December 2016 – TL 6,714) and committee fee and other provision amounting to 125 TL (31 December 2016– None).

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service 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 4,732 (31 December 2016 – TL 4,297) 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	Prior period
Discount Rate (%)	11.60	11.46
Inflation rate (%)	8.90	7.78
Interest rate (%)	9.90	8.78

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

	Current period	Prior period
Balance at the beginning of the period	55,464	48,639
Provisions provided during the period	17,566	16,159
Paid during the period	(5,237)	(7,880)
Actuarial loss	16,493	(1,454)
Balances at the end of the period	84,286	55,464

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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 December 2017, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 56,259.

	Current period	Prior period
Provision for corporate income tax (*)	199,510	124,960
Prepaid taxes	(143,251)	(97,118)
Total (*)	56,259	27,842

(*) It is presented in the current tax liability line, under liabilities

2.9.1.2. Information on taxes payable (*):

	Current period	Prior period
Taxation of marketable securities	19,651	14,130
Taxation of immovable property	1,185	1,111
Banking Insurance Transaction Tax (BITT)	18,431	17,170
Value added tax payable	1,349	1,324
Income tax deducted from wages	8,192	7,331
Other	1,129	1,065
Total	49,937	42,131

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

2.9.1.3. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	4,862	4,287
Social Security Premiums-Employer	5,234	4,622
Unemployment insurance-Employee	348	307
Unemployment insurance-Employer	801	698
Total	11,245	9,914

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

2.9.1.4. Information on deferred tax liability: None (31 December 2016 - None).

2.10. Information on payables related to assets held for sale: None (31 December 2016 – None).

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2.11. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,360,338	-	1,981,646
From Other Foreign Institutions	-	-	-	-
Total	-	1,360,338	-	1,981,646

The Bank obtained a subordinated loan with 10-years maturity, amounting to USD 200 million, from Kuwait Finance House on 29 September 2011. Profit share amount will be calculated through the application of profit rate over the loan amount expressed as the commodity purchase price and will be paid in equal profit share installments. Classification of this subordinated loan as tier-II capital upon the receipt of the cash amounting to USD 200 million by the Bank for the purpose of supplementary capital calculation was confirmed by the BRSA by their notification dated 30 September 2011. In order to comply with the amendments made in the Regulation on Equities of the Banks published by BRSA became effective on 31 March 2016, the related loan agreement was amended as of 29 March 2016 and it was deemed appropriate for the loan to be considered as tier-II capital in accordance with BRSA notification dated 25 April 2016. The Bank closed its contribution capital loan as of 30 March 2017 using the early payment option.

The Bank has acquired 350 million US dollars contribution capital loan, with having the requirements defined by BRSA Regulation on the Capital Adequacy, from Special Purpose Vehicle (SPV) KT Sukuk Company Limited that resides in Cayman Island that acquired the amount via issuance of Sukuk on 17 February 2016. Annual rate of return for the loan that is included in contributinal capital calculation in accordance with the BRSA Letter of Conformity dated 2 September 2015 and No 20008792101.01[93]E.12819 is 7.90%, has a maturity of 10 years with a repayment option for the bank after 5 year from the opening date. Returns will be calculated with the implementation of annual rate of return to the loan amount defined as transfer price of the assets, and installements will be made on 17 July and 17 February each year.

2.12. Information on shareholders' equity:

2.12.1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	3,100,000	2,790,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,678)
Total	3,097,322	2,787,322

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

2.12.2. 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 bank.

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

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
28 March 2017	310,000	310,000	-

2.12.4. 4. Information on share capital increases from capital reserves during the current period: None. (31 December 2016 – None)

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- 2.12.5. 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 Group's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

- 2.12.6. Summary of privileges given to shares representing the capital: None bilgiler: Yoktur.

- 2.12.7. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)				
Valuation Difference (*)	(23,192)	12,609	(4,933)	(30,347)
Foreign Exchange Difference	-	-	-	-
Total	(23,192)	12,609	(4,933)	(30,347)

(*) 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 available for sale in the balance sheet.

