

FİBABANKA A.Ş.

FİBABANKA A.Ş.
ANNUAL ACTIVITY REPORT
OF THE YEAR 2017

(Prepared according to the procedure and principles set forth in the “Regulation on Procedures and Principles Regarding Preparation and Publishing of the Annual Activity Reports by Banks”, published by the Banking Regulation and Supervision Agency in the Official Gazette dated 01.11.2006 and issue no. 26333 and the “Regulation on Designation of the Minimum Content of Annual Report of Companies”, published by the Ministry of Customs and Trade in the Official Gazette dated 28 August 2012 and issue no.28395.)

Trade Name of the Bank:	FİBABANKA A.Ş.
Trade Registry No.:	272902
Mersis No:	0209000780814852
Period which the Report Relates to:	Year 2017
Address of the Head Office:	Esentepe Mahallesi, Büyükdere Caddesi, No:129 Şişli / İstanbul
Telephone Number:	0212 381 82 00
Fax Number:	0212 258 37 78
Electronic Web Site:	www.fibabanka.com.tr
Electronic Mail:	info@fibabanka.com.tr
Branches:	as of the date of 31.12.2017

No	Branch	Address	Telephone	Fax
1	Altunizade	Mahir İz Cad. No: 28/B Altunizade Üsküdar / İstanbul	(216) 531 7415	(216) 474 1372
2	Avcılar	Cihangir Mah. E-5 Yanyol No: 247 Avcılar / İstanbul	(212) 593 4533	(212) 593 4591
3	Bakırköy	İncirli Cad. Aydın İşhanı No: 90 Bakırköy / İstanbul	(212) 571 1701	(212) 571 1715
4	Bayrampaşa	Yenidoğan Mah. Abdi İpekçi Cad. No: 22/A Bayrampaşa / İstanbul	(212) 576 3113	(212) 576 1699
5	Çiftehavuzlar	Bağdat Cad. No: A/228 Çiftehavuzlar Kadıköy / İstanbul	(216) 477 7250	(216) 369 1489
6	Eminönü	Hobyar Mahallesi Ankara Cad. No: 30/A Eminönü / İstanbul	(212) 455 8112	(212) 526 2030
7	Etiler	Nispetiye Cad. No: 91 Etiler Beşiktaş / İstanbul	(212) 359 8203	(212) 257 2059
8	Güneşli	Evren Mah. Bahar Cad. Polat İş Merkezi, C Blok, No: 6/2-4 Güneşli Bağcılar / İstanbul	(212) 550 7854	(212) 550 7855
9	İkitelli	İkitelli OSB Mah. Hürriyet Bulvarı Deparko Sitesi No: 1/2 Küçükçekmece / İstanbul	(212) 675 1635	(212) 675 1628
10	İmes	İmes Sanayi Sitesi B Blok 202.Sk. No: 4 Yukarı Dudullu Ümraniye / İstanbul	(216) 527 9750	(216) 527 9791
11	İstoç	İstanbul Toptancılar Çarşısı 3 Ada No: 9/11 Bağcılar / İstanbul	(212) 659 0884	(212) 659 0864
12	Kağıthane	Merkez Mah. Cendere Cad. No: 22 Kağıthane / İstanbul	(212) 381 7450	(212) 500 3771
13	Kartal Çarşı	Kordonboyu Mah. Hürriyet Cad. No: 38 Kartal / İstanbul	(216) 488 3445	(216) 488 3446
14	Kazasker	Erenköy Mah. Şemsettin Günaltay Cad. No: 155 Kazasker Kadıköy / İstanbul	(216) 408 2001	(216) 408 2002
15	Kozyatağı	Atatürk Cad. No: 68 Kozyatağı Kadıköy / İstanbul	(216) 477 7132	(216) 369 1136
16	Laleli	Mesihpaşa Mah. Ceylan Sk. No: 12 Laleli Fatih / İstanbul	(212) 638 9161	(212) 638 9168
17	Levent Çarşı	Gonca Sk. No: 9, 1. Levent Beşiktaş / İstanbul	(212) 317 9350	(212) 283 0446
18	Boğaziçi Corporate	Maslak Mah. Ahi Evran Cad Olive Plaza No:11/15 Maslak	(212) 284 2155	(212) 284 2145
19	Maltepe	Cevizli Mah. Bağdat Cad. No:444/A Maltepe / İstanbul	(216) 457 3369	(216) 457 3370
20	Merkez (Main)	Esentepe Mahallesi Büyükdere Caddesi No:129/A Şişli / İstanbul	(212) 381 8555	(212) 227 2452
21	Nişantaşı	Halaskargazi Mah. Valikonağı Cad. No: 77 Nişantaşı Şişli / İstanbul	(212) 368 8158	(212) 219 6617
22	Özyeğin University	Nişantepe Mah. Orman Sk. No: 28/30 Öğrenci Merkezi Çekmeköy / İstanbul	(216) 525 5000	(216) 525 5001

No	Branch	Address	Telephone	Fax
23	Pendik	Çınardere Mah. Gönenli Mehmet Efendi Cad. No:83/1 Pendik / İstanbul	(216) 598 1525	(216) 598 1585
24	Şaşkınbakkal	Bağdat Cad. No: 351/1 ErenköyKadıköy / İstanbul	(216) 569 7120	(216) 372 6934
25	Sultanbeyli	Abdurrahmangazi Mah. Bosna Bulvarı No: 9/4 Sultanbeyli / İstanbul	(216) 398 2080	(216) 398 3318
26	Şişli	Halaskargazi Cad. No: 207 Şişli / İstanbul	(212) 368 8122	(212) 219 4254
27	Ümraniye	Alemdağ Cad. No: 372/1 Ümraniye / İstanbul	(216) 481 9101	(216) 481 9103
28	Üsküdar Çarşı	Aziz Mahmut Hüdayi Mah.Hakimiyeti Milliye Cad. No: 80 Üsküdar / İstanbul	(216) 532 3307	(216) 532 3475
29	Beşiktaş Çarşı	Barbaros Bulvarı No:23/A/ Beşiktaş İstanbul	(212) 363 8202	(212) 299 3602
30	Yeşilköy	İstasyon Cad. No: 23/B Yeşilköy / İstanbul	(212) 468 8480	(212) 662 9457
31	Ankara	Arjantin Cad. Budak Sk. No: 1 G.O.P. Çankaya / Ankara	(312) 405 4110	(312) 428 7989
32	Balgat Çarşı	Oğuzlar Mah. Ceyhun Atuf Kansu Cad. No: 50/A Balgat / Ankara	(312) 220 1677	(312) 220 1678
33	İvedik	Serhat Mah. Melih Gökçek Bulvarı No: 18/13 Yenimahalle / Ankara	(312) 395 4245	(312) 395 4254
34	Necatibey	Necatibey Cad. No: 23/A Kızılay Çankaya / Ankara	(312) 205 1083	(312) 229 6790
35	Ostim	Organize Sanayi Bölgesi, 100.Yıl Bulvarı No: 17 Ostim / Ankara	(312) 386 0401	(312) 386 0462
36	Sincan	Atatürk Mah Meltem Sk No:43/B / Ankara	(312) 348 2844	(312) 348 2830
37	Yıldız	Turan Tüneş Bulvarı Hollanda Cad. No: 3/A Çankaya / Ankara	(312) 405 8003	(312) 442 2493
38	Bornova	Kazım Dirik Mah. Mustafa Kemal Cad. No: 117/A Bornova / İzmir	(232) 343 3304	(232) 343 6662
39	İzmir	Cumhuriyet Meydanı Meydan Apt. No: 11/A Alsancak Konak / İzmir	(232) 466 0124	(232) 422 4924
40	Karşıyaka	Donanmacı Mah. Cemal Gürsel Cad. No:342/B	(232) 368 7085	(232) 368 7021
41	Bursa	Doğanbey Mah.Fevzi Çakmak Cad. Burçin-3 İşhanı, Zemin Kat No: 6 Osmangazi / Bursa	(224) 280 9020	(224) 224 1130
42	Nilüfer	Üçevler Mah. Ersan Sk. No: 7/B Nilüfer / Bursa	(224) 441 4408	(224) 441 4428
43	Akdeniz Corporate	Mehmetçik Mah. Aspendos Bulvarı No: 81/D Muratpaşa / Antalya	(242) 314 1021	(242) 322 2493
44	Aksu	Macun Mah. İsmail Ogan Cad. No: 3-1/10 Aksu / Antalya	(242) 426 3660	(242) 426 3661
45	Alanya	Saray Mah. Atatürk Bulvarı No: 60/A Alanya / Antalya	(242) 511 5050	(242) 511 6995
46	Antalya	Şirinyalı Mah. İsmet Gökşen Cad. Elif Apt. No:14/A Muratpaşa / Antalya	(242) 316 4578	(242) 316 6906

No	Branch	Address	Telephone	Fax
47	Çallı	Fabrikalar Mah. 3001 Sk. No: 1 Kepez / Antalya	(242) 344 5420	(242) 344 5421
48	Muratpaşa	Muratpaşa Mah. Adnan Menderes Bulvarı No:9 Muratpaşa	(242) 229 1024	(242) 229 1028
49	Manavgat	Eskihisar Mah. Demokrasi Bulvarı Taşaroğlu Apt. No: 71/B Manavgat / Antalya	(242) 742 3449	(242) 742 8596
50	Adana	Ziyapaşa Bulvarı, Çınarlı Mah. 61025 Sk. Öngen Apt. No: 66/A Adana	(322) 458 8665	(322) 458 8765
51	Atatürk Caddesi	Reşatbey Mah. Atatürk Cad. No: 26/A Seyhan / Adana	(322) 459 9711	(322) 459 7993
52	Gaziantep	İncilipınar Mah. Prof.Muammer Aksoy Cad. No: 19 Şehitkamil / Gaziantep	(342) 215 1688	(342) 215 1678
53	Suburcu	Karagöz Mah. Karagöz Cad. No: 20/A Suburcu / Gaziantep	(342) 220 8289	(342) 220 6441
54	Şehitkamil	Mücahitler Mah. Gazi Muhtarpaşa Bulvarı No: 65/A Şehitkamil / Gaziantep	(342) 323 1550	(342) 323 1552
55	Gebze	Hacı Halil Mah. Atatürk Cad. No: 55/1 A Blok Gebze / Kocaeli	(262) 643 1053	(262) 643 1072
56	Bodrum	Hasan Reşat Öncü Cad. No: 20 Bodrum / Muğla	(252) 313 1680	(252) 313 1690
57	Denizli	Saraylar Mah. Enverpaşa Cad. No: 15 Merkez / Denizli	(258) 264 4421	(258) 264 4402
58	Mersin	Uray Cad. No: 17 Şihman İş Merkezi Merkez / Mersin	(324) 233 1149	(324) 233 6932
59	Konya Büsan	Fevzi Çakmak Mah. Kosgeb Cad. No : 3/A Karatay / Konya	(332) 345 0230	(332) 345 0991
60	Diyarbakır	Diclekent Bulvarı Umut 1 Sitesi No: 103/A Kayapınar / Diyarbakır	(412) 290 1915	(412) 290 1902
61	Şanlıurfa	Atatürk Cad. No: 7 Merkez / Şanlıurfa	(414) 312 3475	(414) 313 6605
62	Çorlu	Cemaliye Mah. Eski Hükümet Cad. No: 6/2B Çorlu / Tekirdağ	(282) 653 7020	(282) 652 1969
63	Düzce	Kültür Mah. İstanbul Cad. No: 104 Merkez / Düzce	(380) 524 5955	(380) 514 9661
64	Kayseri Çarşı	Cumhuriyet Mah. Millet Cad. No: 22 Melikgazi / Kayseri	(352) 231 3000	(352) 231 3012
65	Yeni Sanayi	Osman Kavuncu Cad. No: 191/B Melikgazi / Kayseri	(352) 320 8676	(352) 320 8656
66	Altıyol	Osmanağa Mah. Söğütlüçeşme Cad. No:79 Kadıköy / İstanbul	(216) 450 5696	(216) 450 5697
67	Marmaris	Kemeraltı Mah.85.Sk. No:6 Marmaris/ Muğla	(252) 413 2580	(252) 413 2499
68	Salihli	Atatürk Mah Belediye Cad No:89 /A Salihli / Manisa	(236) 713 4909	(236) 713 8859
69	Konya Mevlana	Şemsi Tebrizi Mah. Mevlana Cad. No:35/A Karatay / Konya	(332) 351 1705	(332) 351 1706
70	Trabzon	Kemerkaya Mah. Gazipaşa Cad. No:7/C Ortahisar / Trabzon	(462) 274 0010	(462) 274 0011

No	Branch	Address	Telephone	Fax
71	İzmit	Karabaş Mah. Hürriyet Cad. No:169 41040 İzmit	(262) 324 0331	(262) 324 0332
72	Beylikdüzü	Cumhuriyet Mah. D100 Karayolu Cad. No:374/26-27 Büyükçekmece / İstanbul	(212) 873 6885	(212) 872 9887
73	Ankara Corporate	Koç Kuleleri Söğütözü Mah. Söğütözü Cd. No:2 A blok K:27 Ofis no:78-79 Çankaya/Ankara	(312) 284 4772	(312) 287 6441
74	Europe Corporate	Fulya Cad Torun plaza No 74/D blok Kat 12 /52 Şişli/İstanbul	(212) 809 2925	(212) 809 0288
75	Eskişehir	İstiklal mh.Şair Fuzuli Cd. No:12/A Odunpazarı/Eskişehir	(222) 220 8581	(222) 220 0354
76	Karacabey	Tabaklar Mh. Bandırma Cd. Belediye İş Merkezi Karacabey/Bursa	(224) 676 7556	(224) 676 0465
77	Konya Ereğli	Hacı Mustafa Mh. Anıt Cd. Çetinsu Apt.ALTI N:40/B Ereğli/Konya	(332) 713 4464	(332) 713 5964
78	Marmara	Kozyatağı Mh. Değirmen Sok. No:18/A Kat:9/16 (Nida Kule - Kozyatağı) Kadıköy/İstanbul	(216) 372 8645	(216) 373 4052
79	Ödemiş	Akıncılar Mh. Gazi Cd No:34/A Ödemiş/İzmir	(232) 508 2380	(232) 508 2379
80	Söke	Konak Mah. Cumhuriyet Meydanı No:4 Söke/Aydın	(256)518 8983	(256) 518 6534

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I. PRESENTATION

I.A. Brief Financial Information Relating to Results of Activities During the Period

Unconsolidated Condensed Balance Sheet

(TL Thousand)	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>Increase/ Decrease %</u>
Cash and Balances with the Central Bank	2,487,256	1,937,934	28%
Financial Assets at Fair Value Through Profit or Loss (Net)	1,344,033	497,685	170%
Financial Assets Held for Trading	743,877	497,685	49%
Loans	600,156	--	>300%
Due from Banks	319,695	58,064	>300%
Financial Assets Available for Sale (Net)	766,163	887,226	(14%)
Loans (Net)	14,488,001	11,441,272	27%
Total Assets	20,116,206	15,393,509	31%
Deposits	12,272,743	9,621,503	28%
Derivative Financial Liabilities for Trading Purposes	749,590	383,459	95%
Funds Borrowed	2,084,851	1,536,663	36%
Money Market Funds	479,880	683,828	(30%)
Securities Issued (Net)	1,255,066	991,975	27%
Subordinated Debt	1,194,561	397,278	201%
Shareholders' Equity	1,464,590	1,289,866	14%
Total Liabilities	20,116,206	15,393,509	31%

Consolidated Condensed Balance Sheet

(TL Thousand)	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>Increase/ Decrease %</u>
Cash and Balances with the Central Bank	2,487,256	1,937,934	28%
Financial Assets at Fair Value Through Profit or Loss (Net)	1,344,033	497,685	170%
Financial Assets Held for Trading	743,877	497,685	49%
Loans	600,156	--	>300%
Due from Banks	320,016	58,380	448%
Financial Assets Available for Sale (Net)	766,163	887,226	(14%)
Loans (Net)	14,488,001	11,441,272	27%
Total Assets	20,111,668	15,388,872	31%
Deposits	12,267,905	9,616,738	28%
Derivative Financial Liabilities for Trading Purposes	749,590	383,459	95%
Funds Borrowed	2,084,851	1,536,663	36%
Money Market Funds	479,880	683,828	(30%)
Securities Issued (Net)	1,255,066	991,975	27%
Subordinated Debt	1,194,561	397,278	201%
Shareholders' Equity	1,464,612	1,289,761	14%
Total Liabilities	20,111,668	15,388,872	31%

Unconsolidated Condensed Income Statement

(TL Thousand)	<u>2017</u>	<u>2016</u>	<u>Increase/ Decrease %</u>
Net Interest Income	642,322	509,948	26%
Net Fee and Commission Income	43,809	26,160	67%
Trading Income / Loss (Net)	2,825	55,975	> 300%
Other Operating Income	87,017	54,327	60%
Total Operating Income	775,973	646,410	20%
Provision for Losses on Loans and Other Receivables (-)	213,032	193,187	10%
Other Operating Expenses (-)	362,555	292,306	24%
Net Operating Income	200,386	160,917	25%
Income Before Tax	200,386	160,917	25%
Tax Provision	(33,384)	(46,002)	(27%)
Net Income	167,002	114,915	45%

Consolidated Condensed Income Statement

(TL Thousand)	<u>2017</u>	<u>2016</u>	<u>Increase/ Decrease %</u>
Net Interest Income	642,965	510,524	26%
Net Fee and Commission Income	45,492	27,463	66%
Trading Income / Loss (Net)	2,825	55,997	> 300%
Other Operating Income	86,816	54,140	60%
Total Operating Income	778,098	648,124	20%
Provision for Losses on Loans and Other Receivables (-)	213,032	193,187	10%
Other Operating Expenses (-)	364,521	293,917	24%
Net Operating Income	200,545	161,020	25%
Income Before Tax	200,545	161,020	25%
Tax Provision	(33,416)	(46,023)	(27%)
Net Income	167,129	114,997	45%

I.B. Historical Development of the Bank and Changes Made in the Articles of Association during This Period and the Reasons Thereof

- 1) According to the decision of the Banking Regulation and Supervision Agency dated 09.07.2001 and no. 379 and the 3rd paragraph of article 14 of the Banks Act; management and supervision of Sitebank A.Ş. had been transferred to the Banking Regulation and Supervision Agency.
- 2) Shares of Sitebank A.Ş. which used to be under the control of the Savings Deposit and Insurance Fund had been sold to Novabank S.A. by the Share Purchase Agreement signed by the Banking Regulation and Supervision Agency on the date of 21.12.2001.
- 3) Transfer of the shares of Sitebank A.Ş. had been realized and concluded by the letter of Banking Regulation and Supervision Agency dated 22.11.2002 and no.860/94 and the resolution of the Board of Directors of Sitebank A.Ş. dated 24.01.2002 and no.972.
- 4) Sitebank A.Ş. convened an Extraordinary General Assembly meeting on 25.01.2002 and in this first Meeting of the General Assembly held after the Bank was taken over by Novabank S.A., members of the Board of Directors were elected.
- 5) In the Extraordinary General Assembly Meeting of Sitebank A.Ş. held on the date of 14.05.2002, share capital of the Bank has been increased from TL 3,900,000.- to TL 20,000,000.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital” of the Articles of Association has been changed.
- 6) In the Extraordinary General Assembly Meeting of Sitebank A.Ş. held on the date of 03.06.2002, it has been resolved to increase the number of the members of Board of Directors of the Bank, to 7 (seven) members.
- 7) In the Extraordinary General Assembly Meeting of Sitebank A.Ş. held on the date of 04.03.2003, it has been resolved to change the trade name of the Bank to “BankEuropa A.Ş.” and its enterprise name to “BankEuropa”.
- 8) In the Extraordinary General Assembly of BankEuropa Bank held on the date of 20.06.2003, share capital of the Bank has been increased from TL 20,000,000.- to TL 50,401,874.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital” of the Articles of Association has been changed.
- 9) In the Extraordinary General Assembly of BankEuropa Bank held on the date of 29.06.2004, share capital of the Bank has been increased from TL 50,401,874.- to TL 77,351,429.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital” of the Articles of Association has been changed.
- 10) In the Ordinary General Assembly meeting of BankEuropa Bank held on the date of 07.03.2005 relating to the year 2004, new members of the Board of Directors were elected for a period of 3 (three) years, in place those whose terms of office expired and the new Board of Directors was formed thereby.
- 11) In the Ordinary General Assembly meeting of BankEuropa Bank held on the date of 24.02.2006 relating to the year 2005, transfer of the shares of BankEuropa Bankası A.Ş. held by Novabank S.A. to BCP Internacional II Sociedade Unipessoal SGPS LDA, was approved based on the permission of the Banking Regulation and Supervision Agency dated 07.02.2006 and no. BDDK.UY1/55.1.02-1010.
- 12) In the Extraordinary General Assembly meeting of the BankEuropa Bank held on the date of 13.03.2006, share capital of the Bank has been increased from TL 77,351,429.- to TL 108,433,429.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital” of the Articles of Association has been changed.
- 13) In the Extraordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 28.11.2006, trade name of the Bank was changed to “Millenium Bank A.Ş.” and its enterprise name was changed to “Millenium Bank” and relating to said changes, article 3 (three) with the

heading “Trade Name and Enterprise Name”, of the Articles of Association was changed accordingly.

- 14) In the Extraordinary General Assembly of meeting Millennium Bank A.Ş. held on the date of 21.12.2006, share capital of the Bank has been increased from TL 108,433,429.- to TL 163,791,316.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital” of the Articles of Association has been changed.
- 15) In the Extraordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 18.06.2008, share capital of the Bank has been increased from TL 163,791,316.- to TL 202,535,316.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital” of the Articles of Association has been changed.
- 16) In the Ordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 16.03.2010, article 19 (nineteen) with the heading “Representation of the Bank” and article 25 (twenty five) with the heading “Qualifications Required for the General Manager and His/Her Assistants”, of the Articles of Association of the Bank were amended in accordance with the Banking Law no. 5411.
- 17) In the Extraordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 27.12.2010, based on the permission of the Banking Regulation and Supervision Agency dated 13.12.2010 and no. B.02.1.BDK.0.11.00.00.55.1-25726, transfer of 192,408,550,200 shares held by Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda (former trade name; BCP Internacional II, Sociedade Unipessoal SGPS Lda) corresponding to 95% of the total shares of the Bank, to Credit Europe Bank N.V. was approved.
- 18) In the Ordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 21.03.2011, share capital of the Bank has been increased from TL 202,535,316.- to TL 325,000,000.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital”, of the Articles of Association has been changed.
- 19) In the Extraordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 25.04.2011, article 3 with the heading “Trade Name and Enterprise Name”, of the Articles of Association of the Bank has been amended and its trade name has been changed to “Fibabanka Anonim Şirketi”.
- 20) In the Extraordinary General Assembly meeting of Millennium Bank A.Ş. held on the date of 15.09.2011, for the purpose of issuing bank bonds, paragraph (c) of article 4 (four) with the heading “Purpose and Subject” and article 8 (eight) with the heading “Issuing Share Certificates”, of the Articles of Association of the Bank have been changed.
- 21) In the Extraordinary General Assembly meeting of Fibabanka A.Ş. held on the date of 26.01.2012, share capital of the Bank has been increased from TL 325,000,000.- to TL 426,650,100.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital”, of the Articles of Association has been changed.
- 22) In the Extraordinary General Assembly meeting of Fibabanka A.Ş. held on the date of 14.05.2013, share capital of the Bank has been increased from TL 426,650,100.- to TL 550,000,000.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital”, of the Articles of Association has been changed.
- 23) In the Extraordinary General Assembly meeting of Fibabanka A.Ş. held on the date of 27.06.2013, articles 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37 of the Articles of Association of the Bank have been amended and article 38 has been added to the Articles of Association.
- 24) In the Extraordinary General Assembly meeting of Fibabanka, held on the date of 23.12.2014, it has been resolved to amend article 19 with the heading “Representation of the Bank”, of the Articles of Association of the Bank.
- 25) In the Extraordinary General Assembly meeting of Fibabanka A.Ş., held on the date of 26.03.2015, share capital of the Bank has been increased from TL 550,000,000.- to TL

678,859,577.64.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital”, of the Articles of Association has been changed.