- 2.13. Information on minority shares:** TL 23,054 (31 December 2016- TL 19,993)

3. Explanations and notes related to off-balance sheet 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 December 2017 is TL 1,357,354 (31 December 2016 – TL 904,427); payment commitments for cheque books are TL 1,345,239 (31 December 2016 – TL 1,178,750)

- 3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet 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 December 2017, the Group has guarantees and suretyships constituting TL 9,570,179 (31 December 2016 – TL 8,116,025) letters of guarantee; TL 55,958 (31 December 2016 - TL 52,044) acceptances and TL 932,100 (31 December 2016– TL 1,019,786) letters of credit. In addition, the Bank has also other guarantees and securities amounting to TL 513,816 (31 December 2016 – TL 701,362)

- 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. 3.Total amount of non-cash loans:

	Current period	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	9,889,217
Total	11,072,053	9,889,217

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3.1.4. Sectorial risk concentration of non-cash loans :

	Current period				Prior period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	48,091	0.74	5,538	0.12	39,728	0.76	10,773	0.23
Farming and Stockbreeding	20,246	0.31	4,013	0.09	17,721	0.34	7,487	0.16
Forestry	27,808	0.43	1,525	0.03	21,925	0.42	3,286	0.07
Fishery	37	0.00	-	-	82	0.00	-	-
Manufacturing	1,121,211	17.25	799,207	17.48	753,859	14.56	927,124	19.68
Mining and quarrying	202,241	3.11	274,708	6.01	213,839	4.13	294,194	6.24
Production	463,059	7.12	496,475	10.86	335,303	6.48	357,625	7.59
Electricity, Gas, Water	455,911	7.01	28,024	0.61	204,717	3.95	275,305	5.84
Construction	2,550,357	39.23	1,146,399	25.08	2,277,316	43.99	1,171,081	24.85
Services	1,783,281	27.43	1,767,303	38.66	1,426,827	27.56	1,656,399	35.15
Wholesale and Retail Trade	745,878	11.47	546,190	11.95	599,580	11.58	449,934	9.55
Hotel, Food and Beverage								
Services	79,406	1.22	36,509	0.80	70,677	1.37	31,106	0.66
Transportation and Telecom.	470,117	7.23	774,580	16.95	389,561	7.52	700,476	14.87
Financial Institutions	6,074	0.09	297,965	6.52	23,491	0.45	398,649	8.46
Real Estate and Renting Services	81,800	1.26	3,419	0.07	18,035	0.35	1,874	0.04
Professional Services	92	0.00	-	-	70	0.00	-	-
Educational Services	33,252	0.51	3,006	0.07	41,418	0.80	1,994	0.04
Health and Social Services	366,662	5.64	105,634	2.31	283,995	5.49	72,366	1.54
Other	998,140	15.35	852,526	18.65	679,452	13.12	946,658	20.09
Total	6,501,080	100.00	4,570,973	100.00	5,177,182	100.00	4,712,035	100.00

3.1.5. Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	6,445,915	4,546,941	55,165	24,032
Letters of Guarantee	6,287,400	3,208,256	55,165	19,358
Bills of Exchange and Bank Acceptances	2,549	53,409	-	-
Letters of Credit	1,143	926,283	-	4,674
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	154,823	358,993	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	5,122,017	4,688,003	55,165	24,032
Letters of Guarantee	4,971,330	3,070,172	55,165	19,358
Bills of Exchange and Bank Acceptances	2,071	49,973	-	-
Letters of Credit	188	1,014,924	-	4,674
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	148,428	552,934	-	-

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3.2. Financial derivative instruments:

	Derivative transactions according to aims	
	Current Period	Current Period
Trading derivatives		
Foreign Currency Related Derivative Transactions (I):	13,645,542	18,635,729
Currency Forwards-Purchases, sales	2,542,103	3,408,604
Currency Swaps-Purchases, sales	11,209,021	15,227,125
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Interest Rate Related Derivative Transactions (II):	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
Other Trading Derivatives (III)	7,966	21,178
A.Total Trading Derivatives (I+II+III)	13,759,090	18,656,907
Hedging Derivatives		
Fair value hedges	-	-
Cash flow hedges	1,565,503	1,391,124
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	1,565,503	1,391,124
Total Derivatives Transactions (A+B)	15,324,593	20,048,031

The Bank enters into short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2017, the Bank has commitments to buy TL 728,960, USD 1,361,922,000, EUR 81,070,000, GBP 29,404,000 and MYR 800,000,000 in return of selling commitments of TL 963,256, USD 514,739,000, EUR 964,634,000 and GBP 19,364,000 (As of 31 December 2016, the Bank has commitments to buy TL 4,827,866, USD 1,053,129,000, EUR 79,150,000, GBP 976,000 and 800,000,000 MYR in return of selling commitments of TL 904,538, USD 570,101,074, EUR 1,796,912,000 and GBP 700,000)

3.3. Credit derivatives and risk exposures on credit derivatives: None

3.4. Contingent liabilities and assets

In accordance with the decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments. .