- 26) In the Extraordinary General Assembly meeting of Fibabanka A.Ş., held on the date of 24.08.2015, members of the Board of Directors whose terms of office expired, have been appointed again for another period of 3 years.
- 27) In the Extraordinary General Assembly meeting of Fibabanka A.Ş., held on the date of 21.12.2015, share capital of the Bank has been increased from TL 678,859,577.64.- to TL 847,515,078.20.- and relating to said capital increase, article 7 (seven) with the heading “Share Capital”, of the Articles of Association has been changed. By this capital increase, the International Finance Corporation (“IFC”) and the European Bank for Reconstruction and Development (EBRD”) have joined among the shareholders of our Bank.
- 28) In the Extraordinary General Assembly Meeting of Fibabanka A.Ş. held on the date of 28.03.2016, it has been resolved to increase the number of the members of Board of Directors of the Bank, which used to be composed of six (6) members, to 7 (seven) members
- 29) As a result of the Extraordinary General Assembly meeting of Fibabanka A.Ş., held on the date of 31.08.2016, by means of capital increase, Turk Finance B.V. (“Abraaj”) has been included among the shareholders of the Bank and the share capital of the Bank has been increased from TL 847,515,078.20.- to TL 941,160,553.25.-. Relating to said capital increase, article 7 (seven) with the heading “Share Capital”, of the Articles of Association has been changed and Abraaj has been holding a share rate of 9.95%.

I.C. Share Capital Structure of the Bank, Changes Occurred in the Share Capital and Shareholding Structure of the Bank during the Period

1) Share Capital Structure

Name, Surname / Trade Name of the Shareholder	Amount of Shares (TL)	Rate of Shares %
Fiba Holding A.Ş.	673,147,386.04	71.52
TurkFinance B.V.	93,645,475.05	9.95
International Finance Corporation	84,327,750.28	8.96
European Bank for Reconstruction and Development	84,327,750.28	8.96
Other	5,712,191.60	0.61
TOTAL	941,160,553.25	100.00

There is no privileged share of the Bank.

2) Changes Occurred in the Share Capital Structure in 2017

As a result of share transfer transactions made by and between the major shareholder Fiba Holding A.Ş. and some minor shareholders, total number of the shares held by persons who have a right in the management of the Bank, has decreased to 571,219,160 shares which corresponds to an amount of TL 5,712,191.60 as of 31.12.2017.

3) Changes Occurred in the Shareholding Structure

- a. As a result of share transfers made on the date of 01.02.2011; the shareholders named Tezcan Yaramancı, Manuel D’Almeida Marecos Duarte, Rui Pedro da Conceição Coimbra Fernandes, Joao Manuel Rodrigues Tome Da Cunha Martins, Antonios Mouzas, Rui Nelson Moreira de Carvalho Maximino transferred totally 21 (twenty one) shares, to Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda (former trade name; BCP Internacional II, Sociedade Unipessoal SGPS Lda.).

- b. Furthermore, as a result of share transfers made on the date of 01.02.2011; the shareholder named Credit Europe Bank N.V transferred totally 3,000 (three thousand) shares; namely 1,000 (one thousand) shares to Fiba Holding A.Ş., 1,000 (one thousand) shares to Fiba Faktoring A.Ş. and 1,000 (one thousand) shares to Girişim Varlık Yönetimi A.Ş. After the nominal value of one share has been determined as TL 0.01.- (1 Kuruş), number of total shares transferred is 300 (three hundred).
- c. Upon decision of the Board of Directors dated 30.11.2012; Girişim Varlık Yönetimi A.Ş., a shareholder of our Bank, transfer 30 (thirty) shares out of totally 100 (one hundred) shares held by it in the share capital of our Bank, to Fiba Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş. and another 30 (thirty) shares held by it, to Fiba Kapital Holding A.Ş. After the nominal value of one share has been determined as TL 0.01.- (1 Kuruş), number of total shares transferred is 60 (sixty).
- d. Upon decision of Board of Directors dated 03.12.2012; 41,652,333,100 shares held by Credit Europe Bank N.V. in the share capital of our Bank, have been transferred to Fiba Holding A.Ş. As a result of this share transfer, Credit Europe Bank N.V. has no shares in the share capital of our Bank.
- e. Upon decision of the Board of Directors dated 06.12.2012; Millennium bcp Participações SGPS, Sociedade Unipessoal, Lda (former trade name: BCP Internacional II, Sociedade Unipessoal SGPS Lda.), which used to be shareholder of our Bank, transferred 1,012,676,600 shares held by it in the share capital of our Bank, to Fiba Holding A.Ş. As a result of this transfer, Millennium bcp Participações SGPS, Sociedade Unipessoal, Lda (former trade name: BCP Internacional II, Sociedade Unipessoal SGPS Lda.) has no shares in the share capital of our Bank.
- f. By the decision of the Board of Directors dated 03.07.2013; it has been decided that all provisional share certificates issued since incorporation of the Bank until today, be cancelled and demolished and that registered share certificates in the total amount of TL 550,000,000.- be published in the name of each shareholder at the rate of their shares, each share having a value of TL 0.01.
- g. Based on the decisions of the Board of Directors taken by Fiba Holding A.Ş. on the dates of 01.08.2013 and 03.05.2013, 872,500,000 share certificates with a value of TL 8,725,000.-, have been purchased by the persons who have power regarding management of the Bank.
- h. As a result of share transfer transactions made between the main shareholder Fiba Holding A.Ş. and some minor shareholders, and capital increases since the date of 01.08.2013, total amount of shares held by persons that are in a controlling position in the management of the Bank, has reached to 880,408,839, with a value corresponding to TL 8,804,088.39, as of the date of 31.12.2016.
- i. By the Share Transfer Agreements signed between the principal shareholder Fiba Holding A.Ş. and the Bank, based on the Resolution of the Board of Directors dated 05.11.2015; 53 shares held by Girişim Varlık Yönetimi A.Ş., 39 shares held by Fiba Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş., 39 shares held by Fiba Kapital Holding A.Ş., 131 shares held by Fiba Faktoring A.Ş. have been transferred to Fiba Holding A.Ş. and minority shareholders who had a say in the management of our Bank, transferred 3,500,000 shares to Fiba Holding A.Ş. in consideration for an amount of TL 35,000.- and as a result of said share transfers, total shares held by Fiba Holding A.Ş., the principal shareholder of our Bank, have increased to 66,936,428,676 shares with a value corresponding to TL

669,364,286.76.- and said shareholding structure has been registered in the shareholders' ledger of the Bank.

- j. Relating to the capital increase with the amount of TL 128,859,577.64.-, made as a result of the Extraordinary General Assembly meeting dated 26.03.2015 and by the resolution of the Board of Directors dated 26.11.2015; it has been resolved that 2nd order registered shares with the total amount of TL 128,859,577.64.-, be issued in the name of each shareholder proportionate to their shareholding rates and be delivered to the shareholders, provided that each such share to be issued shall have a value of TL 0.01.-.
- k. By the capital increase made as a result of the Extraordinary General Assembly meeting held on 21.12.2015, amount of the shares held by our principal shareholder, Fiba Holding A.Ş. has remained unchanged, however its shareholding rate decreased from 98.59% to 78.98% and the rate of shares held by minority shareholders who have had a say in the management of the Bank, decreased to 1.12%. IFC, which has participated in the share capital of our Bank by subscribing 8,432,775,028 shares with a value of TL 84,327,750.28.- and EBRD, which has participated in the share capital of our Bank by subscribing 8,432,775,028 shares with a value of TL 84,327,750.28.-; have been included among the shareholders of the Bank.
- l. As a result of the share capital that has been increased to the amount of TL 941,160,553.25 as resolved in the Extraordinary General Assembly Meeting dated 31.08.2016, Abraaj has participated among the shareholders of the Bank, by holding 9,364,547,505 shares with a value corresponding to TL 93,645,475.05.
- m. As a result of share transfer transactions made by and between the major shareholder Fiba Holding A.Ş. and some minor shareholders, total number of the shares held by persons who have a right in the management of the Bank, has decreased to 571,219,160 shares which corresponds to an amount of TL 5,712,191.60, as of 31.12.2017.

I.D. Explanations Regarding the Shares Held by the Chairman and the Members of the Board of Directors of the Bank, Members of the Audit Committee General Manager and Assistant General Managers

There are 508,527,538 shares with a value of TL 5,085,275.38.-.

I.E. Evaluations of the Chairman of the Board of Directors and the General Manager Regarding the Period and Their Expectations Relating to Future Activities

In 2017, many events affecting the global environment have happened. Although the interest increased policy which has started in the US upon announcement by FED of its balance sheet downsizing program, financial uncertainties caused by tax reform proposal which had a significant part in the election campaign of the US President Donald Trump, tensions between the US and North Korea, political uncertainties caused by elections in Europe, have caused fluctuations at the markets from time to time; their impact has not been long-lasting and 2017 has witnessed a performance level above the expectations. Growth rate in economies of developed countries, such as mainly the US and also Europe, United Kingdom and Japan, has continued increasingly; unemployment rates have decreased. And the developing countries have been affected positively by said cycle due to increased trade and have continued their growth.

According to the projections of the International Monetary Fund (IMF), global growth rate which is expected to be realised at the rate of 3.6% in 2017, will increase to 3.9% in 2018. This rates point out the fastest growth since 2011, when the global economy leapt forward after the global financial crisis. Said growth rates give rise to positive expectations for developing countries; however, 2018 includes

some risks as well. Other than these, we may mention the facts that FED will continue with interest increases and balance sheet downsizing, potential effects of Brexit process and geopolitical risks.

In 2017, Turkey achieved a significant growth, despite problems transferred from 2016 as well the difficulties encountered in 2017. Turkish economy is expected to reach a growth rate of 7% approximately in 2017. Most important factors in development of this high economic activity are; continuing flow of funds at high rates to developing countries as a result of postponement of expectation of increase in interests in the US and the catalyst effect on economy provided by the loans made available by banks in Turkey by means of the KGF (Credit Guarantee Fund) program. On the other hand, this high growth has brought with it some negative developments in some macroeconomic indicators. Volatility in Turkish Lira and the change occurred in pricing behaviours have carried inflation to double digit figures for the first time since 2011 and it has been realised as 11.9%. Furthermore, the budget deficit and the current account deficit have increased compared to 2016.

It projected that rapid recovery will continue in developed countries and especially in Europe in 2018 and said growth will have positive implications on export and tourism income of Turkey. Additionally, considering the continuing incentives of the state for the economy, we estimate that growth will realise at around 5% in 2018. Most important risks that may occur for Turkey in realisations in growth rate and other macroeconomic indicators seem to be the course of the flow of funds to developing countries and geopolitical risks.

In 2017, size of our assets has been realised as TL 20.1 billion, by an increase at the rate of 31% compared to the end of 2016. The loans portfolio, which used to be TL 11.4 billion at the end of 2016, has reached to TL 15.1 billion by an increase at the rate of 32% and the customers' deposits which is the most important source of funding, have reached to TL 11.7 billion by an increase at the rate of 28% at the end of 2017.

In 2017, our Bank has continued to diversify the sources of funding and has renewed its syndication loans with the amounts of Euro 94.5 million and USD 55 million, which are 36% above the preceding amount. In addition to domestic bonds and bills issuances, on the date of 3 May 2017, a Tier II bond, which is Basel 3 compliant, with a maturity period of 10 years and with early redemption option at the end of 5 years, with a total nominal value of 300 million US Dollars, including renewal of the portion with the amount of 100 million US Dollars, has been issued, and the demand received from a broad geographical region, ranging consisting of Europe, including Britain, Asia, Far East and Gulf countries, has been a very important indicator of the confidence of international investors in Fibabanka, Turkish banking system and Turkey. Similarly, in January 2018, a second issue has been realised at international markets and this time the issue of Eurobonds with a maturity period of 5 years, in the amount of 300 million US Dollars, has been completed with a great success.

According to the consolidated financial statements of our Bank, income before tax has been realised as TL 201 million and net income has been realised as TL 167 million in 2017. As of the date of 31 December 2017, consolidated capital adequacy ratio has been 16.09%.

Our Bank shall continue its customer-oriented growth in 2018 as well. In this context, the essential targets with regards to future activities are to increase number of clients in all lines of business, to diversify the product range and to give priority to cross sales and to increase customer loyalty thereby. Taking this opportunity, we thank to our valuable employees who work at our Bank with devotion and who will be the main architect of our success in 2018 as well and to our valuable shareholders and esteemed customers who supported our Bank.

With regards,

Hüsnü Mustafa Özyeğin
Chairman of the Board of Directors

Ömer Mert
General Manager and
Member of the Board of Directors

I.F. Explanations Relating to the Number of Personnel and the Branches, Types of Services provided by the Bank and Its Fields of Activities and Evaluation of the Bank's Position in the Sector Based on said Information

As of the end of 2017, the Bank has 80 branches and 1,633 employees.

In 2017, new campaigns have been organized to increase the number of active customers of the Bank effectively and to focus on cross-sales issues and new clients have been gained. In this context, total number of active clients of the Bank has increased by 104% and has exceeded the number of 214,000.

In 2017, Individual Banking deposit size achieved a growth at the rate of 28%. Especially the strategies, applications intended to gain new clients and deposit expanding to a wide range of clientele, and new deposit products, have contributed to the Bank's success in this area. Targets have been supported by deposit campaigns, new product launches and new sales channels, focusing on gaining new clients and expanding to a wide range of clientele by means of an innovative marketing plan.

In 2017, through new channels established out of branches (SMS, store, web, etc.), significant activities have been realised for gaining new customers. Among them, the most important activity is the establishment of infrastructure and processes for consumer financing, which is one of the sales points. Especially, cooperation has been made with brands and stores that conduct activities in retail sector and sell electronic products and a consumer financing model has been implemented and thereby, our Bank has gained new customers and consumer loans have been offered to them. Based on said setup which started at the beginning of October, 73,000 new consumer loans with a volume of TL 205 million approximately have been made available until the end of 2017.

In 2018, sense of innovation shall continue to be the leading factor for our innovative products and services.

In 2017, in the SME and Business Banking segment, it has been aimed to grow in volume and during the year, according to the existing growth strategy, healthy growth strategy has been continued, with the target of gaining new customers. In 2017, number of customers with active loans in SME segment, has increased to 5,900; SME loans volume have increased to TL 2,646 million; number of customers with active loans in Business Banking segment has increased to 13,098 and loans volume has reached to TL 384 million. KGF (Credit Guarantee Fund) program has had a positive impact on the growth of SME loans.

In Payment Systems, as of the end of 2017, number of bank cards reached to 79,568 and total number of credit cards reached to 27,640 by an increase at the rate of 24%.

As of February 2017, Cash Register POS application has been launched at our Bank and at the end of 2017, number of our POS devices has reached to a number of 2,268 in total.

Agricultural Banking has continued its activities in 2017, with totally 19 branches and 37 financial services managers. Agricultural loans have increased at the rate of 75%, compared to the previous year, and have reached to a volume of TL 352 million; and in the number of active clients, an increase at the rate of 50% has been achieved.

In 2017, concentration has been increased in insurance products and our premium production in life and elementary insurances, which realised in the amount of TL14 million in 2016, has been realised as TL 33.3 million, by an increase of 138% in 2017. And, in the Private Pension product offered by Fiba Emeklilik ve Hayat A.Ş., a fund size of TL 103 million has been reached as of the end of 2017.

Within the scope of activities carried out with the intention to increase use of Alternative Distribution Channels, significant developments have occurred in the number of users of digital channels and in the number of transactions as well; number of Mobile Banking users increased at the rate of 125%, Internet Banking users increased at the rate of 74% and the rate of EFT and remittance transactions made through digital channels have increased to 65%; and an increase at the rate of 219% has been achieved in the number of transactions made through Mobile Banking channel. In 2017, number of our employees at the Call Centre has increased by 94% and the new outbound team has started to offer products, services and to make sales to our customers by means of sale, product renewal, promotion calls. Thereby, the number of calls we have received in 2017, increased at the rate of 41% compared to 2016.

It is planned to increase the use of digital channels more, following efforts within the scope of Digitalization Strategies of our Bank in 2018.

In 2017, various solutions have been offered relating to Cash Management products, intended to increase our market share. Tax and SSI (Social Security Institution) payments made through our Bank, realised as TL 2.1 billion in 2016 and 2017, that have reached the amount of TL 5.6 billion, by an increase of 156%. Especially, by our newly developed product intended to make ÖTV (Special Consumption Tax) payments, our market share in ÖTV payments, which used to be 2.3% in 2016, has increased to 14.5% as of the end of 2017.

Our Bank has continued to increase our market share and volume in our cashier cheque product. In 2016, our average market share was 1.22% and we ranked 16th in the sector; and in 2017, our average market share has realised as 1.57% and we have ranked 12th in the sector.

I.G. Information Relating to Research and Development Applications in connection with New Services and Activities

In 2017, based on the goal to offer rapid and quality services to our clients, products and services intended to offer them opportunities to invest their savings and to meet their financing needs, studies relating to both the products and services and the processes, have been maintained intensely; it has become important to use new channels (SMS, web, store, etc.) within the intention to gain extensive clientele in loans. Number of our retail loan customers, which used to be 29,777 at the end of 2016; has increased to 114,360 customers at the end of 2017.

In 2017, in parallel with the increase in the number of our clients, priority has been given to deepen by launching new products, to cross sale, segment and product package activities and it has been targeted to establish long lasting relations with clients.

In 2017, our product named “Cherry Account”, which offers advantages of demand and time deposit accounts in a combination and which especially promotes expensive number of customers and activation thereof, has played an important role for expansion of deposits. Said product has been supported by advertisements in various media. In 2017, by means of use of Alternative Distribution Channels, decreasing branch operations, e-deposit application which intends to encourage increase number and loyalty of customers, our customers have been provided with the opportunity to benefit from most advantageous interest rates, without need to go to a branch.

In 2017, we have focused especially on sale of elementary insurances in Corporate and Commercial segment. Insurance products have been started to be offered to customers through the channels of Counters and Call Centre.

Within the scope of Cash Management, new protocols have been concluded with public institutions and new corporations, relating to invoice and tax payments and we have continued to provide intermediation for invoice and tax transactions.

In 2017, our new product called Batch ÖTV (Special Consumption Tax) has been launched, intended to increase our volume in tax collection. By said product, it has been targeted to provide services to automotive retail dealers in the sector and it has played a significant role in increase of our volume as and market share of our Bank.

And, in December 2017, our new product intended to provide our customers the opportunity to make their customs tax payments by SMS; has been launched. By this product, it is targeted to gain new customers who make customs payments, conduct foreign trade transactions; for our Bank and to increase the loyalty of existing customers.

Efforts have been speeded up for the Direct Debit System product, which intends to enable our legal entity customers with an extensive retail dealer network to make their invoice collections from their customers automatically.

I.H. Opinion Regarding Compliance of the Annual Activities Report

To the Board of Directors of Fibabanka A.Ş.

Report Relating to Auditing the Annual Report of the Board of Directors within the framework of Independent Audit Standards

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Fibabanka A.Ş.

1) Qualified Opinion

We have audited the annual report of Fibabanka A.Ş. (the "Company") and its subsidiaries (the "Group") for the period of January 1, 2017 and December 31, 2017.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Qualified Opinion

The accompanying consolidated financial statements as at December 31, 2017 include a general reserve which does not meet the relevant criterias in TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for possible risks provided by the Bank Management for possible results of the circumstances which may arise from possible changes in the economy and market conditions during the year of 2016 and within current period amounting to TL 55,500 thousands out which TL 36,000 thousands and TL 19,500 thousands, respectively.

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with 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) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed a qualified opinion in our auditor's report dated February 27, 2018 on the full set consolidated financial statements of the Group for the period of January 1, 2017 and December 31, 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communiqué on "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks", the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,

- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits,
- Other issues determined in accordance with "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks" published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and communique on "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks" published in official gazette no.26333 dated November 1, 2006, "Regulation On The Procedures And Principles For Accounting Practices And Retention Of Documents By Banks" published in official gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the "Communique on Independent Audit of Banks". These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Damla Harman.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited


Damla Harman, SMMM
Partner

February 28, 2018
İstanbul, Türkiye

II. INFORMATION REGARDING THE MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

II.A. Names and Surnames, Assignment Terms, Responsibility Areas, Education, Professional Experience of the Chairman and Members of the Board of Directors, General Manager and his/her Assistants, Members of the Audit Committee and Managers of the Departments within the scope Internal Systems

Name	Duty	Responsibility Area	Date of Appointment	Educational Status	Professional Experience (31.12.2017)
Hüsnü Mustafa Özyeğin	Chairman of the Board of Directors		27.12.2010	Graduate	43 years
Fevzi Bozer	Vice Chairman of the Board of Directors		27.12.2010	Graduate	35 years
İsmet Kaya Erdem	Member of the Board of Directors		11.02.2013	Undergraduate	67 years
Mehmet Güleşçi	Member of the Board of Directors		27.12.2010	Graduate	33 years
Mevlüt Hamdi Aydın	Member of the Board of Directors		24.01.2013	Undergraduate	34 years
Memduh Aslan Akçay	Member of the Board of Directors		13.04.2016	Graduate	27 years
Selçuk Yorgancıoğlu	Member of the Board of Directors		22.09.2016	Graduate	25 years
Hülya Kefeli	Member of the Board of Directors		15.05.2017	Undergraduate	32 years
Ömer Mert	General Manager and Member of the Board of Directors	General Manager	18.01.2017	Graduate	22 years
Elif Alsev Utku Özbey	Chief Assistant General Manager	Financial Control and Financial Reporting	07.01.2011	Graduate	23 years
Adem Aykın	Assistant General Manager	Information Technologies	01.07.2011	Undergraduate	29 years

Name	Duty	Responsibility Area	Date of Appointment	Educational Status	Professional Experience (31.12.2017)
Esra Osmanağaoğlu(*)	Assistant General Manager	Banking Operations	29.02.2012	Undergraduate	29 years
Ahu Dolu	Assistant General Manager	Financial Institutions	01.12.2015	Undergraduate	20 years
Turgay Hasdiker	Assistant General Manager	Credits	01.12.2015	Undergraduate	26 years
Kerim Lokman Kuriş	Assistant General Manager	Corporate and Commercial Banking	01.12.2015	Undergraduate	19 years
Orhan Hatipoğlu	Assistant General Manager	Direct Banking and Support Services	02.01.2017	Undergraduate	25 years
Ömer Rifat Gencal	Assistant General Manager	Treasury	01.05.2017	Undergraduate	26 years
Sezin Erken	Assistant General Manager	Consumer Banking and Funding Resource Management	10.08.2017	Graduate	17 years
Gerçek Önal	Chief Legal Advisor	Legal Department	01.02.2016	Graduate	17 years
Ahmet Cemil Borucu	Head of Department	Board of Inspection	07.02.2011	Graduate	20 years
Ayşe Tulgar	Head of Department	Risk Management	15.03.2011	Undergraduate	18 years
Serdal Yıldırım	Head of Department	Legislation and Compliance	06.04.2011	Graduate	21 years
Kansu Pulular	Head of Department	Internal Control and Operational Risk	02.01.2017	Graduate	15 years

(*) Ms. Osmanağaoğlu has resigned as of 28.02.2018.