3.5. Explanations on custodian and intermediary services

The Group does not operate in money placements on behalf of real or legal persons, charitable foundations, retirement insurance funds and other institution.

3.6. Summary Information on the Bank's Rating by the International Rating Institutions

Fitch Rating's November 2017	Notes
Long Term Issuer Default Rating	BBB-
Short Term Issuer Default Rating	F3
Local Currency Long Term Issuer Default Rating	BBB-
Local Currency Short Term Issuer Default Rating	F3
Support Rating	2

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4. Explanations and disclosures related to the income statement

4.1. Information on profit share income:

4.1.1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	3,117,811	225,363	2,560,187	191,166
Short term loans	806,921	33,377	657,871	24,382
Medium and long term loans	2,303,217	191,986	1,896,616	166,784
Profit share on non-performing loans	7,673	-	5,700	-
Premiums received from resource utilization support fund	-	-	-	-

4.1.2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	31,929	3,760	20,465
Branches and head office abroad	-	-	-	-
Total	-	31,929	3,760	20,465

4.1.3. Information on profit share income from securities portfolio:

The Bank received TL 280,612 of profit share income from rent certificates (sukuk) that are disclosed in detail which is given the details in available for sale financial assets information. (31 December 2016: TL 205,883)

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	5	4

4.2. Information on profit share expenses:

4.2.1. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	6,521	47,542	19,229	78,043
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	2,127	8,896	9,362	6,971
Foreign banks	4,394	38,646	9,867	71,072
Branches and head office abroad	-	-	-	-
Other Institutions	88,537	54,253	60,577	37,462
Total	95,058	101,795	79,806	115,505

4.2.2. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,738	1,130

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4.2.3. Profit share expense paid to securities issued:

TL 319,652 (31 December 2016: 255,545).

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

Current period		Profit Sharing Accounts						
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	Accumulated profit sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Non-trading profit sharing account of individuals	282,508	505,963	37,931	-	18,391	15,657	-	860,450
Public sector profit sharing account	79	2,610	631	-	-	-	-	3,320
Commercial sector profit sharing account	29,244	72,596	11,770	-	1,133	871	-	115,614
Other institutions profit sharing account	2,094	5,976	778	-	249	121	-	9,218
Total	313,925	587,145	51,110	-	19,773	16,649	-	988,602
FC								
Banks	730	144	-	-	-	-	-	874
Non-trading profit sharing account of individuals	40,294	69,375	16,005	-	7,964	3,996	-	137,634
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	4,758	21,395	2,396	-	151	123	-	28,823
Other institutions profit sharing account	1,669	1,784	454	-	23	97	-	4,027
Precious metal accounts	660	9,450	749	-	406	-	-	11,265
Total	48,111	102,148	19,604	-	8,544	4,216	-	182,623
Grand Total	362,036	689,293	70,714	-	28,317	20,865	-	1,171,225

Prior Period		Profit Sharing Accounts						
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	Accumulated profit sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	2,967	-	-	-	-	-	2,967
Non-trading profit sharing account of individuals	228,615	416,199	38,548	-	16,636	13,890	-	713,888
Public sector profit sharing account	80	2,249	434	-	-	-	-	2,763
Commercial sector profit sharing account	19,168	51,686	3,997	-	965	1,391	-	77,207
Other institutions profit sharing account	2,096	3,676	690	-	154	34	-	6,650
Total	249,959	476,777	43,669	-	17,755	15,315	-	803,475
FC								
Banks	426	1,795	-	-	17	230	-	2,468
Non-trading profit sharing account of individuals	22,239	41,478	9,412	-	6,776	2,677	-	82,582
Public sector profit sharing account	-	1	-	-	-	-	-	1
Commercial sector profit sharing account	2,567	13,907	2,342	-	275	444	-	19,535
Other institutions profit sharing account	1,832	1,412	265	-	128	832	-	4,469
Precious metal accounts	-	5,657	395	-	306	-	-	6,358
Total	27,064	64,250	12,414	-	7,502	4,183	-	115,413
Grand Total	277,023	541,027	56,083	-	25,257	19,498	-	918,888

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4.3 Information on dividend income:

	Current period	Prior period
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other (*)	-	509
Total	-	509

(*) This amount related to non-cash capital increase of Kredi Garanti Fonu A.Ş. which is presented in available for sale financial assets.