1) Chairman and Members of the Board of Directors

Hüsnü Mustafa ÖZYEĞİN (Chairman of the Board of Directors)



Mr. Özyeğin who was born in 1944, holds Master of Business Administration degree from Harvard Business School following his graduation from Robert College and Oregon State University/Civil Engineering Department respectively. He was the Board Member and General Manager of Pamukbank T.A.Ş. during 1974-1984, while he was Vice Chairman of the Board of Directors of Yapı ve Kredi Bank A.Ş. between the years 1984 and 1987. Afterwards, in 1987 he founded Finansbank A.Ş. He was the Chairman and General Manager of Finansbank A.Ş. until 1989 and he continued his duty as the Chairman until 2010. He serves as the Chairman of Fiba Holding A.Ş. since 1989. He is the Chairman of the Board of Directors of Fibabanka A.Ş. since December 27th, 2010.

Fevzi BOZER (Vice Chairman of the Board of Directors)



Mr. Bozer who was born in 1955, holds Master of Business Administration degree from Roosevelt University following his graduation from TED Ankara College and Indiana University/Business Administration Department respectively. He worked at Citibank A.Ş. between the years 1984 and 1988, then he joined Finansbank as branch manager in 1988. He served as the General Manager during 1991-1993 in Finansbank (Suisse) S.A. (Credit Europe Bank S.A.) where he was appointed in 1990, and during 1995 and 1999 in Finansbank A.Ş. where he was appointed in 1993. He continued his duty as the Executive Board Member between the years 1999 and 2006. Since 1997, he has been serving as Board Member in various companies within Fiba Group. He has been appointed as the Vice Chairman of the Board of Directors, as from the date of 27 December 2010. Furthermore Mr. Bozer also serves as Chairman of the Audit Committee, Chairman of the Corporate Governance Committee and the Chairman of the Credit Committee.

İsmet Kaya ERDEM (Member of the Board of Directors)



Mr. Erdem who was born in 1928, completed his education at Marmara University and afterwards, between the years 1961-1999, he served as the Assistant General Manager at Undersecretariat of Treasury, General Manager of the Social Insurances Institution, Minister of Finance, Minister of State in charge of Economy and the President of Grand National Assembly of Turkey. He has joined Fiba Group in 2000 and has been appointed as the Member of the Board of Directors of the Bank on the date of 11 February 2013. Furthermore, Mr. Erdem serves as an Alternate Member of the Credit Committee.

Mehmet GÜLEŞCİ (Member of the Board of Directors)



Mr. Güleşci who was born in 1962, holds Master of Business Administration degree from Boğaziçi University following his graduation from Kabataş Boys' High School and Boğaziçi University/Business Administration Department respectively. He worked in Ernst & Young during 1984-1996, then joined Finansbank in 1997 as an Assistant General Manager and served as the Executive Board Member until 2009. Since 2009 he serves as the Chief Financial Officer of the Fiba Group and is a Board Member of the Group's financial and non-financial investments both domestic and international. He has been appointed as the Member of the Board of Directors since the date of 27 December 2010. Furthermore, Mr. Güleşci also serves as the Alternate Member of the Credit Committee and Member of the Remuneration Committee of Fibabanka A.Ş. He is a Member of the Board of Directors of Fiba Portföy Yönetimi A.Ş. since the date of 26 September 2013.

Mevlüt Hamdi AYDIN (Member of the Board of Directors)



Mr. Aydın who was born in 1957, worked as an inspector at Akbank T.A.Ş. between the years 1983-89 following his graduation from METU (Middle East Technical University) Faculty of Administrative Sciences, Business Administration Department and in 1989, he joined Finansbank A.Ş. as the Chairman of Board of Inspection. Between 1992-95, he served as the Chairman of Board of Inspection and Head of Human Resources Group at Finansbank A.Ş. and beginning from 1995, for 9 years he served as the Assistant General Manager in charge of Human Resources. Between 2004-2013, he worked as the Human Resources Director of Fiba Group and has been appointed to the Board of Directors of the Bank on the date of 24 January 2013. Mr. Aydın is also a Member of the Corporate Governance Committee, Audit Committee and Remuneration Committee.

Memduh Aslan AKÇAY (Member of the Board of Directors)



Mr. Akçay who was born in 1965, after graduating from Ankara University Faculty of Political Sciences Department of Economics, obtained his Master degree in the field of Policy Economics from the University of Illinois. Between 1990-1993, he worked at Etibank, between 1993-2000 he worked at the State Planning Organisation. From 2001 until 2004, he served as the Head of Department at the Banking Regulation and Supervision Agency Economic Evaluations Department and the Foreign Relations Department, and as the Chairman of the Systemic Risk Committee and afterwards, between the years 2004-2010, he worked as the General Manager of Foreign Economic Relations at the Undersecretariat of Treasury. During his office at the Undersecretariat of Treasury, he performed duties at many executive committee within said organisation (Debt Management Committee, Disciplinary Committee, etc.) and he also served as the Member of the Board of Directors at the Council of Europe Development Bank (CEB), Türkiye Sınai Kalkınma Bankası (TSKB – Turkish Industrial Development Bank), Black Sea Trade and Development Bank (BSTDB), Economic Cooperation Organisation Trade and Development Bank (ECOBANK), and as the Member of the Supervisory Board of Milli Reasürans A.Ş. In addition to these jobs, he also represented Turkey as Assistant Governor at international financial institutions such as the World Bank (WB), European Bank for Reconstruction and Development (EBRD), Asian Development Bank (ADB), Islamic Development Bank (IDB). Between 2011-2013, Mr. Akçay served as the Member of the Board of Directors of the European Bank for Reconstruction and Development (EBRD) in London; he chaired the Administrative and Financial Affairs Committee of the EBRD for two terms and between 2013-2016, he worked at the Undersecretariat of Treasury. He has been appointed as the Member of the Board of Directors of Fibabanka A.Ş. on the date of 13 April 2016. Mr. Akçay is also a Member of the Corporate Governance Committee.

Selçuk YORGANCIOĞLU (Member of the Board of Directors)



Mr. Yorgancioğlu, who was born in 1967, after his graduation from İstanbul University Faculty of Economics, obtained his master degree in the field of Finance from the University of New Haven. In 1992-1993, he worked at Interbank as Management Trainee and Assistant Specialist; between 1993-1998, he worked at ABN AMRO Group İstanbul and Amsterdam as the Manager in charge of Investment Banking and Emerging Markets; in 1998-1999, he worked as the Assistant General Manager at FinansInvest and in 1999-2000 he worked with the same title at Fibabank. Between 2000-2007, he worked as the Emerging Markets Co-Chairman at Deutsche Bank-London and in 2007-2008, he continued his job at Deutsche Bank-İstanbul as the General Manager and Member of the Board of Directors. Since 2008, he is serving as the partner in charge of Turkey and Middle Asia at Abraaj Group. Mr. Yorgancioğlu has been appointed as a Member of the Board of Directors of Fibabanka A.Ş. on the date of 22 September 2016.

Hülya KEFELİ (Member of the Board of Directors)



Ms. Kefeli was born in 1960 and after her graduation from Robert College, she graduated from İstanbul Technical University Management Engineering Department. Between 1983-2017, she worked at various positions at Akbank and between 2007-2015, she worked there as the Assistant General Manager in charge of International Banking. At the same time, she served as member of the Board of Directors at subsidiary companies of Akbank. Ms. Hülya Kefeli has been appointed as a Member of the Board of Directors of Fibabanka A.Ş., on the date of 15 May 2017.

Ömer MERT (General Manager and Member of the Board of Directors)



Mr. Mert who was born in 1969, graduated from İstanbul Technical University Industrial Engineering Department and obtained a masters degree in Engineering Management at the same university. He started his career in 1993 and worked at various companies in the insurance sector and then, he served as Assistant General Manager at Fortis Emeklilik ve Hayat A.Ş. between 2003-2005 and at Garanti Emeklilik ve Hayat A.Ş. between 2005-2012. Between 2012-2017, Mr. Mert worked as the member of the Board of Directors and General Manager at Fiba Emeklilik ve Hayat A.Ş. and on the date of 18 January 2017, he has been appointed as the General Manager and Member of the Board of Directors Fibabanka A.Ş. Mr. Mert is also a full member of the Corporate Governance Committee and Credit Committee.

2) Assistant General Managers

Elif Alsev UTKU ÖZBEY (Chief Assistant General Manager)



Ms.Utku who was born in 1971, holds Master of Business Administration degree from Erasmus University/Rotterdam, following her graduation from Samsun Anatolian High School and Boğaziçi University/Business Administration Department respectively. After she worked in PricewaterhouseCoopers during 1994 – 1995, she joined Finansbank A.Ş. in 1995. In Finansbank A.Ş she worked in various positions until 2009 and finally, she worked as the Assistant General Manager responsible for Financial Reporting and Planning. She joined Fiba Holding as Financial Affairs Director in 2009. As of 7 January 2011, she has been appointed as the Assistant General Manager of Fibabanka A.Ş. responsible for Financial Control and Financial Reporting and serves as the Chief Assistant General Manager, since the date of 19 January 2017. Ms.Utku is the Deputy General Manager and a member of the Corporate Governance Committee. Since the date of 26 September 2013, she is a Member of the Board of Directors of Fiba Portföy Yönetimi A.Ş.

Adem AYKIN (Assistant General Manager – Information Technologies)



Mr. Aykın who was born in 1967, graduated from Denizli High School and Dokuz Eylül University Computer Programming and Anadolu University Business Administration Departments respectively. He started to his banking career in Finansbank A.Ş. in 1988. He worked in Körfez Bank during 1993-1995, and in Finansbank A.Ş. during 1997-2006. Mr. Aykın worked as the Assistant General Manager in charge of Information Technologies at Credit Europe Bank Russia between the years 2006 – 2011. From the date of 1 July 2011 until 2 January 2017, he served as the Assistant General Manager of Fibabanka A.Ş. responsible for Information Technologies, Organisation and Project Management.

Esra OSMANAĞAOĞLU (Assistant General Manager – Banking Operations)



Ms. Osmanağaoğlu, who was born in 1967, graduated from Hopa High School and İstanbul University/Business Sociology Department respectively. After she worked in Pamukbank A.Ş. during 1988-1990, she started to work at Finansbank A.Ş. in 1990 and she held various positions at said company for 10 years. In 2000, she appointed as the Group Manager in charge of the Operations, at Finansbank Holland N.V. (current name Credit Europe Bank N.V.) within the scope of Fiba Group; between 2001-2007, she served as the Group Manager in charge of All Banking Operations, at Finansbank A.Ş. in 2007, Ms. Osmanağaoğlu was appointed as the Assistant General Manager at Fiba Faktoring A.Ş. and continued her job until 2011. From 29 February 2012 until 28 February 2018, she worked as the Assistant General Manager in charge of Banking Operations.

Ahu DOLU (Assistant General Manager – Financial Institutions)



Ms. Dolu who was born in 1975, graduated from İstanbul American Robert College and from Marmara University, Department of Economics (English) with a bachelor degree in 1997. She started her banking career at Finansbank A.Ş. in 1997. Between 1997-2007, she worked as the Foreign Relations Manager at Finansbank A.Ş. and afterwards, between 2007-2011 she served as the Head of International Relations and Finance Department at Fiba Holding A.Ş. She joined Fibabanka A.Ş. as the Foreign Relations Department Manager on the date of 1 June 2011 and on 12 August 2013, she was appointed as the Foreign Relations Coordinator. She continues her office as the Assistant General Manager in charge of Financial Institutions since the date of 1 December 2015.

Turgay HASDİKER (Assistant General Manager –Credits)



Mr. Hasdiker who was born in 1969, after his graduation from İstanbul University Faculty of Economics Department of Economics (English) in 1991, started his banking career at Yapı ve Kredi Bankası A.Ş. as Management Trainee. Between 1991-2003, he worked as Specialist and Unit Manager at Yapı Kredi Bankası at the Corporate and Commercial Credits and Credit Allocation Departments. Between 2003-2006, he worked at Oyakbank A.Ş., as the Department Manager of Corporate and Commercial Credits Allocation Department and until 2011, he worked at ING Bank A.Ş., as the Group Manager at Commercial and SME Marketing Department. Mr. Hasdiker joined Fibabanka on the date of 01 March 2011, as the Corporate and Commercial Credits Department Manager and appointed as the Coordinator in Charge of Corporate and Commercial Credits on the date of 13 March 2014; and as of the date of 01 December 2015, he has been appointed as the Assistant General Manager in charge of Corporate and Commercial Credits and since 2 October 2017, he continues to serve as the Assistant General Manager in charge of Credits.

Kerim Lokman KURİŞ (Assistant General Manager – Corporate and Commercial Banking)



Mr. Kuriş, who was born in 1973, graduated from the American University Business Administration Department and started his banking career at Finansbank A.Ş. as a management trainee in 1998. Between 1999-2004, he worked at the Corporate Banking Department of Finansbank Holland N.V. (current trade name Credit Europe Bank N.V.) and between 2005-2008, he returned to Finansbank A.Ş. and served in various positions in Corporate and Commercial Marketing Department, mainly as branch manager. Between 2008-2010, he returned back to Corporate Banking Department of Credit Europe Bank N.V. On the date of 17 January 2011, he joined Fibabanka as the Head of Commercial Banking Department and on 01 May 2014, he was appointed as the Coordinator in charge of Corporate and Commercial Banking. Since the date of 01 December 2015, he continues his office as the Assistant General Manager in charge of Corporate and Commercial Banking.

Orhan HATİPOĞLU (Assistant General Manager – Direct Banking and Support Services)



Mr. Hatipoğlu, who was born in 1969, graduated from Boğaziçi University Computer Engineering Department and started his banking career at Pamukbank T.A.Ş. He worked at the Information Technologies Departments of Pamukbank T.A.Ş. between 1992-1997 and Demirbank T.A.Ş. between 1997-1999 and in 1999, he started to work at Cards, ADC Operations and IT Department at Finansbank A.Ş.. Between 2008-2010, he served as the Coordinator of Financial Subsidiaries Abroad at Fiba Holding and until 2012, he worked as the Assistant General Manager in charge of Operations and IT at Credit Europe Bank Romania. In 2012, he worked as the Head of Software Development Department at Akbank T.A.Ş. and between 2012-2016, he worked as the Banking and ADC Operations Director at Türk Ekonomi Bankası A.Ş. and in 2017, Mr. Hatipoğlu has joined Fibabanka and he continues to serve as the Assistant General Manager in charge of Direct Banking and Support Services.

Ömer Rifat GENÇAL (Assistant General Manager – Treasury)



Mr. Gençal who was born in 1969, graduated from İstanbul Technical University Management Engineering Department and started his banking career at Türk Dış Ticaret Bankası as a Capital Markets Specialist in 1990. Between 1992-1994, he worked at IMPEX Bank İstanbul at the Treasury Department; in 1994-1995, he served at the Treasury Department of Chase Manhattan NA İstanbul. Between 1995-2002, he worked as a Director at West LB AG İstanbul; in 2002 as Coordinator at the SDIF (Savings Deposit Insurance Fund); between 2002-2004 as a Project Manager at Global Menkul Değerler A.Ş.; between 2004-2008 as the Treasury Manager at Alternatif Bank A.Ş. and finally, between 2008-2015, as the CIO at HSBC Portföy Yönetimi A.Ş. Mr. Gençal joined our Bank on the date of 02 February 2015 and since then, he continues to serve as the Assistant General Manager in charge of the Treasury. Since 28 March 2016, he is a Member of the Board of Directors of Fiba Portföy Yönetimi A.Ş.

Sezin ERKEN (Assistant General Manager – Individual Banking and Resource Management)



Ms. Erken, who was born in 1977, graduated from the Middle East Technical University Business Administration Department and completed her MBA in Business Administration at Columbia University. She started her career as a Business Analyst at McKinsey & Company in 1998. She worked in various managerial positions at Capital One Bank - New York between 2003-2014 and then, she worked as the Assistant General Manager in charge of Individual Banking at ABank between 2014-2017. Ms. Erken has joined Fibabanka A.Ş. in 2017 and she continues to serve as the Assistant General Manager in charge of Consumer Banking and Funding Resource Management.

Gerçek ÖNAL (Chief Legal Advisor)



Mr. Önal who was born in 1975, after his graduation from Ankara University Faculty of Law, he obtained Masters degree (MBA) in the field of International Management Law from Yeditepe University. He started his professional career at a private law office and afterwards, between 2001-2008, he worked as a lawyer at T.Garanti Bankası A.Ş.; between 2008-2012, he worked as Legal Advisor at Garanti Ödeme Sistemleri A.Ş. He joined Fibabanka in 2012, as the Department Manager in charge of Legal Affairs. Mr. Önal serves as the Chief Legal Advisor since the date of 1 February 2016 and he is also the Corporate Governance Secretary.

3) Managers within the scope of Internal Systems

Ahmet Cemil BORUCU (Head of the Board of Inspection)

Mr. Borucu who was born in 1975, holds Master of Business Administration degree from İstanbul Technical University, following his graduation from Ankara Atatürk Anatolian High School and Bilkent University/Business Administration Department respectively. He started his banking career in Dışbank A.Ş. in 1997. After working at Türk Ekonomi Bankası A.Ş. between 2004-2006, he worked at Deloitte – DRT Denetim A.Ş. in 2006-2007. Mr. Borucu worked at Fortis Bank (Türk Ekonomi Bankası) A.Ş. between 2007- 2011 and since the date of 7 January 2011, serves as the Head of the Board of Inspection at Fibabanka A.Ş.

Ayşe TULGAR (Head of Risk Management Department)

Ms. Tuglar who was born in 1977, after completing her education in Fenerbahçe High School and Marmara University/Business Administration Department respectively, started her banking career at İktisat Bankası A.Ş. in 1999. She worked at Alternatif Bank A.Ş. during 2000-2002 and at Oyak Bank during 2002-2004 respectively. After holding various positions at Finansbank A.Ş. beginning from 2004; she serves as the Department Manager in charge of Risk Management Department at Fibabanka A.Ş. since the date of 15 March 2011.

Serdal YILDIRIM (Head of Legislation and Compliance Department)

Mr. Yıldırım who was born in 1973, following his graduation from Ankara University, Business Administration Department, obtained Masters degree from Çukurova University in the fields of Banking and Stock Exchange. Between 1996-2002, he worked as inspector at Türkbank and TSKB; in 2002-2009, he worked as a manager at the Internal Control, Legislation & Compliance and Risk Management Departments of Fortisbank, and between 2009-2010, he worked as a member of the Executive Committee in charge of Risk Management and Internal Control at Fortis Bank Malta, and afterwards, he joined Fibabanka A.Ş. in 2011. Mr. Yıldırım is the Department Manager in charge of the Legislation and Compliance Department of Fibabanka A.Ş. Mr. Yıldırım is also a member of the Corporate Governance Committee.

Kansu PULULAR (Head of Internal Control and Operational Risk Department)

Mr. Pulular, who was born in 1976, graduated respectively from Bornova Anatolian High School, İzmir Science High School and Boğaziçi University Civil Engineering Department and obtained his graduate degree from Boğaziçi University Business Administration Department (MBA) and Özyeğin University Financial Engineering and Risk Management Departments. He started his banking career at Akbank T.A.Ş. Board of Inspections in 2003. Between 2007-2011, he worked as a manager at Fortisbank A.Ş. Internal Control and Operational Risk Department and he has joined Fibabanka A.Ş., as the Manager of Operational Risk Unit on the date of 22 March 2011. Mr. Pulular continues to serve as the Head of Internal Control and Operational Risk Department since the date of 02 January 2017.

II.B. Auditor

Trade Name	Duty	Date of the General Assembly Meeting	Term of Office	Taxpayer Registration No.
Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst&Young Global Limited)	Auditor	27.03.2017	1 Year	4350303260

II.C. Information Regarding the Activities of the Committees Established to Support the Board of Directors within the framework of Risk Management Systems according to the Regulation on Credit Committee and Internal Systems of Banks and the Names and Surnames of the Chairman and Members of These Committees and Their Main Duties

Existing committees in our Bank in 2017 and their duties are as follows:

1) Corporate Governance Committee

Corporate Governance Committee	<ul style="list-style-type: none">• Fevzi Bozer (Vice Chairman of the Board of Directors) > Chairman of the Committee• Mevlüt Hamdi Aydın (Member of the Board of Directors) > Member• Ömer Mert (Member of the Board of Directors and General Manager) > Member• Memduh Aslan Akçay (Member of the Board of Directors) > Member• Elif Alsev Utku Özbey (Chief Assistant General Manager) > Member• Serdal Yıldırım (Head of Legislation and Compliance Department) > Member
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Corporate Governance Committee has been established under the chairmanship of Fevzi Bozer for the purposes of monitoring the Bank's compliance with corporate governance principles, conducting improvement activities in this matter and presenting proposals to the Board of Directors. Committee convenes at least four times a year.

2) Audit Committee

Audit Committee	<ul style="list-style-type: none">• Fevzi Bozer (Vice Chairman of the Board of Directors) > Chairman of the Committee• Mevlüt Hamdi Aydın (Member of the Board of Directors) > Member
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Audit Committee has been established by the Board of Directors of the Bank for the purpose of supporting performance of audit and supervision activities. Committee convenes at least four times a year under the chairmanship of Fevzi Bozer.

3) Credit Committee

Credit Committee	<ul style="list-style-type: none">• Fevzi Bozer (Vice Chairman of the Board of Directors) > Chairman of the Committee• Ömer Mert (Member of the Board of Directors and General Manager) > Full Member• Mehmet Güleşci (Member of the Board of Directors) > Alternate Member• İsmet Kaya Erdem (Member of the Board of Directors) > Alternate Member
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Credit Committee has been established to perform the duties to be designated by the Board of Directors relating to credits. Credit Committee is the second highest body of the Bank following the Board of Directors, authorised to give credits and it gives credit approvals within the framework of authorisation given by the Board of Directors in compliance with the provisions of the Bank's credit policy. Credit Committee of the Bank convenes once a week under the chairmanship of Mr. Fevzi Bozer.

4) Risk Management Committee

Risk Management Committee	<ul style="list-style-type: none">• Ömer Mert (General Manager and Member of the Board of Directors) > Chairman of the Committee• Elif Alsev Utku Özbey (Chief Assistant General Manager) > Member• Turgay Hasdiker (Assistant General Manager in charge of Credits) > Member• Kerim Lokman Kuriş (Assistant General Manager in charge of Corporate and Commercial Banking) > Member• Sezin Erken (Assistant General Manager in charge of Consumer Banking and Funding Resource Management) > Member• Ömer R. Gencal (Assistant General Manager in charge of Treasury) > Member• Ayşe Tulgar (Head of Risk Management Department) > Member
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Risk Management Committee has been established to determine the risk management policies and implementation procedures thereof according to opinion and within the knowledge of the Board of Directors and to ensure their implementation. Committee convenes once a month under the chairmanship of the General Manager.

5) Assets and Liabilities Committee

Assets and Liabilities Committee	<ul style="list-style-type: none">• Ömer Mert (General Manager and Member of the Board of Directors) > Chairman of the Committee• Elif Alsev Utku Özbey (Chief Assistant General Manager) > Member• Ahu Dolu (Assistant General Manager in charge of Financial Institutions) > Member• Turgay Hasdiker (Assistant General Manager in charge of Credits) > Member• Kerim Lokman Kuriş (Assistant General Manager in charge of Corporate and Commercial Banking) > Member• Ömer R. Gencal (Assistant General Manager in charge of Treasury) > Member• Sezin Erken (Assistant General Manager in charge of Consumer Banking and Funding Resource Management) > Member• Ayşe Tulgar (Head of Risk Management Department) > Member
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Assets and Liabilities Committee has been established by the Board of Directors to determine the policies relating to the management of the Bank's assets and liabilities and in this context, the policies relating to fund movements; to take decisions which shall be executed by related departments for managing the Bank's balance sheet and to follow the implementation of such decisions. Assets and Liabilities Committee convenes once a week under the chairmanship of the General Manager.

6) Remuneration Committee

Remuneration Committee	<ul style="list-style-type: none">• Mehmet Güleşci (Member of the Board of Directors) > Member• Mevlüt Hamdi Aydın (Member of the Board of Directors) > Member
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The Remuneration Committee, with its members Mr. Mehmet Güleşci and Mr. Mevlüt Hamdi Aydın who are Members of our Board of Directors, has been formed for the purposes of following and auditing remuneration practices on behalf of the Board of Directors, which shall not have any executive duty.

II.D. Information Regarding Participation of the Members of Board of Directors and the Committees to Meetings

1) Board of Directors

Board of Directors of the Bank convenes at the Head Office of the Bank at an appropriate place in or out of Turkey at the times when required by the business and transactions of the Bank and in accordance with the provisions of the Turkish Commercial Code.

2) Audit Committee

During the related accounting period, Audit Committee meetings have been respectively held on the dates of 24 January, 16 February, 22 February, 27 April, 11 May, 22 June, 27 July, 3 August, 31 October, 6 November.

3) Credit Committee

Credit Committee convenes regularly once a week.

4) Risk Management Committee

Risk Management Committee convenes regularly once a month.

5) Assets and Liabilities Committee

Assets and Liabilities Committee convenes regularly once a week.

6) Remuneration Committee

Remuneration Committee convenes at least once a year.

II.E. Brief Board of Directors Report Presented to the General Assembly

Total assets of the Bank as of the date of December 31 2017 have amounted to TL 20.1 billion on solo basis and consolidated basis. For the same period, sum of shareholders' equity is TL 1.5 billion on solo basis and consolidated basis; paid-in capital of the Bank is TL 941.2 million; the current year net profit is TL 167.1 million according to consolidated financial statements and TL 167.0 million according to solo financial statements.

According to the consolidated and unconsolidated financial statements, total loans of the Bank increased by 32% in 2017 and reached to the amount of TL 15.1 billion and the share of loans in total assets has been realised as 75%. Non-performing loan ratio has been 3.1%.

Consolidated capital adequacy ratio of the Bank has been realised as 16.09% as of 31 December 2017.

"Financial Statements" of the Bank prepared as of the date of 31 December 2017 and which have been subject to independent audit and shall be disclosed to public, are presented for your examination and approval.

II.F. Information Relating to Human Resources Practices

Recruitments have been structured according to general policies of the Bank and realised for the purpose of meeting the personnel demands in the branch network and Head Office departments. Year 2017 has been completed by totally 80 branches and 1,633 employees. Totally 479 new employees have been recruited, 108 of which are recent graduates. Through the rotations and promotions within the organisation of the Bank, it has been targeted to benefit from the experience and qualifications of the personnel at the optimum level and to meet the needs of the Bank swiftly and efficiently. Training programmes have been organised within the Bank to provide professional information and to meet professional needs of the staff within the framework of the strategies and targets of the Bank and to contribute to their personal developments, and the participation of the staff to organisations of other institutions/corporations has been provided. Regarding remuneration and social benefits, relevant practices in the industry have been followed and within the scope of existing applications, necessary regulations have been made relating to annual increases in salaries and other additional benefits.

II.G. Information Relating to the Risk Group, in Which the Bank is Involved

1) Loans and Other Receivables Within the Scope of the Risk Group, in Which the Bank is Involved (According to consolidated data - TL Thousand)

Current Period:

Risk Group, in Which the Bank is Involved *	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities Involved in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables **						
Balance at the Beginning of the Period	--	--	--	22	126,939	30,871
Balance at the End of the Period	--	--	--	22	11,556	48,284
Interest and Commission Income Received	--	--	--	--	3,553	114

(*) Described in article 49 of the Banking Act No: 5411.

(**) Includes all transactions accepted as loans in article 48 of the Banking Act No: 5411.

2) Information Relating to Deposits in the Risk Group, in which the Bank is involved (According to consolidated data - TL Thousand)

Risk Group, in Which the Bank is Involved (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities Involved in Risk Group	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
Deposits						
Balance at the Beginning of the Period	--	--	15,552	89,173	595,924	496,534
Balance at the End of the Period	--	--	300,055	15,552	409,341	595,924
Deposit Interest Expense	--	--	20,434	6,094	44,072	28,398

(*) Described in article 49 of the Banking Act No: 5411.

3) Information Relating to Funds Borrowed from the Risk Group, in which the Bank is involved (According to consolidated data - TL Thousand)

As of the date of 31 December 2017; balance of borrowed funds (other than deposits), from real persons and legal entities within the scope its risk group is TL 171,583.- and all of said funds have been provided through the loans utilised from IFC and EBRD (31 December 2016: the total amount of said funds used to be TL 523,313.- and TL 162,656.- of those funds is provided by the loans utilised from IFC and EBRD and TL 360,657.- thereof has been provided from Fiba Holding A.Ş. by means of subordinated bond issue).

4) Information Relating to Futures and Options Contracts and Other Similar Contracts Made by the Bank with Parties in the Risk Group, in which the Bank is involved (According to consolidated data - TL Thousand)

Risk Group, in Which the Bank is Involved (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities Involved in Risk Group	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
Financial Assets at Fair Value Through Profit and Loss:						
Balance at the Beginning of the Period	--	--	--	--	863,016	344,668
Balance at the End of the Period	--	--	--	--	899,553	863,016
Total Profit / (Loss)	--	--	--	--	(23,856)	(1,367)
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Profit / (Loss)	--	--	--	--	--	--

(*) Defined in article 49 of the Banking Law no.5411.

II.H. Information Regarding the Fields of Activities for Which Support Services are Received According to the Regulation on Receiving of Support Services by Banks, and Information Regarding the Persons and Institutions From Which Those Services are Received

1) Banking Operating Systems

Trade Name of the Company	Services Received / Fields of Activities
COMPRO Biliřim Teknolojileri A.ř.	Main Banking System Maintenance and Support Agreement
CRIF Enformasyon Derecelendirme ve Danıřmanlık Hizmetleri A.ř.	Risk-meter grading software solution application
Fineksus Biliřim Çözümleri Ticaret A.ř.	Service Office GWCP main connection, DRCP ODM alternate connection, Paygate Analyzer and Inspector software and SWIFT transactions and management
Global Biliřim Yazılım Danıřmanlık San. ve Tic. Ltd. řti.	Installation of software for EFT payment systems, maintenance and support services KASBOX Application
IBM Global Services İş ve Teknoloji Hiz. ve Tic. Ltd. řti.	Services in extraordinary situations- AS400 Systems Server and Maintenance Services
Innova Biliřim Çözümleri A.ř.	Corporate transaction centre service study
İdeal Biliřim Hizmetleri Sanayi ve Ticaret Ltd.řti.	FX Matching / FX Nostro settlement software
Probil Bilgi İşlem Destek ve Danıřmanlık San. Tic. A.ř. (NETAř Telekomünikasyon A.ř.)	System support hardware maintenance reparation services
Mastercard Payment Transaction Services Turkey Biliřim Hizmetleri A.ř.	Support Services relating to Bank Cards and ATM operating / Account Statement Printing
Webhelp Çaęrı Merkezi ve Müřteri Hizmetleri A.ř.	Location backup service against call centre IVR problems
G Teknoloji Biliřim San. ve Tic. A.ř.	Software development
Innovance Bilgi Teknolojileri Danıřmanlık Yazılım Geliřtirme İnř. ve Otom. Ltd. řti.	Analysis consulting and software development
Servicium Bilgisayar Hizm. San. ve Dıř Tic. A.ř.	Main banking analysis consulting
İnspirit Bilgi Teknolojileri Yazılım Danıřmanlık Tic. Ltd. řti.	Improvement and development of Fibabanka reporting infrastructure and ETL processes

2) Telephone Banking

Trade Name of the Company	Services Received / Fields of Activities
Sistař Sayısal İletişim San. ve Tic. A.ř.	Replacing infrastructure of the Call Centre

3) Internet Banking

Trade Name of the Company	Services Received / Fields of Activities
V.R.P Veri Raporlama Programlama Biliřim Yazılım ve Danıřmanlık Hizmetleri Ticaret A.ř.	Internet banking software and operating systems services and SMS Gateway SMS message transmission

4) Other Services other than Information Technologies

Trade Name of the Company	Services Received / Fields of Activities
Austria Card Turkey Kart Operasyonları A.Ş.	Debit card printing and enveloping services
Brinks Güvenlik Hizmetleri A.Ş.	Precious goods transportation services
ETCBASE Yazılım ve Bilişim Teknolojileri A.Ş.	Application support services for monitoring companies in follow-up and delay
FU Gayrimenkul Yatırım Danışmanlık A.Ş.	Execution of land registry transactions by proxy
Konut Kredisi Com Tr Danışmanlık A.Ş.	Promotion of consumer loans and credit demand directing on internet
Girişim Alacak Yönetim Hizmetleri ve Yazılım Servisleri A.Ş.	Collection management
Iron Mountain Arşivleme Hizmetleri A.Ş.	Archiving physical documents
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San.ve Tic. A.Ş.	Cheque book printing services
Nemesis Alarmsis Teknoloji San. Tic. A.Ş.	Alarm control centre support
T. Garanti Bankası A.Ş.	Providing credit card and member merchant services
Posta ve Telgraf Teşkilatı A.Ş.	Extending consumer loan via PTT
DESMER Güvenlik Hizmetleri Tic. A.Ş.	Money transportation services
Kurye Net Motorlu Kuryecilik ve Dağ. Hiz. A.Ş.	Debit/credit card distribution services
Kilit Belge ve Veri İmha Hizm. San. Tic. Ltd. Şti.(Reisswolf)	Secure document destruction services
Tele Kurye Dağıtım ve Kurye Hizm. A.Ş.	Courier services for signing agreements
DDI Teknoloji ve Bilişim Çözümleri Ar-Ge Hizm. Ltd. Şti.	Scanning services
Trusturk Danışmanlık A.Ş.	Procurement of system infrastructure intended to execute forward sales
Vatan Bilgisayar San. ve Tic. A.Ş.	Credit document set signing and transmission
NCR Bilişim Sistemleri Ltd. Şti.	ATM money depositing NCR Banknote Recognition Template Services
4 contracted companies	Signing of agreements by customers and delivery thereof
Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.	Call Centre personnel support

III. FINANCIAL INFORMATION AND INFORMATION RELATING TO RISK MANAGEMENT

III.A. Evaluations of the Audit Committee Relating to Operation of the Internal Control, Internal Auditing Risk Management Systems and Information Regarding Its Activities During the Accounting Period

1) Legislation and Compliance Department

Legislation and Compliance Department has been established in April 2011 for the purposes of ensuring that all of the current and planned activities, products and services of the Bank are in compliance with related laws and regulations, Bank's internal policies and procedures and banking practices; preventing Laundering of Proceeds of Crime and Financing of Terrorism and combating against corruption. Legislation and Compliance Department performs its activities with 9 employees and it reports to the Audit Committee.

Legislation and Compliance Department is also responsible for regulating and monitoring structures and processes of the Bank relating to Corporate Governance and the principles relating thereto.

2) Internal Control and Operational Risk Department

For the purpose of managing operational risks more efficiently, integrated with the Bank's control systems, within the framework of best practices; Internal Control and Operational Risk Department reports directly to the Audit Committee through a Head of Department. There are 11 employees at the department.

Internal Control Unit conducts its activities for the purposes of protecting assets of the Bank; ensuring maintenance of the Bank's activities in an efficient and productive manner in compliance with the Law and other related regulations, internal policies and rules of the Bank and general banking practices; ensuring the reliability and integrity of accounting and financial reporting systems and having access to relevant information on time. Internal Control Unit conducts auditing activities at the Head Office and at branches and also performs the Management Declaration studies relating to banking processes.

Operational Risk Unit is responsible to identify the operational risks which are defined as the process where the risk that occurs as a result of insufficient or incorrect business processes, systems, human factor or external events and to manage them within the scope of the limits set by the Bank's Risk Appetite Policy applied by the Bank. Furthermore, the activities of the Bank within the scope of the Business Continuity Management and the "Regulation on Support Services Received by Banks" are conducted by this Unit.

3) Board of Inspection

Board of Inspection is staffed with 10 persons and the internal auditors hold "Capital Markets Board Advanced Level License", "Certified Internal Auditor", "Certified Public Accountant" certificates. Organisational structure of the Internal Audit Department has been formed in a manner to address the Banking Processes and the Information Technologies Processes separately.

Annual internal audit programme is prepared in parallel with the risk level determined as a result of risk assessment studies performed by the Internal Audit Department.

Within the scope of annual process and the branch audit programme of the Internal Audit Department; the Banking Process, COBIT Information Technologies Process within the scope of BRSA (Banking Regulation and Supervision Agency) Governance Statement, branch audits and other examinations are performed. Significant findings in these areas are presented to the Audit Committee in order to be evaluated.

4) Risk Management Department

The main purpose of Risk Management Department is to establish the methods, instruments and implementation procedures required to determine, measure, follow and control the risks carried by the Bank. For this purpose; periodical evaluations, measurements, reporting and controlling activities are conducted on a daily, weekly, monthly, quarterly and yearly basis. Risk Management Department performs its duties by a structure by which all risk management activities and calculations are carried out through required system and infrastructure.

In this context, Risk Management Department has been planned to be organised in two divisions, namely the Market Risk Management and Credit Risk Management.

Related divisions and their activities can be summarized as follows:

- a. Market Risk Management: The aim is to manage the possible losses which the Bank may be exposed to due to general market risk, currency risk, specific risk, commodity risk and clearing risk and the structural interest risk arising from banking accounts.
- b. Credit Risk Management: The aim is to manage the possible losses which the Bank may be exposed to due to the credit customers' failure to comply with the requirements of the concluded contract and failure to fulfil the obligations partially or completely. Within the scope of credit risk, new restructuring has been made under 2 separate units namely the Individual Credits Decision Support and Scoring Unit and Corporate/Commercial Credits Unit. The management of scoring models relating to credits of the Bank is also considered within the scope of credit risk.

Activities realised by the Risk Management Department in 2017 may be summarised as follows:

- a. All the risks carried by the Bank are followed within the limits set forth in the Fibabanka Risk Appetite Policy which has been approved by the Board of Directors. Related reports are submitted to the Board of Directors once a month and information is given regarding the Bank's risk profile.
- b. On a monthly basis Market Risk, Exchange Risk and Credit Risk reports are sent to the BRSA (Banking Regulation and Supervision Agency) and related report according to the "Regulation on Measurement and Assessment of Capital Adequacy Ratio" within the scope of Basel II is presented to the BRSA on a monthly basis.
- c. By the Assets and Liabilities Committee meetings held once a week and in the Risk Committee meetings held once a month at the Bank; analysis of the details of trading portfolio, liquidity, market, interest rate and credit risk are made and reporting activities are conducted in connection with them.
- d. Modelling studies of IFRS 9 which has come into effect of 2018, have been completed with PWC Consulting in 2017.

III.B. Information Regarding Financial Statements and the Financial Structure

Information relating to the Bank's consolidated and unconsolidated financial tables and financial structure are specified in the "III.H. Independent Auditor's Report" section of this report.

III.C. Evaluations Relating to Financial Situation, Profitability and Solvency

Total assets of Fibabanka have increased at the rate of 31% by the end of 2017 and realised as TL 20.1 billion on consolidated basis and solo basis.

According to the consolidated and unconsolidated financial statements, the loans volume, which used to be TL 11.4 billion at the end of 2016, increased by 32% and reached to TL 15.1 billion at the end of 2017. Share of the loans in total assets has been realised as 75%.

Credit worthiness of loans and other receivables are monitored systematically in accordance with related laws and regulations. For new loans opened, the Bank complies with the limits determined under the Banking Laws and Regulations. Collaterals are taken for the loans disbursed in order to reduce risk. According to consolidated and unconsolidated financial statements, in 2017, balance of the non-performing loans has been realised as TL 469 million and provisions in the amount of TL 171 million have been set aside relating to these loans.

Securities available for sale portfolio has reached to the level of TL 766 million by the end of 2017. Ratio of securities portfolio to total assets has been realised as 4% as of the end of the year.

By the end of 2017, consolidated and solo deposit volume has realised as TL 12.3 billion, by an increase at the rate of 28%, compared to the end of 2016.

According to consolidated financial statements, in 2017, income before-tax has been TL 200.5 million. Net income, after tax provision in the amount of TL 33.4 million, increased by 45%, compared to the preceding year and realised as TL 167.1 million.

Bank's net interest income in 2017 increased by 26% compared to the preceding year and has reached to an amount of TL 642.3 million and total net operating income increased by 20% and realised as TL 776.0 million. Said figures amount to, respectively, TL 643.0 million and TL778.1 million on consolidated basis.

In 2017 operating expenses have been realised as TL 362.6 million on solo basis and as TL 364.5 million on consolidated basis.

The Bank's solo and consolidated capital adequacy ratio has been realised as 16.09% as of the date of 31.12.2017.

	Bank Only		Consolidated	
(TL Thousand)	Current Period	Previous Period	Current Period	Previous Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	1,239,245	993,704	1,238,833	993,745
Capital Requirement for Market Risk (CRMR)	25,840	12,303	25,840	12,303
Capital Requirement for Operational Risk (CROR)	70,961	52,264	71,170	52,392
Equity	2,687,405	1,783,126	2,687,385	1,782,988
Equity/((CRCR+CRMR+CROR) *12.5*100)	16.09%	13.48%	16.09%	13.48%

Bank's share capital is not left unpaid and it suffers no insolvency.

There is no measure required to be taken to improve financial structure of the Bank. Bank continues to grow profitably according to its targets.

Profit distribution schedule of the Bank in 2017 is given in section III-H of the independent audit report, where unconsolidated financial statements are shown. Decision relating to distribution of profit in 2017, shall be taken in the General Assembly meeting.

Exchange rate risk, interest risk and liquidity risk of the Bank are measured and monitored by various risk management systems and management of the balance sheet is made according to risk limits determined in this context and the legal limitations.

In order to be protected against market risk within the scope of financial risk management purposes, the Bank has determined its market risk management activities and has taken necessary measures within the scope of the "Regulation on Internal Systems of Banks and the Internal Capital Adequacy Evaluation Process", published in the Official Gazette dated 11 July 2014 and issue no.29057 and the "Regulation on Measurement and Evaluation of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 6 September 2014 and issue no.29111.

Market risk calculations are made on monthly basis and the obtained results of measurements are taken into account for calculation of Capital Adequacy Standard Ratio. The amount subject to market risk as of the date of 31.12.2017 is TL 323 million.

For measuring the exchange rate risk encountered by the Bank, Standard Method and Value at Risk Method are used. Legal position limits are used for the purpose of limiting the encountered exchange rate risk. Amount of net foreign currency open position as of 31.12.2017 is TL 92.5 million.

Against the liquidity risk, attention is paid to ensure consistency of maturity between assets and liabilities and liquid assets are kept for the purpose of completely meeting the liquidity needs which may occur as a result of fluctuations in the market.

Efforts in this context are supported by Turkish Liras and Foreign Exchange cash flow projections and developments in the maturity structure, cost of deposits in Turkish Liras and foreign currency and the total amounts thereof are followed on daily basis and during said studies, developments experienced in previous terms and expectations from future are taken into account as well. Based on the cash flow projections made,

measures are taken to meet liquidity needs by applying different pricing for various maturities, furthermore, the amount of liquidity which may be needed in extraordinary situations, is estimated and the alternative liquidity resources which may be used, are determined.

III.D. Information Regarding Risk Policies Implemented Based on the Types of Risks

Market Risk Arising From Trading Portfolio

Below mentioned activities are conducted for the purposes of complying with the rules and regulations of the Banking Regulation and Supervision Agency for defining, measuring, reporting and following the market risk by the Bank; minimising the losses of the Bank which may arise from the market risk; improving processes and standards.

Bank may not maintain positions above the legal limits. Additionally, Value at Risk limits have been determined for the risk due to the trading portfolio maintained by the Bank within the scope of Trading Portfolio Policy. Compliance with these limits is followed by the Risk Management Department on daily basis.