4.4. Information on trading income/loss (Net):

	Current period	Prior period
Trading income/loss (net)	288,332	330,734
Income	26,000,855	12,357,815
Gain on capital market transactions	9,812	9,074
Gain on derivative financial instruments	1,789,088	456,035
Foreign exchange gains	24,201,955	11,892,706
Losses (-)	(25,712,523)	(12,027,081)
Losses on capital market transactions	(2,852)	(1,203)
Losses on derivative financial instruments	(2,187,322)	(300,606)
Foreign exchange losses	(23,522,349)	(11,725,272)

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	Prior period
Reversal of prior period provisions	95,525	79,001
Income from sale of assets (*)	65,903	53,907
Lease income	2,564	2,478
Other Income	22,497	42,188
Total	186,489	177,574

(*)It includes TL 45,977 income from the liquidation of the subsidiary, Kuwait Turkish Participation Bank Dubai Ltd.

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4.6. Provisions for the impairment of loans and other receivables of the Bank:

	Current period	Prior period
Specific provisions for loans and other receivables	632,352	464,013
III. group loans and receivables	153,498	79,691
IV. group loans and receivables	132,447	217,987
V. group loans and receivables	346,407	166,335
Doubtful commissions, fees and other receivables	1,828	1,254
General provision expenses	101,046	-
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	385	3,081
Financial Assets at fair value through profit and loss	385	3,081
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 (*)	50,566	45,765
Total	786,177	514,113

(*) Other item includes TL 2,865 is lawsuit provision (31 December 2016: TL 4,450), and TL 22,010 is provision amount foreseen for delay in penalties. According to the provision regulation, it consists both the provision is allocated 5% of profit which will be distributed to participation accounts and %5 impairment amount booked for non-depreciable assets which are classified for held for sale assets.

4.7. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	697,256	619,204
Provision for retirement pay liability	12,328	8,279
Depreciation expenses of tangible assets	55,786	51,827
Depreciation expenses of intangible assets	30,757	26,885
Depreciation expenses of assets held for sale	-	1,014
Other operating expenses	307,869	268,310
Rent expenses	115,263	101,308
Maintenance expenses	37,989	30,022
Advertisement expenses	28,657	23,890
Communication expenses	35,971	30,746
Heating, electricity and water expenses	13,937	12,390
Cleaning expenses	4,894	5,185
Vehicle expenses	6,176	4,541
Stationery expenses	5,754	4,236
Other expenses	59,237	55,992
Losses on sales of assets	109	366
Deposit insurance fund expenses	82,592	66,068
Other	94,207	95,491
Total	1,280,913	1,137,444

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

Income before tax amounts to TL 812,958 increased by %14.25 as compared to the prior period (31 December 2016 – TL 711,557). Income before tax includes TL 2,150,338 (31 December 2016 – TL 1,697,214) net profit share income and TL 250,785 (31 December 2016 – TL 154,660) net fees and commission income. Other operating expense amount is TL 1,280,913 (31 December 2016 – TL 1,137,444).

4.9. Information on tax provision for continued and discontinued operations:

In current period, deferred tax income of the Group is TL 14,403 (31 December 2016 – TL 7,517 -expense) deferred tax income and current tax provision expense is TL 197,654 (31 December 2016 – TL 124,964).

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 December 2017, net profit share income is TL 2,150,338 (31 December 2016 – 1,697,214 TL), net fees and commission income is TL 250,785 (31 December 2016 – TL 154,660).

Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (31 December 2016– 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 December 2017, other fees and commissions received is TL 288,707 (31 December 2016 – TL 225,069), TL 69,834 of this amount is related with credit card fees and commissions (31 December 2016 – TL 45,026) and TL 56,034 of this amount is related with POS clearing commissions (31 December 2016– TL 46,026).