Interest Risk Arising From Banking Accounts

Within the scope of Assets and Liabilities Management Policy; all the components included in the assets and liabilities of the Bank are divided into maturity tranches based on remaining maturity periods by way of re-pricing and predetermined interest shocks are applied and the change in net economic value is calculated.

By the stress tests made on the interest risk maintained by the Bank through the Interest Risk Analysis, sensibility of the risk level intended to be carried out is tested against crises scenarios and thereby, studies are made to keep them under control.

Liquidity and Funding Risk

Bank determines its policies for defining, measuring, reporting and controlling the liquidity risk according to international best practices and the rules and regulations set by the Banking Regulation and Supervision Agency.

When considering the liquidity position of the Bank; existing and expected assets quality, existing and future profitability capacity, funding needs based on previous experiences, existing liquidity position, funding needs estimated to occur in the future, funding resources and cash flows are taken into account.

Organisation, duties and responsibilities of the Bank's Liquidity Risk Management have been defined in details within the scope of Liquidity and Funding Risk Policy and the basic principles, implementations, limits and reporting activities to be accepted for Liquidity Risk Management are specified.

By the Liquidity Reports; short and long term liquidity risks carried by the Bank and the scenario analysis on the current positions of the Bank are presented to the Management.

Credit Risk

For the purposes of estimating, determining, measuring, following, avoiding, decreasing and managing the credit risk of the Bank; rating, model development and verification standards are determined. These standards are developed for the purpose of correctly defining the reliable credit clients with regards to credit policies.

Furthermore, for defining, measuring, reporting and controlling the credit risk, required reporting and controls are performed within the framework local laws and regulations.

Rules and regulations of the Banking Regulation and Supervision Agency are taken as the basis to calculate the provisions for credits.

For credit risks arising from transactions executed by the Treasury Department with other banks, limits are determined on the basis of each bank. Furthermore, the counterparty credit risk is monitored by stress tests made on monthly basis.

Concentration and risk limits developed relating to the loan portfolio maintained by the Bank are reviewed through the Credit Risk Reports.

Operational Risk

For determining, measuring, decreasing, reporting and controlling operational risk, the Bank implements policies formed by it according to international best practices and local laws and regulations.

Business stability policies and procedures have been formed under the framework of operational risk. Process based business impact analysis have been made for the purpose of providing business stability and critical activities of the company and resources required for maintaining these activities have been determined. Business continuity plans have been prepared and infrastructure studies aimed at implementation of the plans have been completed.

III.E. Rating Grade Given by Rating Agencies and Information Relating to the Content of Said Grade

The Bank has the following credit rating, taken from Fitch Rating Agency.

Fitch Ratings	
Long Term Foreign and Local Currency Rating	BB-
Short Term Foreign and Local Currency Rating	B
Viability Rating	BB-
Support Rating	5
Long Term National Rating	A+ (tur)
Senior Unsecured Debt Rating	BB-
Subordinated Debt Rating	B+
Outlook	Stable

III.F. Condensed Financial Information Regarding Last Five Years Including the Period for Which the Report is Prepared

Unconsolidated Condensed Balance Sheet					
(TLThousand)	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
Cash Assets and Balances with the Central Bank	2,487,256	1,937,934	1,474,109	1,023,109	804,527
Financial Assets at Fair Value Through Profit or Loss (Net)	1,344,033	497,685	114,531	32,640	75,493
Financial Assets Held for Trading	743,877	497,685	114,531	32,640	75,493
Loans	600,156	-	-	-	-
Due from Banks	319,695	58,064	69,744	262,563	214,158
Money Market Placements	376,334	274,702	--	23,189	46,697
Financial Assets Available for Sale (Net)	766,163	887,226	613,771	381,909	265,644
Loans	14,488,001	11,441,272	8,614,777	6,189,634	5,179,954
Associates	4,897	--	--	--	--
Subsidiaries (Net)	5,445	5,445	5,445	5,445	5,445
Derivative Financial Assets Held for Hedging Purposes	17,902	--	--	--	--
Tangible Fixed Assets (Net)	191,953	186,199	191,682	31,482	32,766
Intangible Fixed Assets (Net)	5,948	3,979	5,364	5,366	6,985
Tax Assets	9,475	3	1,655	2,193	13,243
Assets Held for Sale and Discontinued Operations	23,795	3,817	3,299	919	1,173
Other Assets	75,309	97,183	96,996	83,185	17,794
Total Assets	20,116,206	15,393,509	11,191,373	8,041,604	6,663,879
Deposits	12,272,743	9,621,503	7,460,485	5,246,235	4,548,177
Derivative Financial Liabilities for Trading Purposes	749,590	383,459	83,608	11,712	80,718
Funds Borrowed	2,084,851	1,536,663	1,024,446	846,349	559,081
Money Market Funds	479,880	683,828	504,822	325,977	225,988
Securities Issued (Net)	1,255,066	991,975	503,741	472,935	297,160
Sundry Creditors	312,519	145,749	100,674	61,250	54,255
Other Liabilities	103,169	126,110	114,763	101,391	44,826
Lease Payables (Net)	469	85	171	211	260
Derivative Financial Liabilities for Hedging Purposes	3,664	--	--	--	--
Provisions	152,918	178,569	113,746	77,360	63,782
Tax Liabilities	42,186	38,424	35,904	20,361	17,039
Subordinated Debt	1,194,561	397,278	211,913	291,574	275,420
Shareholders' Equity	1,464,590	1,289,866	1,037,100	586,249	497,173
Total Liabilities	20,116,206	15,393,509	11,191,373	8,041,604	6,663,879

Consolidated Condensed Balance Sheet

(TLThousand)

	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
Cash Assets and Balances with the Central Bank	2,487,256	1,937,934	1,474,109	1,023,109	804,527
Financial Assets at Fair Value Through Profit or Loss (Net)	1,344,033	497,685	114,531	32,640	75,493
Financial Assets Held for Trading	743,877	497,685	114,531	32,640	75,493
Loans	600,156	-	-	-	-
Due from Banks	320,016	58,380	70,046	262,879	214,462
Money Market Placements	376,334	274,702	--	23,189	46,697
Financial Assets Available for Sale (Net)	766,163	887,226	613,771	381,909	265,644
Loans	14,488,001	11,441,272	8,614,777	6,189,634	5,179,954
Associates	4,897	--	--	--	--
Subsidiaries (Net)	--	--	--	--	--
Derivative Financial Assets Held for Hedging Purposes	17,902	--	--	--	--
Tangible Fixed Assets (Net)	191,962	186,205	191,693	31,494	32,776
Intangible Fixed Assets (Net)	5,948	3,979	5,364	5,336	6,983
Tax Assets	9,831	307	1,901	2,338	13,266
Assets Held for Sale and Discontinued Operations (Net)	23,795	3,817	3,299	919	1,173
Other Assets	75,530	97,365	97,093	83,273	17,759
Total Assets	20,111,668	15,388,872	11,186,584	8,036,720	6,658,736
Deposits	12,267,905	9,616,738	7,455,724	5,241,365	4,543,049
Derivative Financial Liabilities for Trading Purposes	749,590	383,459	83,608	11,712	80,718
Funds Borrowed	2,084,851	1,536,663	1,024,446	846,349	559,081
Money Market Funds	479,880	683,828	504,822	325,977	225,988
Securities Issued (Net)	1,255,066	991,975	503,741	472,935	297,160
Sundry Creditors	312,532	145,780	100,688	61,250	54,261
Other Liabilities	103,202	126,156	114,797	101,408	44,829
Lease Payables (Net)	469	85	171	211	260
Derivative Financial Liabilities for Hedging Purposes	3,664	--	--	--	--
Provisions	153,080	178,668	113,812	77,412	63,782
Tax Liabilities	42,256	38,481	35,949	20,399	17,064
Subordinated Debt	1,194,561	397,278	211,913	291,574	275,420
Shareholders' Equity	1,464,612	1,289,761	1,036,913	586,128	497,124
Total Liabilities	20,111,668	15,388,872	11,186,584	8,036,720	6,658,736

Unconsolidated Condensed Income Table

(TLThousand)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest Income	1,847,392	1,289,546	891,475	708,306	460,062
Interest Expense	1,205,070	779,598	494,209	395,850	266,930
Net Interest Income	642,322	509,948	397,266	312,456	193,132
Net Fees and Commission Income	43,809	26,160	22,864	17,582	13,327
Trading Income /Loss (Net)	2,825	55,975	(1,908)	17,643	37,222
Other Operating Income	87,017	54,327	35,421	10,668	9,962
Total Operating Income	775,973	646,410	453,643	358,349	253,643
Provision for Losses on Loans and Other Receivables (-)	213,032	193,187	102,823	62,370	42,269
Other Operating Expenses (-)	362,555	292,306	241,273	200,789	152,446
Net Operating Profit / Loss	200,386	160,917	109,547	95,190	58,928
P/L on Continuing Operations Before Tax	200,386	160,917	109,547	95,190	58,928
Tax Provisions (±)	(33,384)	(46,002)	(27,964)	(20,980)	(15,122)
Net Period P/L From Continuing Operations	167,002	114,915	81,583	74,210	43,806
Net Period Profit/Loss	167,002	114,915	81,583	74,210	43,806

Consolidated Condensed Income Table

(TLThousand)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest Income	1,847,427	1,289,571	891,640	708,376	460,066
Interest Expense	1,204,462	779,047	493,796	395,369	266,806
Net Interest Income	642,965	510,524	397,844	313,007	193,260
Net Fees and Commission Income	45,492	27,463	23,796	18,268	13,326
Trading Income /Loss (Net)	2,825	55,997	(1,908)	17,643	37,222
Other Operating Income	86,816	54,140	35,271	10,531	9,935
Total Operating Income	778,098	648,124	455,003	359,449	253,743
Provision for Losses on Loans and Other Receivables (-)	213,032	193,187	102,823	62,370	42,269
Other Operating Expenses (-)	364,521	293,917	242,715	201,979	152,673
Net Operating Profit / Loss	200,545	161,020	109,465	95,100	58,801
P/L on Continuing Operations Before Tax	200,545	161,020	109,465	95,100	58,801
Tax Provisions (±)	(33,416)	(46,023)	(27,948)	(20,962)	(15,099)
Net Period P/L From Continuing Operations	167,129	114,997	81,517	74,138	43,702
Net Period Profit/Loss	167,129	114,997	81,517	74,138	43,702

III.G.Activities of the Bank and Important Developments Relating to Its Activities

- 1) Information relating to investments made by the Bank in 2017 is specified in paragraphs 12 and 13 of Section Five “I. Explanations and Footnotes Relating to Assets of the Balance Sheet” in the Independent Auditor’s Report.
- 2) Information relating to the Bank’s internal control system and internal audit activities and the opinion of management body regarding this matter, are specified in section titled “III.A. Evaluations of the Audit Committee Relating to Operation of the Internal Control, Internal Auditing Risk Management Systems and Information Regarding Its Activities During the Accounting Period”, of this Report.
- 3) The Bank has a subsidiary with the trade name “Fiba Portföy Yönetimi Anonim Şirketi”. Share capital of said company is TL 5,500,000 (five million five hundred) composed of 550,000,000 (five hundred and fifty million) registered shares each with a nominal value of 1 Kuruş, all of which is paid up. TL 5,445,000.- of said share capital, which corresponds to its 99%, was undertaken by Fibabanka A.Ş. and TL 55,000.- thereof which corresponds to 1% was undertaken by Fiba Holding A.Ş. in cash and completely without any dispute all of the undertaken share capital has been paid by the shareholders in cash and fully.
- 4) As of the date of 31 December 2017, the Bank holds shares of Credit Guarantee Fund Joint Stock Company (Kredi Garanti Fonu A.Ş.) with the amount of TL 4,896,642.32.
- 5) There is no share of the Bank, which has been redeemed by itself.
- 6) The Bank is audited by an independent audit firm at the end of each quarterly period in a limited scope and at the end of each year comprehensively. Furthermore, it is subject to constant monitoring and supervision of the Banking Regulation and Supervision Agency within the scope of banking laws and regulations.
- 7) There is no lawsuit commenced against the Bank which may affect the financial situation and activities of the Bank.
- 8) Amount of penalties paid by the Bank due to practices in breach of related laws and regulations is TL 40,495.50.
- 9) The Bank reached its targets in 2017 and fulfilled the decisions of its General Assembly.
- 10) In the Extraordinary General Assembly meeting held on the date of 03.07.2017, the issue of “Distributing Premium to the Personnel” which was one of the items on the agenda of the Ordinary General Assembly Meeting dated 27.03.2017, has been discussed and it has been resolved to increase the gross premium, decided to be distributed to the personnel by the decision of the Remuneration Committee dated 23 March 2017, to TL 6,085,067.
- 11) Total amount of donations and aids made by the Bank in 2017 and the expenses incurred within the scope of social responsibility projects is TL 1,098,235.74.
- 12) With regards to the transactions made with Fiba Holding A.Ş., the direct controlling company of

Fibabanka and its other affiliated companies, there is no measure taken or refrained to be taken in favour of Fibabanka. Likewise, with regards to transactions made with Mr. Hüsnü Mustafa Özyeğin, the controlling entrepreneur of Fibabanka, there is also no measure taken or refrained to be taken in favour of Fibabanka. In all of legal transactions, details of which are given in the Affiliation Report, the agreements have been subject to similar procedures, principles and terms and conditions, as if they were made with third parties out of the group of companies. No measure has been implemented to the detriment of Fibabanka, according to an attempt or for interests of the Fibabanka's controlling entrepreneur, controlling company or its affiliated companies.

13) On the date of realisation of legal transactions made with the controlling company, affiliated companies of the controlling company and the major investor, details of which are given in the Affiliation Report, according to the terms and conditions known to us as of the date when the legal transactions specified in the report, are executed; an appropriate consideration has been provided in each transaction. There is no measure taken or refrained to be taken and any loss incurred by our Bank in this context. As a result of examination of financial transactions conducted by Fibabanka with its controlling entrepreneur, controlling company and the affiliated companies of the controlling company, according to article 199 of the Turkish Commercial Code; it is understood that all transactions conducted by the Bank are exactly made according to the market conditions and the peers/applicable prices, prevailing at the time when related transaction is conducted, as if they were concluded with third persons.

14) In 2017;

- total amount of financial benefits such as attendance fee, fee, premium, bonus, profit share, etc. provided to the Board of Directors and to seniors managers of the Bank, is TL 13,803,093.21.- on solo basis, and TL 14,125,906.21.- on consolidated basis.
- total amount of allowances, travel, accommodation and representation costs and benefits in rem and financial benefits, insurances and similar warranties given to the Board of Directors and to senior managers of the Bank, is TL 1,202,002.73.-.

III.H. Independent Audit Report

FİBANKA A.Ş.
INDEPENDENT AUDITOR'S REPORT,
UNCONSOLIDATED FINANCIAL STATEMENTS AND
RELATED DISCLOSURES FOR THE YEAR ENDED
31 DECEMBER 2017

(Convenience translation of publicly announced unconsolidated financial statements, related disclosures and auditor's report originally issued in Turkish)

(Convenience translations of the independent auditor’s report originally issued in Turkish ~ See Note I. of Section 3)

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of Fibabanka Anonim Şirketi:

A) Report on the Audit of Unconsolidated Financial Statements

1) Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Fibabanka Anonim Şirketi (the Bank), which comprise the statement of financial position as at December 31, 2017, and the unconsolidated statement of profit or loss accounted for under equity, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the “Basis for Qualified Opinion” section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Fibabanka A.Ş. as at December 31, 2017 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and “BRSA Accounting and Financial Reporting Legislation” which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations.

2) Basis for Qualified Opinion

As explained in detail in Note II-8 of Section 5, the accompanying unconsolidated financial statements as at December 31, 2017 include a general reserve which does not meet the relevant criterias in TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for possible risks provided by the Bank Management for possible results of the circumstances which may arise from possible changes in the economy and market conditions during the year of 2016 and within current period amounting to TL 55,500 thousands out which TL 36,000 thousands and TL 19,500 thousands, respectively.

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued 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 Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment on Loans and Advances</i>	
Impairment of loans and receivables is a key area of judgement for the management. There is a potential risk of provision that has been provided or that will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Aforementioned risk is a failure in identifying the loans and receivables which are impaired and not providing the adequate provision for these impaired loans. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related explanations regarding the financial statement relating to the impairment of loans and advances have been disclosed in "Footnote Five Note I-5".	Our audit procedures included among others, selecting samples of loans and receivables based on our judgement in order to identify whether there is objective evidence that impairment exists on these loans and receivables and the assess the adequacy of provision for those loans and receivables in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition our audit procedures include assessing the relevant controls over granting, booking, monitoring and derecognition and testing the design and operational effectiveness of the key controls in place for identifying impaired loans and the calculation of provisions which were provided for them.
<i>Derivative Financial Instruments</i>	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency options, currency futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in "Footnote Five Note I-2 and Footnote Five Note II-2". Fair value of the derivative financial instruments is determined by selecting the most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered as a key audit matter due to the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others include reviewing fair valuation policies adopted by Bank Management, re-calculation of samples basis fair values by our experts, assessing the estimations and judgements used in valuation and testing the assessment of operating effectiveness of the key controls in the process for fair value determination.

4) Other Matter

The unconsolidated financial statements of the Fibabanka A.Ş. for the year ended December 31, 2016 were audited by another audit firm, which expressed a qualified opinion in their reports issued on February 17, 2017.

5) Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

6) Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 BRSA Independent Audit Regulation and ISAs 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 financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated 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 Bank'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 Bank'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 unconsolidated 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the directors 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities and financial statements for the period January 1 – December 31, 2017 are not in compliance with the laws and provisions of the Bank’s articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section 3, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

The engagement partner who supervised and concluded this independent auditor’s report is Damla Harman.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner

27 February 2018
İstanbul, Türkiye

UNCONSOLIDATED FINANCIAL REPORT OF

FİBABANKA A.Ş.



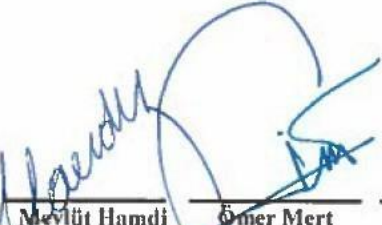

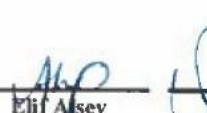

AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

Address: : Esentepe Mah. Büyükdere Caddesi
No: 129 Şişli 34394 İstanbul
Telephone : (212) 381 82 82
Fax : (212) 257 37 78
Web Site : www.fibabanka.com.tr
Contact E-Mail : zeki.goksungur@fibabanka.com.tr

The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

					
Hüsnü Mustafa Özyeğin	Nevzi Bozer	Mevlüt Hamdi Aydın	Ömer Mert	Elif Alsev Utku Özbey	Ayşe Akdaş
Chairman of the Board of Directors	Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	Member of the Audit Committee	Member of the Board of Directors and General Manager	Deputy General Manager	Department Head Financial Control and Reporting

Information related to personnel to whom questions related to this financial report may be directed.

Name-Surname/Title : **Ayşe Akdaş** / Financial Control and Reporting Department Head
Telephone Number : (212) 381 84 88
Fax Number : (212) 257 37 78

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

SECTION ONE

GENERAL INFORMATION

I. History of the Bank Including Its Incorporation Date, Initial Status and Amendments to the Initial Status

On 21 December 2001, Share Transfer Agreement was signed with Novabank S.A. for the sale of all shares of Sitebank A.Ş. under the control of SDIF and the sale transaction was approved by the decision of Banking Regulation and Supervision Agency ("BRSA") No: 596 on 16 January 2002.

In the General Assembly held on 4 March 2003, the name of Sitebank A.Ş. was amended as BankEuropa Bankası A.Ş.

In the extraordinary General Assembly held on 28 November 2006, the name of Bank Europa Bankası A.Ş. was amended as Millennium Bank A.Ş.

On 27 December 2010, acquisition of the Bank by Credit Europe Bank N.V., which is an affiliate of Fiba Holding A.Ş., was realized.

In the extraordinary General Assembly held on 25 April 2011 the name of Millennium Bank A.Ş. was amended as Fibabanka A.Ş. ("the Bank").

II. Shareholder Structure, Shareholders Having Direct or Indirect, Joint or Individual Control Over the Management and Internal Audit of the Bank, Changes in Shareholder Structure During the Current Period, if any and Information on the Bank's Risk Group

On 10 February 2010, Banco Comercial Portugues S.A. and Credit Europe Bank N.V., which is an affiliate of Fiba Group, signed a share purchase agreement to transfer 95% of the Bank's shares to Credit Europe Bank N.V. and the legal approval process was completed as of 27 December 2010.

Credit Europe Bank N.V.'s share of capital increased from 95% to 97.6% after the capital increases during 2011 and 2012. Fiba Holding A.Ş. became the ultimate parent of the Bank after acquiring 97.6% of the shares from Credit Europe Bank N.V. on 3 December 2012 and 2.4% of the shares from Banco Comercial Portugues S.A. on 7 December 2012. There were sales of equity shares to the management of the Bank in 2013. As of December 31, 2017 the total shares held by the Bank's Management represent 0.61% of the Bank's Capital.

The Bank applied to the BRSA on 14 January 2015 for permission of the subordinated loan provided from Fiba Holding A.Ş. in the amount of USD 50 million to be converted to share capital. Following the authorization of the BRSA on 4 March 2015, the Board of Directors decision was taken on 5 March 2015 regarding share capital increase from TL 550,000 to TL 678,860. TL 127,045 of the increase was provided by the subordinated loan granted by Fiba Holding A.Ş. which had been approved to be converted to capital and TL 1,815 of total capital was paid in cash by the other shareholders, capital increase was recognised in financial statements following the completion of the legal procedures on 7 May 2015.

The Bank's paid-in capital amounting to TL 678,860 was increased to TL 847,515 on 23 December 2015 with equal contributions from International Finance Corporation ("IFC") and European Bank for Reconstruction and Development ("EBRD") amounting TL 168,655 in total. In addition, share issuance premium of TL 73,379 was recognised in the shareholders' equity.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

II. Shareholder Structure, Shareholders Having Direct or Indirect, Joint or Individual Control Over the Management and Internal Audit of the Bank, Changes in Shareholder Structure During the Current Period, if any and Information on the Bank's Risk Group (Continued)

The Bank's paid-in capital amounting to TL 847,515 was increased to TL 941,161 on 7 September 2016 with the capital contribution of TurkFinance B.V. by TL 93,646. In addition, TL 55,299 was recorded to the equity as share premium. As of 31 December 2017, paid-in capital of the Bank is TL 941,161 and all paid in.