As of 31 December 2017, other fees and commissions given is TL 155,253 (31 December 2016 – TL 158,181), TL 65,391 (31 December 2016 – TL 54,634) of this amount is related with POS clearing commissions and installation expenses, TL 11,805 (31 December 2016 – TL 7,831) of this amount is related with fees and commissions paid for credit cards.

5. Statement of Changes in Shareholders' Equity

- 5.1. There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

- 5.2. In the current year, the Bank made dividend payments amounting to TL 4,291 to members of Board of Directors at 28 March 2017. In the General Assembly it has been decided that TL 27,528 would be transferred to legal reserves, TL 336,679 would be transferred to extraordinary reserve, TL 51,667 would be transferred to other reserves and TL 310,000 would be transferred to paid up capital.

6. Explanations and notes related to cash flow statement

6.1. Information regarding the balances of cash and cash equivalents at the beginning of the period:

6.1.1. Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

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6.1.1.1. Cash and cash equivalents at the beginning of the period:

	Current period	Prior period
Cash	4,898,436	4,777,114
Cash in TL/foreign currency, others	763,391	1,757,266
Deposits at banks (up to 3 months)	4,135,045	3,019,848
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	4,898,436	4,777,114

6.1.1.2. Cash and cash equivalents at the end of the period:

	Current period	Prior period
Cash	3,472,726	4,898,436
Cash in TL/foreign currency, others	698,688	763,391
Deposits at banks (up to 3 months)	2,774,038	4,135,045
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	3,472,726	4,898,436

6.2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations: None.

6.3. Effects of the changes in foreign currency rates on cash and cash equivalents:

“Other items” amounting to TL (891,315) (1 January-31 December 2016: TL (423,212) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL (388,286) (1 January-31 December 2016: TL 607,299) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (279,341) (1 January-31 December 2016: TL (302,200))in “Changes in operating assets and liabilities” consist of changes in tax assets and other asset.

6.4. Effects of the change in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL (16,107) as of 31 December 2017 (31 December 2016 – TL 140,046)The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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

7.1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

7.1.1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	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	-	5	83	1	9,719	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	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	10	132	1,014	13,543	126,600	600
Balance at end of period	14	132	998	16,818	135,364	20,290
Profit share and commission income	-	4	102	3	7,632	1

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

7.1.2. 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	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	18,799	12,674	58,441	57,602	113,915	137,160
Balance at the end of period	30,010	18,799	60,187	58,441	417,813	113,915
Profit share expense	1,738	1,130	4,317	3,213	13,068	3,186

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

7.1.3. Forward and option agreements and other similar agreements with the risk group of the Bank: None. (31 December 2016: None)

7.1.4. Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans Received						
Balance at beginning of period	-	-	2,954,769	2,607,122	-	166,742
Balance at end of period	-	-	2,175,759	2,954,769	-	-
Profit share expense	-	-	48,678	74,722	-	2,965

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

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7.2. Information on compensation of key management personnel

As of 1 January - 31 December 2017, the Group has paid TL 29,814 to top management (1 January - 31 December 2016 – TL 27,255 -parent bank).

8. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

8.1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	398	3,973			
			Country		
Foreign representative offices				Total Assets (TL)	Legal Capital (USD)
Foreign bank	4	78	Germany	749,707	69,787,608
	1	4	Bahrain (**)	2,941,084	
Off-shore branches					

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number

8.2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2017, 14 new branches (2016-27 branches) were opened.

9. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Board of Directors of the Bank has decided to propose a capital increase from the internal sources amounting to TL 400,000 for the the approval of the ordinary general assembly on the meeting dated 24 January 2018.

The Bank's subsidiary KT Kira Sertifikaları Varlık Kiralama A.Ş. has issued a sukuk with four month maturity, TL 200,000 nominal and 12.60 % borrowing rate and with three month maturity, TL 350,000 nominal and 12.55 % borrowing rate during January 2018.

"Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 was published in the Official Gazette dated 5 December 2017 and numbered 30261.

With Article 91 of this law, with the provisional article 10 added to the Corporate Tax Law, the rate of 20% corporate tax will be applied as 22% for the corporate earnings for the taxation periods of 2018, 2019 and 2020 (the accounting periods for the institutions that are designated for the special accounting period). This rate will be applied for the first time in the first temporary tax period of 2018.