III. Explanations Regarding the Shares of the Bank Owned by and Areas of Responsibility of the Chairman and the Members of Board of Directors, Audit Committee Members, Chief Executive Officer, Executive Vice Presidents

<u>Name Surname</u>	<u>Title</u>	<u>Assignment Date</u>
<i>Board of Directors</i>		
Hüsnü Mustafa Özyeğin	Chairman	27-Dec-10
Fevzi Bozer	Deputy Chairman	27-Dec-10
Mehmet Güleşçi	Member	27-Dec-10
Mevlüt Hamdi Aydın	Member	24-Jan-13
İsmet Kaya Erdem	Member	11-Feb-13
Memduh Aslan Akçay	Member	13-Apr-16
Selçuk Yorgancıoğlu	Member	22-Sep-16
Hülya Kefeli	Member	15-May-17
Ömer Mert	Member-General Manager	18-Jan-17
<i>Audit Committee</i>		
Fevzi Bozer	Member	27-Dec-10
Mevlüt Hamdi Aydın	Member	24-Jan-13
<i>Assistant General Managers</i>		
Elif Alsev Utku Özbey	Deputy GM - Financial Control & Reporting	07-Jan-11
Adem Aykın	AGM - Information Technologies	01-Jul-11
Esra Osmanağaoğlu	AGM - Banking Operations	29-Feb-12
Sezin Erken	AGM - Consumer Banking & Funding Resource Management	10-Aug-17
Kerim Lokman Kuriş	AGM - Corporate & Commercial Banking	01-Dec-15
Turgay Hasdiker	AGM - Credits	01-Dec-15
Ahu Dolu	AGM - Financial Institutions	01-Dec-15
Orhan Hatipoğlu	AGM – Direct Banking & Supporting Services	02-Jan-17
Ömer Rifat Gencal	AGM – Treasury	01-May-17
Gerçek Önal	Chief Legal Officer	01-Feb-16

The Bank's equity shares owned by the individuals listed above are not material.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

IV. Individuals and Institutions That Have Qualified Shares in the Bank

Name Surname/ Commercial Title	Share Amount (Nominal)	Share Ratios	Paid in Capital (Nominal)	Unpaid Shares
Fiba Holding A.Ş.	673,147	71.52%	673,147	--
Hüsnü Mustafa Özyeğin	666,433	70.81%	666,433	--

V. Summary Information on the Bank's Services and Activity Areas

The Bank was incorporated as a privately owned bank authorized for customer deposit acceptance and the Head Office of the Bank is located in Istanbul, Turkey. As of 31 December 2017, the Bank serves with 80 domestic branches and 1,633 employees.

VI. Other Information

The Bank's Commercial Title:	Fibabanka Anonim Şirketi
The Bank's General Directorate Address:	Esentepe Mah. Büyükdere Caddesi No:129 Şişli 34394 İstanbul
The Bank's Phone and Fax Numbers:	Telephone : (0212) 381 82 82 Fax : (0212) 257 37 78
The Bank's Web Site Address:	www.fibabanka.com.tr
The Bank's E-Mail Address:	malikontrol@fibabanka.com.tr
Reporting Period:	1 January 2017 – 31 December 2017

The financial statements, related disclosures and notes in this report are presented, unless otherwise indicated, in thousands of Turkish Lira (TL).

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

**NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS OF 31 DECEMBER 2017**

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

ASSETS	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	275.601	2.211.655	2.487.256	137.977	1.799.957	1.937.934
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	1.332.566	11.467	1.344.033	491.693	5.992	497.685
2.1 Financial Assets Held for Trading		732.410	11.467	743.877	491.693	5.992	497.685
2.1.1 Public Sector Debt Securities		18.450	4.174	22.624	17.033	5.720	22.753
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Positive Value of Trading Purpose Derivatives		682.024	6.477	688.501	414.739	265	415.004
2.1.4 Other Securities		31.936	816	32.752	59.921	7	59.928
2.2 Financial Assets Designated at Fair Value		600.156	-	600.156	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		600.156	-	600.156	-	-	-
2.2.4 Other Securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	47.814	271.881	319.695	1.112	56.952	58.064
IV. DUE FROM MONEY MARKETS		-	376.334	376.334	15.009	259.693	274.702
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	376.334	376.334	15.009	259.693	274.702
4.3 Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.4)	184.756	581.407	766.163	174.433	712.793	887.226
5.1 Share Certificates		-	1.727	1.727	-	1.019	1.019
5.2 Public Sector Debt Securities		167.708	12.147	179.855	172.433	11.418	183.851
5.3 Other Securities		17.048	567.533	584.581	2.000	700.356	702.356
VI. LOANS AND RECEIVABLES	(5.1.5)	9.627.446	4.860.555	14.488.001	7.983.452	3.457.820	11.441.272
6.1 Loans and Receivables		9.329.948	4.860.555	14.190.503	7.854.983	3.457.820	11.312.803
6.1.1 Loans Utilized to the Bank's Risk Group		4.714	72	4.786	122.792	48	122.840
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		9.325.234	4.860.483	14.185.717	7.732.191	3.457.772	11.189.963
6.2 Loans under Follow-Up		468.493	-	468.493	212.639	-	212.639
6.3 Specific Provisions (-)		170.995	-	170.995	84.170	-	84.170
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENT HELD TO MATURITY (Net)	(5.1.6)	-	-	-	-	-	-
8.1 Public Sector Debt Securities		-	-	-	-	-	-
8.2 Other Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	4.897	-	4.897	-	-	-
9.1 Associates accounted for Under Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		4.897	-	4.897	-	-	-
9.2.1 Financial Associates		4.897	-	4.897	-	-	-
9.2.2 Non-Financial Associates		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	5.445	-	5.445	5.445	-	5.445
10.1 Unconsolidated Financial Subsidiaries		5.445	-	5.445	5.445	-	5.445
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.9)	-	-	-	-	-	-
11.1 Joint Ventures accounted for Under Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING PURPOSE DERIVATIVES	(5.1.11)	17.902	-	17.902	-	-	-
13.1 Fair Value Hedge		17.902	-	17.902	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	191.953	-	191.953	186.199	-	186.199
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	5.948	-	5.948	3.979	-	3.979
15.1 Goodwill		-	-	-	-	-	-
15.2 Others		5.948	-	5.948	3.979	-	3.979
XVI. INVESTMENT PROPERTIES (Net)	(5.1.14)	-	-	-	-	-	-
XVII. TAX ASSET		9.475	-	9.475	3	-	3
17.1 Current Tax Assets		3	-	3	3	-	3
17.2 Deferred Tax Assets	(5.1.15)	9.472	-	9.472	-	-	-
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.16)	23.795	-	23.795	3.817	-	3.817
18.1 Held for Sale		23.795	-	23.795	3.817	-	3.817
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	54.033	21.276	75.309	81.614	15.569	97.183
TOTAL ASSETS		11.781.631	8.334.575	20.116.206	9.084.733	6.308.776	15.393.509

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

**NOTES TO THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS OF 31 DECEMBER 2017**

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

LIABILITIES AND EQUITY		Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
			TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.II.1)		6,376,558	5,896,185	12,272,743	5,819,410	3,802,093	9,621,503
1.1 Deposits of the Bank's Risk Group			465,699	248,535	714,234	404,210	212,031	616,241
1.2 Others			5,910,859	5,647,650	11,558,509	5,415,200	3,590,062	9,005,262
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.2)		742,447	7,143	749,590	383,197	262	383,459
III. FUNDS BORROWED	(5.II.3)		21,789	2,063,062	2,084,851	17,220	1,519,443	1,536,663
IV. DUE TO MONEY MARKETS			3,503	476,377	479,880	179,244	504,584	683,828
4.1 Interbank Money Market			-	-	-	-	-	-
4.2 Istanbul Stock Exchange			3,503	-	3,503	-	-	-
4.3 Repurchase Agreements			-	476,377	476,377	179,244	504,584	683,828
V. SECURITIES ISSUED (Net)	(5.II.4)		1,255,066	-	1,255,066	991,975	-	991,975
5.1 Bills			1,255,066	-	1,255,066	991,975	-	991,975
5.2 Asset Backed Securities			-	-	-	-	-	-
5.3 Bonds			-	-	-	-	-	-
VI. FUNDS			-	-	-	-	-	-
6.1 Borrowers Funds			-	-	-	-	-	-
6.2 Others			-	-	-	-	-	-
VII. SUNDRY CREDITORS	(5.II.5)		218,999	93,520	312,519	59,558	86,191	145,749
VIII. OTHER EXTERNAL RESOURCES	(5.II.5)		74,406	28,763	103,169	117,549	8,561	126,110
IX. FACTORING PAYABLES			-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.II.6)		-	469	469	-	85	85
10.1 Financial Lease Payables			-	526	526	-	89	89
10.2 Operational Lease Payables			-	-	-	-	-	-
10.3 Others			-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses (-)			-	57	57	-	4	4
XI. HEDGING PURPOSE DERIVATIVES	(5.II.7)		3,664	-	3,664	-	-	-
11.1 Fair Value Hedge			3,664	-	3,664	-	-	-
11.2 Cash Flow Hedge			-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries			-	-	-	-	-	-
XII. PROVISIONS	(5.II.8)		152,918	-	152,918	178,569	-	178,569
12.1 General Provisions			70,580	-	70,580	121,287	-	121,287
12.2 Restructuring Provisions			-	-	-	-	-	-
12.3 Reserve for Employee Benefits			21,231	-	21,231	16,894	-	16,894
12.4 Insurance Technical Provisions (Net)			-	-	-	-	-	-
12.5 Other Provisions			61,107	-	61,107	40,388	-	40,388
XIII. TAX LIABILITIES	(5.II.9)		42,186	-	42,186	38,424	-	38,424
13.1 Current Tax Liability			42,186	-	42,186	37,050	-	37,050
13.2 Deferred Tax Liability			-	-	-	1,374	-	1,374
XIV. SALE AND DISCONTINUED OPERATIONS (Net)	(5.II.10)		-	-	-	-	-	-
14.1 Held For Sale			-	-	-	-	-	-
14.2 Discontinued Operations			-	-	-	-	-	-
XV. SUBORDINATED LOANS	(5.II.11)		-	1,194,561	1,194,561	-	397,278	397,278
XVI. SHAREHOLDERS' EQUITY	(5.II.12)		1,462,376	2,214	1,464,590	1,299,969	(10,103)	1,289,866
16.1 Paid-In Capital			941,161	-	941,161	941,161	-	941,161
16.2 Supplementary Capital			110,929	2,214	113,143	115,524	(10,103)	105,421
16.2.1 Share Premium			128,678	-	128,678	128,678	-	128,678
16.2.2 Share Cancellation Profits			-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve			(13,113)	2,214	(10,899)	(10,151)	(10,103)	(20,254)
16.2.4 Revaluation Fund on Tangible Assets			-	-	-	-	-	-
16.2.5 Revaluation Fund on Intangible Assets			-	-	-	-	-	-
16.2.6 Revaluation Fund on Investment Properties			-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures			-	-	-	-	-	-
16.2.8 Hedging Funds (Effective Portion)			-	-	-	-	-	-
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations			-	-	-	-	-	-
16.2.10 Other Supplementary Capital			(4,636)	-	(4,636)	(3,003)	-	(3,003)
16.3 Profit Reserves			243,284	-	243,284	128,369	-	128,369
16.3.1 Legal Reserves			13,535	-	13,535	7,790	-	7,790
16.3.2 Status Reserves			-	-	-	-	-	-
16.3.3 Extraordinary Reserves			229,749	-	229,749	120,579	-	120,579
16.3.4 Other Profit Reserves			-	-	-	-	-	-
16.4 Profit or Loss			167,002	-	167,002	114,915	-	114,915
16.4.1 Prior Periods' Profits / Losses			-	-	-	-	-	-
16.4.2 Current Period Profit / Loss			167,002	-	167,002	114,915	-	114,915
16.5 Minority Shares	(5.II.13)		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY			10,353,912	9,762,294	20,116,206	9,085,115	6,308,394	15,393,509

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

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2017

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

	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		15,098,165	26,819,511	41,917,676	8,581,635	12,614,699	21,196,334
I. GUARANTEES	(5.III.1)	759,810	1,271,184	2,030,994	440,172	456,854	897,026
1.1. Letters of Guarantee		759,390	294,942	1,054,332	439,122	166,786	605,908
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		759,390	294,942	1,054,332	439,122	166,786	605,908
1.2. Bank Acceptances		420	421,119	421,539	1,050	66,001	67,051
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		420	421,119	421,539	1,050	66,001	67,051
1.3. Letters of Credit		-	555,123	555,123	-	224,067	224,067
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	555,123	555,123	-	224,067	224,067
1.4. Prefinancing Given As Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Related Guarantees		-	-	-	-	-	-
1.8. Other Collaterals		-	-	-	-	-	-
1.9. Other Sureties		-	-	-	-	-	-
II. COMMITMENTS		1,403,774	899,493	2,303,267	542,376	326,052	868,428
2.1. Irrevocable Commitments	(5.III.1)	1,403,774	899,493	2,303,267	542,376	326,052	868,428
2.1.1. Asset Purchase and Sale Commitments		737,529	899,493	1,637,022	89,486	326,052	415,538
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		323,365	-	323,365	171,368	-	171,368
2.1.5. Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		211,200	-	211,200	172,800	-	172,800
2.1.8. Tax and Fund Obligations from Export Commitments		5,070	-	5,070	4,230	-	4,230
2.1.9. Commitments for Credit Card Limits		123,381	-	123,381	101,475	-	101,475
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services		-	-	-	1	-	1
2.1.11. Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12. Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		3,229	-	3,229	3,016	-	3,016
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.5)	12,934,581	24,648,834	37,583,415	7,599,087	11,831,793	19,430,880
3.1. Hedging Purpose Derivatives		482,049	509,207	991,256	-	-	-
3.1.1. Fair Value Hedge		482,049	509,207	991,256	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2. Trading Purpose Derivatives		12,452,532	24,139,627	36,592,159	7,599,087	11,831,793	19,430,880
3.2.1. Forward Foreign Currency Purchases/Sales		1,929,765	3,365,420	5,295,185	456,674	1,582,210	2,038,884
3.2.1.1. Forward Foreign Currency Purchases		918,657	1,731,510	2,650,167	193,451	823,219	1,016,670
3.2.1.2. Forward Foreign Currency Sales		1,011,108	1,633,910	2,645,018	263,223	758,991	1,022,214
3.2.2. Currency and Interest Rate Swaps		5,133,914	12,824,125	17,958,039	4,400,155	7,476,657	11,876,812
3.2.2.1. Currency Swaps-Purchases		2,340,868	6,587,892	8,928,760	2,410,286	3,533,213	5,943,499
3.2.2.2. Currency Swaps-Sales		2,743,046	6,236,233	8,979,279	1,939,869	3,943,444	5,883,313
3.2.2.3. Interest Rate Swaps-Purchases		25,000	-	25,000	25,000	-	25,000
3.2.2.4. Interest Rate Swaps-Sales		25,000	-	25,000	25,000	-	25,000
3.2.3. Currency, Interest Rate and Security Options		5,310,753	7,874,718	13,185,471	2,742,258	2,772,926	5,515,184
3.2.3.1. Currency Options-Purchases		2,654,127	3,936,025	6,590,152	1,465,408	1,288,756	2,754,164
3.2.3.2. Currency Options-Sales		2,656,626	3,938,693	6,595,319	1,276,850	1,484,170	2,761,020
3.2.3.3. Interest Rate Options-Purchases		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sales		-	-	-	-	-	-
3.2.3.5. Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6. Securities Options-Sales		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sales		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6. Others		78,100	75,364	153,464	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		99,748,531	41,498,940	141,247,471	70,890,212	32,888,095	103,778,307
IV. ITEMS HELD IN CUSTODY		1,464,887	288,177	1,753,064	961,063	262,458	1,223,521
4.1. Customers' Securities and Portfolios Held		128,611	-	128,611	160,517	-	160,517
4.2. Securities Held in Custody		150,635	116,692	267,327	77,188	87,118	164,306
4.3. Checks Received for Collection		737,227	91,680	828,907	430,886	81,067	511,953
4.4. Commercial Notes Received for Collection		170,178	79,805	249,983	126,323	94,273	220,596
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items under Custody		278,236	-	278,236	166,149	-	166,149
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		98,283,644	41,210,763	139,494,407	69,929,149	32,625,637	102,554,786
5.1. Securities		86,637	150,865	237,502	55,143	88,839	143,982
5.2. Guarantee Notes		167,345	198,887	366,232	164,027	64,842	228,869
5.3. Commodities		-	-	-	2,500	-	2,500
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		9,477,490	5,736,845	15,214,335	8,994,608	4,143,780	13,138,388
5.6. Other Pledged Items		88,552,172	35,124,166	123,676,338	60,712,871	28,328,176	89,041,047
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		114,846,696	68,318,451	183,165,147	79,471,847	45,502,794	124,974,641

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

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

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

INCOME AND EXPENSE ITEMS		Footnotes	CURRENT PERIOD (01/01/2017- 31/12/2017)	PRIOR PERIOD (01/01/2016- 31/12/2016)
I.	INTEREST INCOME	(5.IV.1)	1.847.392	1.289.546
1.1	Interest from Loans		1.697.131	1.237.756
1.2	Interest from Reserve Deposits		19.714	7.988
1.3	Interest from Banks		76.106	7.934
1.4	Interest from Money Market Transactions		4.682	1.558
1.5	Interest from Securities Portfolio		49.451	33.970
1.5.1	Trading Securities		1.859	1.413
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available for Sale Securities		47.592	32.557
1.5.4	Held to Maturity Securities		-	-
1.6	Interest from Financial Leases		-	-
1.7	Other Interest Income		308	340
II.	INTEREST EXPENSE		1.205.070	779.598
2.1	Interest on Deposits	(5.IV.2)	927.488	611.652
2.2	Interest on Funds Borrowed	(5.IV.2)	120.214	65.882
2.3	Interest Expense on Money Market Transactions		486	556
2.4	Interest on Securities Issued	(5.IV.2)	142.885	87.706
2.5	Other Interest Expenses		13.997	13.802
III.	NET INTEREST INCOME (I - II)		642.322	509.948
IV.	NET FEES AND COMMISSIONS INCOME		43.809	26.160
4.1	Fees and Commissions Received		76.699	47.932
4.1.1	Non-cash Loans		11.294	9.074
4.1.2	Other	(5.IV.12)	65.405	38.858
4.2	Fees and Commissions Paid		32.890	21.772
4.2.1	Non-cash Loans		189	220
4.2.2	Other	(5.IV.12)	32.701	21.552
V.	DIVIDEND INCOME	(5.IV.3)	-	-
VI.	TRADING INCOME / LOSS (Net)	(5.IV.4)	2.825	55.975
6.1	Profit / Loss on Securities Trading		4.542	6.734
6.2	Profit / Loss on Derivative Financial Transactions		19.338	59.614
6.3	Foreign Exchange Gains / Losses		(21.055)	(10.373)
VII.	OTHER OPERATING INCOME	(5.IV.5)	87.017	54.327
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		775.973	646.410
IX.	PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.6)	213.032	193.187
X.	OTHER OPERATING EXPENSES (-)	(5.IV.7)	362.555	292.306
XI.	NET OPERATING PROFIT / LOSS (VIII-IX-X)		200.386	160.917
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		-	-
XIV.	GAIN / LOSS ON NET MONETARY POSITION		-	-
XV.	P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.8)	200.386	160.917
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.9)	(33.384)	(46.002)
16.1	Current Tax		(46.161)	(40.201)
16.2	Deferred Tax		12.777	(5.801)
XVII.	NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.10)	167.002	114.915
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS		-	-
18.1	Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Assets Held for Sale		-	-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other		-	-
XX.	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax		-	-
21.2	Deferred Tax		-	-
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(5.IV.11)	167.002	114.915
23.1	Group's Profit / Loss		167.002	114.915
23.2	Minority Shares		-	-
	Earnings / Losses per Share(Per thousand share)		0,00177	0,00131

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

UNCONSOLIDATED STATEMENTS OF INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

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

INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD (01/01/2017-31/12/2017)	PRIOR PERIOD (01/01/2016-31/12/2016)
I.	ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	15,694	(12,648)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN FLOW HEDGES (Effective portion of Fair Value Differences)	-	-
VI.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	-	-
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(2,041)	(709)
IX.	DEFERRED TAXES OF VALUATION DIFFERENCES	(1,931)	2,773
X.	NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	11,722	(10,584)
XI.	CURRENT PERIOD PROFIT/LOSS	163,002	114,405
11.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(4,000)	(510)
11.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	-	-
11.3	Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
11.4	Other	167,002	114,915
XII.	TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	174,724	103,821

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

FİBABANKA A.Ş.