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SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

1. **Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet:** None.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

1. **Explanations on the auditors' report:**

The unconsolidated financial statements and notes and disclosures of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 8 March 2018 is presented before the accompanying financial statements.

2. **Notes and disclosures prepared by independent auditors:** None

SECTION EIGHT

CONSOLIDATED ANNUAL REPORT

1. **Explanations on 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 December 2017	31 December 2016
CASH BALANCES AND CENTRAL BANK	9,024,719	8,325,814
BANKS	3,572,074	4,780,380
LOANS	36,605,500	28,634,683
FINANCE LEASE RECEIVABLES	2,080,730	1,544,543
TANGIBLE ASSETS (Net)	416,049	445,172
OTHER ASSETS	5,865,630	4,995,443
TOTAL ASSETS	57,564,702	48,726,035
FUND COLLECTED	40,254,963	32,012,978
FUNDS BORROWED	3,387,127	3,274,742
BOND ISSUED (NET)	5,651,841	4,755,413
FINANCE LEASE PAYABLES	-	226
SUBORDINATED LOANS	1,360,338	1,981,646
OTHER LIABILITIES	2,299,618	2,697,210
SHAREHOLDERS EQUITY	4,610,815	4,003,820
TOTAL LIABILITIES	57,564,702	48,726,035

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	31 December 2017	31 December 2016
PROFIT SHARE INCOME	3,867,338	3,141,112
PROFIT SHARE EXPENSE	1,717,000	1,443,898
NET PROFIT SHARE INCOME/EXPENSE	2,150,338	1,697,214
NET FEES AND COMMISSION INCOME/EXPENSE	250,785	154,660
DIVIDEND INCOME	-	509
NET TRADING INCOME	288,332	330,734
OTHER OPERATING INCOME	186,489	177,574
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	786,177	514,113
OTHER OPERATING EXPENSES (-)	1,280,913	1,137,444
PROFIT/LOSS FROM SUBSIDIARIES ACCOUNTED UNDER EQUITY METHOD	4,104	2,423
PROFIT / (LOSS) BEFORE TAX	812,958	711,557
TAX CHARGE	(183,251)	(132,481)
CURRENT PERIOD INCOME/(LOSSES)	629,707	579,076

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	31 December 2017	31 December 2016
Total Loans/Total Assets*	%67.20	%61.94
Total Loans/Fund Collected*	%96.10	%94.27
Average Equity Profit	%14.62	%15.54
Average Assets Profit	%1.18	%1.28
Capital Adequacy Ratio	17.32%	%17.06

* Finance lease receivables is included in total loans.

b. Financial Position, Performance and Assessment of the Prospects for the Future

As of 31 December 2017, consolidated financial statements asset size is TL 57 million 565 thousand, amount of the utilization of funds (including leasing receivables) is TL 38 million 686 thousand and amount of the collected funds is TL 40 million 255 thousand. Due to the effect of the profit TL 630 thousand, the ratio of shareholder equity increased 15.16 % by reaching TL 4 million 611 thousand. As of 31 December 2017, consolidated capital adequacy ratio has reached 17.32 %.

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

c. Announcement regarding important developments during the period

The bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. through seven separate process with a total nominal value of 1,110,000 thousand, different term minimum and maximum 11.84%, 14.22% cost has issued sukuk.

The number of branches of the Group in the beginning of the year was 386, and as of report date the number of branches of the Group is 399. The number of employee was 5,588 in the new year, as of report date it reached 5,749.

The Parent Bank increased its capital in its subsidiary KT Bank AG by EUR 30,000,000 from EUR 60,000,000 to EUR 90,000,000 in accordance with the resolution of the Board of Directors dated 25 January 2017 and numbered 1672.

On 22 May 2017, the Parent Bank liquidated Kuwait Turkish Participation Bank (Dubai) Limited, a subsidiary established in the United Arab Emirates on 15 November 2009 and 100% owned by the Bank. The liquidation result has been transferred to bank accounts with USD 50,000,000 capital and USD 7,388,069 profit.

d. Assessments about regarding expectations on the subsequent interim period

After the period, Parent Bank continues to open new branch offices. It is planned that number of branches will reach 429 until the end of the year 2018.