**UNCONSOLIDATED STATEMENT SHAREHOLDERS EQUITY
FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017**

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

CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-In Capital	Inflation Adjustments to Paid-In Capital (*)	Share Premium	Share Cancellation	Legal Reserves	Status Reserves	Extraordinary Reserves	Share Premium	Current Period Net Profit /	Prior Period Net Profit /	Securities Revaluation	Revaluation Fund of Tang./Intang.A.	Bonus Shares Obtained from Associates	Hedging Reserves	Val.Diff.Related to Assets Held for	Total Equity Attrib. to Equity	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD																				
01.01.2016-31.12.2016																				
I.	Balances at the Beginning of Period		847,515	-	73,379	-	3,711	-	43,075	(2,436)	81,583	-	(9,727)	-	-	-	-	1,037,100	-	1,037,100
II.	Corrections Accordance with TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The impact of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of The Change on Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I-II)		847,515	-	73,379	-	3,711	-	43,075	(2,436)	81,583	-	(9,727)	-	-	-	-	1,037,100	-	1,037,100
Changes in the Period																				
IV.	Increase / Decrease Related to Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Valuation Differences of Securities		-	-	-	-	-	-	-	-	-	-	(10,527)	-	-	-	-	(10,527)	-	(10,527)
VI.	Hedging Transactions (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Fund of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	The Effect of Capital Increase		93,646	-	55,299	-	-	-	-	-	-	-	-	-	-	-	-	148,945	-	148,945
14.1	Cash		93,646	-	55,299	-	-	-	-	-	-	-	-	-	-	-	-	148,945	-	148,945
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of Capital Stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	(567)	-	-	-	-	-	-	-	(567)	-	(567)
XIX.	Current Period Net Profit / Loss		-	-	-	-	-	-	-	-	114,915	-	-	-	-	-	-	114,915	-	114,915
XX.	Profit Distribution		-	-	-	-	4,079	-	77,504	-	(81,583)	-	-	-	-	-	-	-	-	-
20.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfer to Reserves		-	-	-	-	4,079	-	77,504	-	-	(81,583)	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	(81,583)	-	-	-	-	-	-	-	-	-
Balances at the End of Period (I-II+III+...+XVI+XVII+XVIII)			941,161	-	128,678	-	7,790	-	120,579	(3,003)	114,915	-	(20,254)	-	-	-	-	1,289,866	-	1,289,866
CURRENT PERIOD 01/01-31/12/2017																				
01.01.2017-31.12.2017																				
I.	Balances at the Beginning of Period		941,161	-	128,678	-	7,790	-	120,579	(3,003)	114,915	-	(20,254)	-	-	-	-	1,289,866	-	1,289,866
Changes in the Period																				
II.	Increase / Decrease Related to Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation Differences of Securities		-	-	-	-	-	-	-	-	-	-	9,355	-	-	-	-	9,355	-	9,355
IV.	Hedging Transactions (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Fund of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The Effect of Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Capital Stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(1,633)	-	-	-	-	-	-	-	(1,633)	-	(1,633)
XVII.	Current Period Net Profit / Loss		-	-	-	-	-	-	-	-	167,002	-	-	-	-	-	-	167,002	-	167,002
XVIII.	Profit Distribution		-	-	-	-	5,745	-	109,170	-	(114,915)	-	-	-	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfer to Reserves		-	-	-	-	5,745	-	109,170	-	-	(114,915)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(114,915)	-	-	-	-	-	-	-	-	-
Balances at the End of Period (I-II+III+...+XVI+XVII+XVIII)			941,161	-	128,678	-	13,535	-	229,749	(4,636)	167,002	-	(10,899)	-	-	-	-	1,464,590	-	1,464,590

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

**UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017**

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

	Footnotes	CURRENT PERIOD (01/01/2017-31/12/2017)	PRIOR PERIOD (01/01/2016-31/12/2016)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit before Changes in Operating Assets and Liabilities (+)		391,322	199,402
1.1.1 Interest Received (+)		-	-
1.1.2 Interest Paid (-)		1,749,162	1,229,699
1.1.3 Dividend Received (+)		1,147,614	756,611
1.1.4 Fees And Commissions Received (+)		-	-
1.1.5 Other Income (+)		76,684	46,877
1.1.6 Collections from Previously Written-Off Loans and Other Receivables (+)		142,142	19,107
1.1.7 Payments to Personnel and Service Suppliers (-)		2,844	3,022
1.1.8 Taxes Paid (-)		324,722	250,653
1.1.9 Other (+/-)	(5.VI.3)	59,194	64,844
		(47,980)	(27,195)
1.2 Changes in Operating Assets and Liabilities		(940,524)	(260,303)
1.2.1 Net (Increase) Decrease in Trading Securities (+/-)		47,924	(61,868)
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV (+/-)		(600,156)	-
1.2.3 Net (Increase) Decrease in Banks (+/-)		(316,874)	(222,997)
1.2.4 Net (Increase) Decrease in Loans (+/-)		(3,169,601)	(2,870,176)
1.2.5 Net (Increase) Decrease in Other Assets (+/-)	(5.VI.3)	6,417	380
1.2.6 Net Increase (Decrease) in Bank Deposits (+/-)		121,072	261,736
1.2.7 Net Increase (Decrease) in Other Deposits (+/-)		2,484,604	1,885,165
1.2.8 Net Increase (Decrease) in Funds Borrowed (+/-)		545,345	512,003
1.2.9 Net Increase (Decrease) in Due Payables (+/-)		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.3)	(59,255)	235,454
I. Net Cash (Used in)/Provided from Banking Operations (+/-)		(549,202)	(60,901)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / (Used in) Investing Activities (+/-)		94,881	(295,372)
2.1 Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)		4,897	-
2.2 Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)		-	-
2.3 Fixed Assets Purchases (-)		13,714	6,740
2.4 Fixed Assets Sales (+)		4,914	1,526
2.5 Cash Paid for Purchase of Investments Available for Sale (-)		95,050	563,427
2.6 Cash Obtained From Sale of Investments Available for Sale (+)		208,641	275,221
2.7 Cash Paid for Purchase of Investment Securities (-)		-	-
2.8 Cash Obtained from Sale of Investment Securities (+)		-	-
2.9 Other (+/-)	(5.VI.3)	(5,013)	(1,952)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / (Used in) Financing Activities (+/-)		1,051,326	813,889
3.1 Cash Obtained from Funds Borrowed and Securities Issued (+)		871,173	2,384,034
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued (-)		617,130	1,719,090
3.3 Capital Increase (+)		797,283	148,945
3.4 Dividends Paid (-)		-	-
3.5 Payments for Finance Leases (-)		-	-
3.6 Other (+/-)		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)		(5,432)	45,352
V. Net Increase / (Decrease) in Cash and Cash Equivalents		591,573	502,968
VI. Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.1)	704,378	201,410
VII. Cash and Cash Equivalents at the End of Period	(5.VI.1)	1,295,951	704,378

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

**UNCONSOLIDATED PROFIT DISTRIBUTION TABLES
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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

	CURRENT PERIOD(*) (01/01/2017-31/12/2017)	PRIOR PERIOD (01/01/2016-31/12/2016)
I. DISTRIBUTION OF CURRENT YEAR INCOME (1)		
1.1 CURRENT YEAR INCOME	200,386	160,917
1.2 TAXES AND DUTIES PAYABLE (-)	33,384	46,002
1.2.1 Corporate Tax (Income tax)	46,161	40,201
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (2)	(12,777)	5,801
A. NET INCOME FOR THE YEAR (1.1-1.2)	167,002	114,915
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	5,745
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	167,002	109,170
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	109,170
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
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	0.00177	0.00131
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
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 (%)	-	-

(*) General Assembly is the responsible body of the Company related to the distribution of current period income.

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. Explanations on the basis of presentation

1. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and the Communiqué on Principles and Procedures on the Accounting Practice and Documentation of Banks

As per the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” (the “Regulation”) published in the Official Gazette dated 1 November 2006 with No. 26333 related to the Turkish Banking Law No. 5411; the unconsolidated financial statements are prepared, in accordance with the regulations on accounting and financial reporting published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance announced by the Public Oversight, Accounting and Auditing Standards Authority (“POA”) for the matters not legislated by the aforementioned regulations. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communique on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and Communique on Disclosures About Risk Management to be Announced to Public by Banks” and amendments to this communique. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation. The financial statements are prepared in thousands of TL based on the historical cost convention, except for the financial assets and liabilities carried at fair value.

Notes with respect to TFRS 9 Financial Instruments Standard:

TFRS 9 “Financial Instruments” standard has been published on Official Gazette dated January 19, 2017 and numbered 29953 in order to be implemented for accounting periods on and after January 1, 2018 by Public Oversight, Accounting and Auditing Standards Authority (POA) in place of “TAS 29 Financial Instruments: Accounting and Measurement”.

The Bank shall implement the requirements of classification and measurement and impairment through reflecting to opening equity amounts without making any adjustments during the opening balance sheet comparison period on January 1, 2018. In addition, deferred tax asset based on general provisions shall begin to be calculated in accordance with provisions of TFRS 9 as of January 1, 2018.

Impacts of TFRS 9 to financial statements of previous periods are being reviewed and it is anticipated that the aforementioned change of standard to equity of the Bank shall be around (-) 15% provided that provision for contingencies, amounting to TL 55,500 thousand and included in balance sheet of the Bank, are cancelled.

1.1 Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

2. Accounting policies and valuation principles applied in preparation of financial statements

The accounting policies and valuation principles used in the preparation of the financial statements are selected and applied in accordance with the requirements set out in regulations, communiqués, statements and guidance published by the BRSA and if there is no special regulation by the BRSA, in accordance with the principles within TAS / TFRS. The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained in Notes II and XXIV below.

II. Explanations on the usage strategy of financial instruments and on foreign currency transactions

1. Usage strategy of the financial instruments

The major factor in managing interest rate and liquidity risk at the balance sheet is parallel movement of asset and liability side.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Value at risk models are used for this purpose.

Purchase-sale transactions of short and long-term financial instruments are realized within predetermined risk limits that are allowed for the purpose of increasing risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

2. Foreign currency transactions

2.1 Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements

The Bank recognizes the foreign currency transactions in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from the foreign currency transactions are translated into Turkish Lira by using the exchange rates at the date of the transaction and recognized in accounting records. At the end of the periods, foreign currency assets and liabilities are converted into Turkish Lira by using the spot foreign currency exchange rates of the Bank at the end of the period and the related currency translation differences are recognized as foreign exchange gains and losses.

As at the end of the related periods, the Bank’s foreign currency exchange rates are as follows:

	31 December 2017	31 December 2016
US Dollar	3.7719	3.5192
Euro	4.5155	3.7099

2.2 Foreign exchange gains and losses included in the income statement

As of 31 December 2017, net foreign exchange loss included in the income statement is TL 21,055 (1 January - 31 December 2016: TL 10,373 loss).

III. Explanations on Subsidiaries and Affiliates

In the unconsolidated financial statements; subsidiaries and affiliates are accounted for in accordance with “Financial Instruments: Turkish Accounting Standard on Recognition and Measurement (“TAS 27”)”.

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IV. Explanations on forward transactions, options and derivative instruments

The Bank's derivative transactions mainly consist of foreign currency swaps, interest rate swaps, foreign currency options and foreign currency forward purchase/sale contracts. The Bank does not have any embedded derivatives separated from the host contract.

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", foreign currency forward purchase/sale contracts, swaps and options are classified as "hedging purpose" and "trading purpose" transactions. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

1. Explanations on derivative financial instruments held for trading

The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivative financial assets held for trading" or "derivative financial liabilities held for trading" items of the balance sheet depending on the difference's being positive or negative.

2. Explanations on derivative financial instruments held for hedging

The Bank entered into cross currency interest rate swap transactions in order to hedge the change in fair values 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, which is fixed rate TL denominated loans, are presented in statement of financial position together with the hedged item. Subsequently, derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets held for hedging" or "derivative financial liabilities held for hedging", respectively depending on the fair values being positive or negative. Fair value changes are recorded under income statement.

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. Hedge accounting is continued 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.

V. Explanations on interest income and expenses

Interest income and expenses calculated using internal rate of return are recognized on accrual basis. In accordance with Banking Act No: 5411 Articles 53 and 93, based on the prevailing communique, interest accruals on loans becoming non-performing are reversed and also ceased to accrue interest on such loans until these loans are classified as performing or collected.

VI. Explanations on fee and commission income and expenses

Fee and commission income/expenses are recognized based on cash basis or accrual basis upon the nature of the transaction.

VII. Explanations on financial assets

Financial assets include cash on hand, contractual rights to receive cash or another financial asset from the counterparty or the right to exchange of financial instruments or equity instrument transactions of the counterparty. Financial assets are classified into four groups as financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity investments and loans and receivables.

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1. Financial assets at fair value through profit or loss

1.1 *Financial assets held for trading*

Financial assets held for trading are recognized at their fair values and any gain or losses resulting from such valuation are recorded in the profit and loss accounts. Interests received during the holding period of such financial assets and the difference between the amortized cost (calculated using internal rate of return) and the acquisition cost are recognized as interest income in the income statement. Gains and losses on sale of held for trading financial assets before their maturity and the difference between market value and amortized cost (calculated using internal rate of return) of such financial assets are recognized in gains and losses on securities trading under income statement.

1.2 *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are subject to valuation in accordance with fair value principles and profit or losses, emerging as a result of valuation, are recognized under profit/loss accounts. The Bank has determined a portion of its extended credits as financial assets fair value through profit or loss, mentioned in TAS 39 standard. The aforementioned loans have been demonstrated on credits line under “Financial assets at Fair value through profit or loss (net)”.

Fair value of loans, which are classified as financial assets at fair value through profit or loss, are determined through discounting of payment plan via using yield curve, established through adding Z-spread on the based of credit to swap yield curve.

2. Financial assets Available for Sale

Financial assets available-for-sale, are financial assets other than assets held for trading purposes, investments held-to-maturity and originated loans and receivables. Financial assets available-for-sale are measured at their fair values subsequently.

Interest income of the investments securities available-for-sale; based on the internal rate of return; are included in the income statement. Unrecognized gain/losses derived from the difference between their fair value and the discounted values are recorded in “Marketable Securities Revaluation Reserve” under the shareholders’ equity. In case of disposal, gains/losses recognized under equity are realized and recognized directly in the income statement.

Purchase and sale transactions of securities are accounted for on a settlement date basis.

3. Held to maturity investments

The Bank does not have any held to maturity investments as of 31 December 2017.

4. Loans and receivables

Loans and receivables are financial assets, which are generated by providing funds, goods or services to the debtor. Loans and receivables are financial assets with fixed or determinable repayment schedules and they are not traded in an active market.

Loans are initially measured at their acquisition cost and subsequently measured at amortized cost calculated using effective interest rate method in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. Duty charges, transaction fees and other expenses paid for the collaterals of the loans are considered as part of the transaction costs and charged to the customers.

The Bank classifies its loans and receivables to related groups by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published in the Official Gazette No. 26333 dated November 1, 2006 and other regulations and makes special or general provisions according to group, in which the loans and receivables are tracked.

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VIII. Explanations on impairment of financial assets

Financial asset or groups of financial assets are reviewed by the Bank at each balance sheet date to determine whether there is objective evidence of impairment. If any such indicator exists, the Bank determines the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the reliably estimated future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to initial recognition.

The Bank provides specific and general allowances for loan and other receivables classified in accordance with the related Communiqué published on the Official Gazette No.2633 dated November 1, 2006. The allowances are recorded in the income statement of the related period.

IX. Explanations on offsetting financial instruments

If the fair values of equity shares held for trading and quoted at the stock exchanges are lower than their carrying values, allowance for impairment is recognized and the recognized impairment is offset with the related assets on the face of the balance sheet.

Specific allowances for non-performing loans and other receivables are provided in accordance with “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. Such allowances are offset with loans under follow-up on the asset side. Other financial assets and liabilities are offset when the Bank has a legally enforceable right to offset.

X. Explanations on sale and repurchase agreements and securities lending transactions

Securities subject to repo (repurchase agreements) are classified as “Financial assets at fair value through profit and loss”, “Financial assets available for sale” or “Investments held to maturity” according to their purposes to be held in the Bank’s portfolio and evaluated within the principles of the relevant portfolio. Funds obtained from repurchase agreements are followed under the “Funds from repo transactions” account in liabilities, and interest expense accruals are calculated using the effective interest (internal rate of return) method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are recorded under the “Receivables from reverse repurchase agreements” account.

XI. Explanations on noncurrent assets held for sale and discontinued operations and the related liabilities

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at the lower of the carrying value or fair value less costs to sell. Assets held for sale are not depreciated and presented in the financial statements separately. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a part of the Bank’s business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

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XII. Explanations on goodwill and other intangible assets

As at the balance sheet date, there is no goodwill in the accompanying financial statements. The intangible assets of the Bank consist of software, intangible rights and other intangible assets.

The costs of the intangible assets purchased before 1 January 2005 are recognized at their inflation adjusted costs as of 31 December 2004 and intangible assets purchased after 1 January 2005 are recognized at their acquisition cost less accumulated amortization and impairment, if any.

Estimated useful lives of the intangible assets are 3 to 10 years, and amortization rates are 10% to 33.3%.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, an allowance for impairment is recognized.

XIII. Explanations on tangible assets

Tangible assets are measured at cost in accordance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

The costs of the tangible assets purchased before 1 January 2005 are recognized at their inflation adjusted costs as of 31 December 2004 and tangible assets purchased after 1 January 2005 are recognized at their acquisition cost less accumulated depreciation and impairment, if any.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, an allowance for impairment is recognized.

Gains/losses from the sale of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Depreciation rates and estimated useful lives used for the tangible assets are as follows:

Tangible Assets	Estimated Useful Lives (Years)	Depreciation Rates (%)
Safe boxes	2-50	2-50
Vehicles	5	20
Real estate	50	2
Other tangible assets	4-50	2-25

XIV. Explanations on leasing transactions

Duration of financial leasing contracts is maximum 4 years. Tangible assets obtained via financial leasing are classified as the Bank's assets or liabilities resulting from financial leasing according to its nature. Assets obtained via financial leasing are depreciated in accordance with the principals for tangible assets. Rent payments for operating leases are recorded at equal amounts as expense during the payment period.

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XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". In the financial statements, a provision is made if there is a present obligation that arises from past events as of the balance sheet date, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

Provisions recognized during the period are recognized within "other operating expenses"; reversals of provisions recognized in the prior periods are recognized within "other operating income".

XVI. Explanations on contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the notes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Explanations on liabilities for employee benefits

As per the existing labour laws and agreements in Turkey, entities are required to pay severance for the employees retired or fired. These payments are qualified as recognized retirement benefit plan according to revised TAS 19 Employee Benefits. Severance payment liability recognized in the balance sheet is calculated according to the net present value of expected amount in the future arising from all employees' retirements and represented in financial statements. The amendments to TAS 19 have changed the accounting of defined benefit plans and severance indemnity. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus.

The major assumptions used in the actuarial calculation are as follows:

- Calculation is based on discount rate as 11.90%, inflation rate as 8.90% and real rate of rise in salary as 0.00%.
- Effective as of 31 December 2017, ceiling salary amount is considered as TL 4,732.48 (full TL).
- Individuals' earliest retirement age is considered as retirement age.
- CSO 1980 mortality table is used for the death probabilities of male and female employees.

There is no employee foundation, fund or similar institutions.

XVIII. Explanations on taxation

1. Current Tax

Effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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XVIII. Explanations on taxation (continued)

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2009/14593 and no.2009/14594 of the Council of Ministers published in the Official Gazette no.27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

It is mentioned in provisional article 91 of Law numbered 7061, which is added to Corporate Tax Law numbered 5520 that tax rate for profit of the company regarding 2018, 2019 and 2020 fiscal periods (accounting periods starting within the related period for companies which are assigned special accounting period) shall be implemented as 22%.

2. Deferred Tax

The Bank calculates and recognizes tax for taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base according to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes".

In accordance with the provisional article, added to Corporate Tax Law, corporate tax, which is 20% for the year 2017, shall be applied as 22% for the profit of company belonging to 2018, 2019 and 2020 fiscal periods. In accordance with this applicable law, 22% tax rate shall be calculated for periods, in which the deferred tax assets and liabilities emerges and liabilities are met, while it is calculated with 20% for 2021 and following periods.

As of 31 December 2017, the deferred tax asset is TL 9,472 (31 December 2016: TL 1,374 the deferred tax liability). The deferred tax liability is calculated as the net of taxable and deductible temporary differences.

Deferred tax benefit/ (charge) is recognized within "Deferred tax benefit/ (charge)" in the income statement; deferred tax income for the current period is TL 12,777 (1 January - 31 December 2016: TL 5,801 charge). Deferred tax effects of the transactions and events recognized directly in the shareholders' equity are also recognized directly in the shareholders' equity which is TL 1,931 expense (1 January - 31 December 2016: TL 2,773 benefit).

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XVIII. Explanations on taxation (continued)

3. Transfer pricing

The article 13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this topic.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the “7.1 Annual Documentation” section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices. Related forms are submitted to tax offices on time.

XIX. Additional explanations on borrowings

The Bank provides resources from domestic and foreign individuals and institutions both by borrowing funds and issuing bills and bonds.

Borrowing instruments are initially measured at acquisition cost and subsequently measured at amortized cost. In the accompanying financial statements, foreign currency denominated borrowing funds are translated to Turkish Lira with the Bank’s spot foreign exchange buying rates and interest expenses incurred during the period relating to the borrowing funds are recognized in income statement.

The Bank applies general hedging techniques for mitigating the liquidity risk, interest rate risk and currency risk of the borrowing instruments. Those techniques do not meet the definition of hedge accounting according to TAS 39.

XX. Explanations on share certificates issued

None.

XXI. Explanations on bank acceptances and bills of guarantee

Bank acceptances and bills of guarantee are presented within off-balance sheet liabilities as being possible liabilities and commitments. Cash transactions relating to bank acceptances and bills of guarantee are realized concurrently with the customer payments.

As of the balance sheet date, there are no bank acceptances and bills of guarantee recognized as liability against an asset.

XXII. Explanation on government incentives

As of the balance sheet date, the Bank does not have any government incentives.

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XXIII. Explanations on segmental reporting

The Bank operates in retail and commercial banking services, customer current accounts, deposit accounts, long term investment products, clearing and custody services, credit and atm services, retail and commercial loans, long term mortgage loans, and all other kinds of consumer and commercial banking services.

	Retail Banking	Commercial & Corporate Banking	Treasury & Headquarters	Total Operations of the Bank
Current Period - 1 January - 31 December 2017				
Operating Income	282,051	467,774	26,148	775,973
Operating Profit	(49,010)	290,755	(41,359)	200,386
Taxation				(33,384)
Net Profit/(Loss) for Current Period				167,002
31 December 2017				
Segment Assets	4,202,600	10,588,059	5,325,547	20,116,206
Unallocated Assets				--
Total Assets				20,116,206
Segment Liabilities	7,354,825	4,316,449	6,980,342	18,651,616
Unallocated Liabilities				--
Shareholders' Equity				1,464,590
Total Liabilities				20,116,206

	Retail Banking	Commercial & Corporate Banking	Treasury & Headquarters	Total Operations of the Bank
Prior Period - 1 January - 31 December 2016				
Operating Income	250,518	308,806	87,086	646,410
Operating Profit	9,778	185,574	(34,435)	160,917
Taxation				(46,002)
Net Profit/(Loss) for Prior Period				114,915
31 December 2016				
Segment Assets	3,338,361	7,974,405	4,080,743	15,393,509
Unallocated Assets				--
Total Assets				15,393,509
Segment Liabilities	6,543,963	2,595,736	4,963,944	14,103,643
Unallocated Liabilities				--
Shareholders' Equity				1,289,866
Total Liabilities				15,393,509

XXIV. Other matters

None.

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SECTION FOUR

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 December 2017, the Bank’s total capital has been calculated as TL 2,687,405 and the capital adequacy standard ratio is 16.09% (As of 31 December 2016, the Bank’s total capital amounted to TL 1,783,126 and the capital adequacy standard ratio was 13.48%).

I. Information related to the components of shareholders’ equity:

	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	941,161	--
Share Premium	128,678	
Reserves	243,284	
Other comprehensive income according to TAS	2,214	
Profit	167,002	
Current period profit	167,002	
Prior period profit	--	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	--	
Tier I Capital Before Deductions	1,482,339	
Deductions From 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 (-)	17,750	--
Improvement costs for operating leasing (-)	10,257	--
Goodwill and other intangible assets and related deferred taxes (-)	--	--
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,758	--
Excess amount arising from deferred tax assets from temporary differences	--	--
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	--	--

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
Net amount of defined benefit plans	--	--
Direct and indirect investments of the Bank on its own Tier I Capital (-)	--	--
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 (-)	--	
Excess amount arising from mortgage servicing rights	--	
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	32,765	
Total Common Equity Tier I Capital	1,449,574	
ADDITIONAL TIER I CAPITAL	--	
Preferred stock not included in 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 Core Capital before Deductions	--	
Deductions from Additional Core 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	--	--
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 (-)	--	--

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
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 tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	1,190	--
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	--	
Total Additional Tier I Capital	--	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,448,384	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1,169,289	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	--	
Provisions (Article 8 of the Regulation on the Equity of Banks)	70,580	
Tier II Capital before Deductions	1,239,869	
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	814	--
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 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	814	
Total Tier II Capital	1,239,055	
Total Equity (Total Tier I and Tier II Capital)	2,687,439	

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
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 immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	--	
Other items to be defined by the BRSA (-)	34	
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 (-)	--	--
EQUITY		
Total Capital (Total of Tier I Capital and Tier II Capital)	2,687,405	--
Total Risk Weighted Assets	16,700,579	--
CAPITAL ADEQUACY RATIOS		
Core Capital Ratio (%)	8.68	--
Tier I Capital Ratio (%)	8.67	--
Capital Adequacy Ratio (%)	16.09	--
BUFFERS		
Bank-specific total Core Capital Ratio	4.50	--
Capital Conservation Buffer Ratio (%)	1.25	--
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02	--

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	0.03	--
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 Tier I Capital	--	--
Remaining mortgage servicing rights	--	--
Net deferred tax assets arising from temporary differences	--	--
Limits for Provisions Used in Tier II Capital Calculation	--	--
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	70,580	--
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	70,580	--
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	-	-

* The amounts to be considered under the transitional provisions.

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	941,161	--
Share premium	128,678	
Reserves	128,369	
Other comprehensive income according to TAS	--	
Profit	114,915	
Current period profit	114,915	
Prior period profit	--	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	--	
Tier I Capital Before Deductions	1,313,123	
Deductions From 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 (-)	23,257	--
Improvement costs for operating leasing (-)	10,968	--
Goodwill and other intangible assets and related deferred taxes (-)	--	--
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,387	--
Excess amount arising from deferred tax assets from temporary differences	--	--
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	--	--

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
Net amount of defined benefit plans		
Direct and indirect investments of the Bank on its own Tier I Capital (-)	--	--
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 (-)	--	
Excess amount arising from mortgage servicing rights	--	
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	36,612	
Total Common Equity Tier I Capital	1,276,511	
ADDITIONAL TIER I CAPITAL	--	
Preferred stock not included in 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 Core Capital before Deductions	--	
Deductions from Additional Core 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	--	--
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 (-)	--	--

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
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 tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	1,592	--
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	--	
Total Additional Tier I Capital	--	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,274,919	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	387,112	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	--	
Provisions (Article 8 of the Regulation on the Equity of Banks)	121,287	
Tier II Capital before Deductions	508,399	
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 (-)	--	--
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	508,399	
Total Equity (Total Tier I and Tier II Capital)	1,783,318	

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans granted against the Articles 50 and 51 of the Banking Law (-)	66	
Net book values of movables and immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	--	
Other items to be defined by the BRSA (-)	126	
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 (-)	--	--
EQUITY		
Total Capital (Total of Tier I Capital and Tier II Capital)	1,783,126	--
Total Risk Weighted Assets	13,228,391	--
CAPITAL ADEQUACY RATIOS		
Core Capital Ratio (%)	9.65	--
Tier I Capital Ratio (%)	9.64	--
Capital Adequacy Ratio (%)	13.48	--
BUFFERS		
Bank-specific total Core Capital Ratio	4.50	--
Capital Conservation Buffer Ratio (%)	0.63	--
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	--	--

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to risk weighted assets	0.05	--
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 Tier I Capital	--	--
Remaining mortgage servicing rights	--	--
Net deferred tax assets arising from temporary differences	--	--
Limits for Provisions Used in Tier II Capital Calculation	--	--
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	121,287	--
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	121,287	--
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	-	-

* The amounts to be considered under the transitional provisions.

Explanations on reconciliation of shareholder's equity items to balance sheet:

The difference between "Equity" in equity table and "Shareholder's Equity" in the unconsolidated balance sheet mainly arises from the subordinated loan, bonds and general provisions. In the calculation of Total Capital, general provision up to 1.25% credit risk is taken into consideration as Tier II Capital.

On the other hand, in the calculation of the "Equity", improvement costs for operating leases followed under tangible assets in the balance sheet, and related deferred tax liabilities, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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Items included in shareholder's equity calculation:

Issuer	Fibabanka A.Ş.	Eco Trade And Development Bank*
Code of debt instrument (CUSIP, ISIN etc.)	XS1386178237	*
Regulation of debt instrument	BRSA's "Regulation on Equities of Banks" dated 1 November 2006" and English Law	BRSA's "Regulation on Equities of Banks" dated 1 November 2006" and English Law
Consideration Status in Shareholders' Equity Calculation		
Situation of being subject to practice of being taken into consideration with 10% deduction after 1/1/2015	No	No
Validity situation of consolidated or unconsolidated based or consolidated and unconsolidated based	Unconsolidated and Consolidated	Unconsolidated and Consolidated
Type of debt instrument	Subordinated Bond	Subordinated Loan
Considered amount in shareholders' equity calculation (By last report date of – Thousand TL)	1,131,570	37,719
Nominal value of debt instrument (Thousand TL)	1,131,570	37,719
Related account of debt instrument	Subordinated Debt Instruments	Subordinated Loan
Issuing date of debt instrument	24/03/16-10/05/17	06/08/13
Maturity structure of debt instrument (Demand/Time)	Time	Time
Initial term of of debt instrument	11 years	10 years
Whether there is right of reimbursement of issuer or not according to BRSA rules	There is	There is
Optional reimbursement date, options of conditional reimbursement and reimbursement amount	24/11/2022; \$ 300 million	06/08/2018; \$ 10 million
Following reimbursement option dates	None	None

* Subordinated loan from Eco Trade and Development Bank.

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Interest/Dividend Payments		
Fixed or floating interest/dividend payments	Floating interest	Floating interest
Interest rate or index value of interest rate	7.75% (5-years mid-swap rate + 5.758%) till reimbursement date and then; 5-years mid-swap rate+5.758%	Libor + 8.5%
Whether there is any restriction to stop dividend payments or not	None	The Bank can not pay dividends if becomes overdue according to subordinated loan agreement.
Feature of being fully optional, partially optional or obligatory	Obligatory	Obligatory
Whether there is any stimulant to repayment like interest rate hike or not	None	None
Feature of being cumulative or noncumulative	--	--
Feature of being convertible bonds		
If there is convertible bonds, trigger incidents cause this conversion	--	Regulation Article 8.2 (ğ)
If there is convertible bonds, feature of full or partially conversion	--	--
If there is convertible bonds, rate of conversion	--	--
If there is convertible bonds, feature of conversion –obligatory or optional-	--	--
If there is convertible bonds, types of convertible instruments	--	--
If there is convertible bonds, exporter of convertible debt instruments	--	--
Feature of value reduction		
If there is a feature of value reduction, trigger incidents cause this reduction	--	--
If there is a feature of value reduction, feature of full or partially reduction of value	--	--
If there is a feature of value reduction, feature of being constant of temporary	--	--
If there is a feature of value reduction, mechanism of value incrementation	--	--
Claiming rank in case of winding up (Instrument that is just above debt instrument)	--	--
Whether meeting the conditions defined by 7th or 8th articles of Shareholders' Equity of Banks Regulation	Meets the conditions defined by 8th article, does not meet the conditions defined by 7th article.	Meets the conditions defined by 8th article, does not meet the conditions defined by 7th article.
The conditions not met which were defined by 7th or 8th of the 7th or 8th articles of Shareholders' Equity of Banks Regulation	--	--

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

II. Explanations on credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set.

The debtors or group of debtors are subject to credit risk limits. The debtors' or group of debtors' and industrial risk limitations are monitored weekly. Industry concentration is followed monthly.

Credit risk limits and breakdowns for daily transactions are followed daily. Risk concentrations of off-balance sheet risks are followed by remote and on-site inspections.

Credit worthiness of both commercial loans' and other receivables' debtors are being regularly monitored in accordance with the regulations. By utilizing risk rating models which were developed for these purposes, in case the debtors' risk level increases, credit lines are readjusted and additional collaterals are received if needed. The necessary documentation for utilized loans is taken in compliance with the related legislation.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; such as cash collateral, bank guarantees, mortgages, pledges, bills and corporate guarantees.

There are control limits based on VaR over the positions of the Bank which are held as futures, option contracts and other similar contracts. The credit risks carried for such instruments are managed together with the risks arising from market fluctuations.

Indemnified non-cash loans are subject to the same risk weight with overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondent network. Accordingly, the Bank assigns lines periodically to domestic banks, foreign banks and other financial institutions based on review of their credit worthiness.

As being an active participant in the international banking market and considered together with the other financial institutions' financial operations, the Bank is not exposed to significant credit risk.

Within the Bank's risk appetite policy, the following concentrations are measured. They are presented to the Asset and Liability Committee weekly and to the Risk Committee monthly.

As per Customer Group Concentration, Top 20 corporate debtor's / risk group's credit risk sum shall not exceed 35% of the Bank's total credit risk.

Within the industry concentration, the Bank has set its risk appetite as "reasonable", not to exceed 10% of total loans per sector except the industries listed below.

Industry	Proportional Limit
Construction	20%
Tourism	10%
Factoring	15%
Wholesale and Retail Business	15%

Within the framework of risk appetite policy, the sum of long-term loans which have a maturity more than 1 year, shall not exceed 45% of the bank's total loans. This ratio is monitored on a weekly basis at the Asset and Liability Committee and on a monthly basis at the Risk Committee.

The Bank's largest 100 and 200 cash loan customers compose 49% and 57% of the total cash loan portfolio, respectively (31 December 2016: 51% and 60%, respectively).

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II. Explanations on credit risk (continued)

The Bank's largest 100 and 200 non-cash loan customers compose 75% and 85% of the total non-cash loan portfolio, respectively (31 December 2016: 66% and 80%, respectively).

The Bank's largest 100 and 200 cash and non-cash loan customers represent 46% and 56% of the total "on and off balance sheet" assets, respectively (31 December 2016: 48% and 58%, respectively).

The general provision for total credit risk amounts to TL 70,580 (31 December 2016: TL 121,287).

	Current Period Risk Amount *	Average Risk Amount**
Exposure Categories		
Conditional and Unconditional Exposures to Central Governments or Central Banks	2,559,215	2,410,655
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	2,444,825	2,755,327
Conditional and Unconditional Exposures to Corporates	10,592,691	8,246,025
Conditional and Unconditional Retail Exposures	4,146,170	3,501,028
Conditional and Unconditional Exposures Secured by Real Estate Property	1,962,827	2,261,444
Past Due Receivables	219,982	170,633
Receivables Defined in High Risk Category by BRSA	80,106	18,198
Exposures in the Form of Collective Investment Undertakings	24,631	33,759
Other Receivables	483,803	472,430
Total	22,514,250	19,869,499

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

(**) Represents the arithmetical average of quarterly reports.

	Prior Period Risk Amount *	Average Risk Amount**
Exposure Categories		
Conditional and Unconditional Exposures to Central Governments or Central Banks	2,212,890	1,892,045
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	1,734,306	1,466,091
Conditional and Unconditional Exposures to Corporates	6,435,193	6,088,537
Conditional and Unconditional Retail Exposures	2,797,473	1,851,967
Conditional and Unconditional Exposures Secured by Real Estate Property	2,572,066	2,593,991
Past Due Receivables	112,835	85,777
Receivables Defined in High Risk Category by BRSA	16,428	35,195
Exposures in the Form of Collective Investment Undertakings	44,943	24,415
Other Receivables	435,607	433,234
Total	16,361,741	14,471,252

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

(**) Represents the arithmetical average of quarterly reports.

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II. Explanations on credit risk (continued)

1. Profile of significant exposures in major regions:

	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to administrative units and noncommercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	Collective investment undertakings	Other receivables	Total
Current Period *											
Domestic	4,183,559	--	1,200,412	9,737,093	3,115,960	1,824,008	219,982	79,213	24,631	483,803	20,868,661
EU Countries	--	--	1,199,546	111,276	24	--	--	--	--	--	1,310,846
OECD Countries **	--	--	8,436	--	--	--	--	--	--	--	8,436
Off-Shore Banking Region	--	--	--	--	--	--	--	--	--	--	--
USA, Canada	--	--	33,632	22,310	5	--	--	--	--	--	55,947
Other Countries	--	--	2,799	265,517	819	332	--	893	--	--	270,360
Associates, Subsidiaries and Joint – Ventures	--	--	--	--	--	--	--	--	--	--	--
Unallocated Assets/Liabilities***	--	--	--	--	--	--	--	--	--	--	--
Total	4,183,559	--	2,444,825	10,136,196	3,116,808	1,824,340	219,982	80,106	24,631	483,803	22,514,250

(*) 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 cannot be allocated on a consistent basis.

	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to administrative units and noncommercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	Collective investment undertakings	Other receivables	Total
Prior Period *											
Domestic	2,212,890	--	1,012,395	6,298,257	2,795,550	2,335,118	112,835	16,428	44,943	435,607	15,264,024
EU Countries	--	--	710,155	91,034	30	--	--	--	--	--	801,219
OECD Countries **	--	--	1,526	--	--	--	--	--	--	--	1,526
Off-Shore Banking Region	--	--	--	24,666	--	--	--	--	--	--	24,666
USA, Canada	--	--	8,960	--	--	--	--	--	--	--	8,960
Other Countries	--	--	1,270	21,236	1,893	236,948	--	--	--	--	261,347
Associates, Subsidiaries and Joint – Ventures	--	--	--	--	--	--	--	--	--	--	--
Unallocated Assets/Liabilities***	--	--	--	--	--	--	--	--	--	--	--
Total	2,212,890	--	1,734,306	6,435,193	2,797,473	2,572,066	112,835	16,428	44,943	435,607	16,361,741

(*) 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 cannot be allocated on a consistent basis.

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II. Explanations on credit risk (continued)

2. Risk profile by sectors or counterparties

Current Period	1	2	3	4	5	6	7	8	9	10	TP	YP	Total
Agricultural													
Farming and	117,566	--	--	117,875	200,397	108,999	3,345	676	--	--	500,838	48,020	548,858
Stockbreeding	100,431	--	--	96,774	187,264	106,681	3,023	676	--	--	451,509	43,340	494,849
Forestry	13,025	--	--	20,871	11,639	2,145	297	--	--	--	45,909	2,068	47,977
Fishing	4,110	--	--	230	1,494	173	25	--	--	--	3,420	2,612	6,032
Manufacturing	570,171	--	--	3,196,938	716,650	201,770	67,433	66,980	--	--	3,055,580	1,764,362	4,819,942
Mining and													
Quarrying	26,493	--	--	151,397	28,571	898	11,929	666	--	--	129,444	90,510	219,954
Production	531,293	--	--	2,501,582	675,930	199,093	55,424	66,308	--	--	2,390,084	1,639,546	4,029,630
Electricity, Gas and													
Water	12,385	--	--	543,959	12,149	1,779	80	6	--	--	536,052	34,306	570,358
Construction	96,965	--	--	2,125,170	941,880	694,718	61,665	7,861	--	--	2,327,418	1,600,841	3,928,259
Services	3,055,395	--	2,402,765	3,591,601	879,540	675,203	61,713	3,179	--	483,803	4,104,719	7,048,480	11,153,199
Wholesale and Retail													
Trade	380,841	--	--	712,093	544,733	129,295	43,336	2,201	--	--	1,475,387	337,112	1,812,499
Accommodation and													
Dining	122,386	--	--	835,172	82,445	426,001	9,007	66	--	--	331,078	1,143,999	1,475,077
Transportation and													
Telecom.	54,539	--	--	485,999	83,784	80,055	6,303	2	--	--	222,256	488,426	710,682
Financial Institutions	2,376,140	--	2,402,765	499,478	24,638	1,113	53	893	--	483,803	1,123,030	4,665,853	5,788,883
Real Estate and													
Rental Services	12,287	--	--	350,472	29,786	16,250	1,348	--	--	--	99,554	310,589	410,143
Self-Employment													
Services	7,020	--	--	696	7,193	809	145	4	--	--	15,867	--	15,867
Educational Services	31,281	--	--	292,746	19,865	8,984	1	4	--	--	272,323	80,558	352,881
Health and Social													
Services	70,901	--	--	414,945	87,096	12,696	1,520	9	--	--	565,224	21,943	587,167
Other*	343,462	--	42,060	1,104,612	378,341	143,650	25,826	1,410	24,631	--	1,305,423	758,569	2,063,992
Total*	4,183,559	--	2,444,825	10,136,196	3,116,808	1,824,340	219,982	80,106	24,631	483,803	11,293,978	11,220,272	22,514,250

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

1: Conditional and unconditional exposures to central governments or central banks

2: Conditional and unconditional exposures to administrative units and non-commercial enterprises

3: Conditional and unconditional exposures to banks and brokerage houses

4: Conditional and unconditional exposures to corporates

5: Conditional and unconditional retail exposures

6: Conditional and unconditional exposures secured by real estate property

7: Past due receivables

8: Receivables defined in high risk category by BRSA

9: Exposures in the form of collective investment undertakings

10: Other receivables

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II. Explanations on credit risk (continued)

2. Risk profile by sectors or counterparties (continued)

Prior Period	1	2	3	4	5	6	7	8	9	10	TP	YP	Total
Agricultural													
Farming and	--	--	--	101,254	150,945	82,233	4,016	297	--	8,145	304,060	42,830	346,890
Stockbreeding	--	--	--	51,150	140,536	78,761	2,516	266	--	8,145	269,994	11,379	281,374
Forestry	--	--	--	27,150	7,968	3,473	1,480	31	--	--	31,340	8,762	40,101
Fishing	--	--	--	22,953	2,441	--	20	--	--	--	2,726	22,689	25,415
Manufacturing	--	--	--	2,195,057	779,074	374,822	45,512	1,646	--	--	2,401,503	994,608	3,396,111
Mining and													
Quarrying	--	--	--	256,045	30,209	2,281	2,582	12	--	--	259,775	31,355	291,129
Production	--	--	--	1,447,936	741,542	358,183	42,609	1,633	--	--	1,689,622	902,281	2,591,903
Electricity, Gas and													
Water	--	--	--	491,076	7,324	14,359	321	0	--	--	452,107	60,973	513,080
Construction	--	--	--	1,014,754	615,911	934,681	22,687	6,309	--	--	1,916,153	678,189	2,594,342
Services	2,029,148	--	1,718,131	2,503,476	868,370	914,539	29,654	4,603	--	423,956	3,086,986	5,404,891	8,491,877
Wholesale and Retail													
Trade	--	--	--	624,328	581,870	108,330	26,089	4,437	--	--	1,149,989	195,064	1,345,053
Accommodation and													
Dining	--	--	--	509,311	75,582	510,266	1,632	63	--	--	202,879	893,975	1,096,854
Transportation and													
Telecom.	--	--	--	359,590	63,423	65,316	1,365	99	--	--	140,163	349,630	489,793
Financial Institutions	2,029,148	--	1,718,131	604,007	24,029	184,162	237	0	--	421,973	1,270,342	3,711,345	4,981,687
Real Estate and													
Rental Services	--	--	--	271,911	17,279	16,378	286	--	--	--	58,355	247,499	305,854
Self-Employment													
Services	--	--	--	5,520	19,564	3,988	10	--	--	--	27,919	1,163	29,082
Educational Services	--	--	--	12,055	10,093	8,062	--	--	--	--	30,210	--	30,210
Health and Social													
Services	--	--	--	116,754	76,530	18,038	36	4	--	1,983	207,129	6,215	213,344
Other*	183,742	--	16,175	620,652	383,173	265,790	10,967	3,574	44,943	3,505	1,011,105	521,416	1,532,521
Total*	2,212,890	--	1,734,306	6,435,193	2,797,473	2,572,066	112,835	16,428	44,943	435,607	8,719,807	7,641,934	16,361,741

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

1: Conditional and unconditional exposures to central governments or central banks

2: Conditional and unconditional exposures to administrative units and non-commercial enterprises

3: Conditional and unconditional exposures to banks and brokerage houses

4: Conditional and unconditional exposures to corporates

5: Conditional and unconditional retail exposures

6: Conditional and unconditional exposures secured by real estate property

7: Past due receivables

8: Receivables defined in high risk category by BRSA

9: Exposures in the form of collective investment undertakings

10: Other Receivables

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II. Explanations on credit risk (continued)

3. Analysis of maturity-bearing exposures according to remaining maturities

Exposure Categories / Current Period*	Term to Maturity				
	Up to 1 Month	1 -3 Months	3 -6 Months	6-12 Months	Over 1 year
Conditional and Unconditional Exposures to Central Governments or Central Banks	1,862,501	217	17,658	63,734	1,722,483
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--	--	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	1,259,315	34,110	116,045	97,710	937,637
Conditional and Unconditional Exposures to Other Corporates	--	--	--	--	--
Conditional and Unconditional Exposures to SME Corporates	--	--	--	--	-
Conditional and Unconditional Exposures to Corporates	866,231	1,169,998	1,588,526	1,876,363	4,624,538
Conditional and Unconditional Retail Exposures	355,316	336,654	666,311	635,202	1,055,694
Conditional and Unconditional Exposures Secured by Real Estate Property	79,927	63,318	101,055	147,239	1,431,291
Past Due Receivables	--	--	--	--	--
Receivables Defined in High Risk Category by BRSA	58,972	1,159	1,132	609	18,234
Exposures in the Form of Bonds Secured by Mortgages	--	--	--	--	--
Short term Exposures to Banks, Brokerage Houses and Corporates	--	--	--	--	--
Exposures in the Form of Collective Investment Undertakings	--	--	--	--	--
Other Receivables	24,152	--	--	--	--
Total**	4,506,414	1,605,456	2,490,727	2,820,857	9,789,877

* Items with determined maturities are classified according to remaining maturities

** Items without determined maturities are not included: TL 516,966 central bank receivables, TL 118,112 cash and equivalents, TL 24,677 credit card limits, TL 97,252 non-cash loan limits ve payment commitments, TL 299,299 other receivables, TL 219,982 overdue receivables, 24,631 investment funds.

Exposure Categories / Prior Period*	Term to Maturity				
	Up to 1 Month	1 -3 Months	3 -6 Months	6-12 Months	Over 1 year
Conditional and Unconditional Exposures to Central Governments or Central Banks	195,691	293	--	--	183,448
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--	--	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	990,083	395	14,344	10,297	719,187
Conditional and Unconditional Exposures to Other Corporates	--	--	--	--	--
Conditional and Unconditional Exposures to SME Corporates	--	--	--	--	-
Conditional and Unconditional Exposures to Corporates	1,002,099	822,184	948,675	1,203,388	2,409,140
Conditional and Unconditional Retail Exposures	346,345	291,501	593,929	792,285	731,373
Conditional and Unconditional Exposures Secured by Real Estate Property	63,132	136,519	117,678	248,498	1,998,677
Past Due Receivables	--	--	--	--	--
Receivables Defined in High Risk Category by BRSA	4,988	991	233	5,598	4,478
Exposures in the Form of Bonds Secured by Mortgages	--	--	--	--	--
Short term Exposures to Banks, Brokerage Houses and Corporates	--	--	--	--	--
Exposures in the Form of Collective Investment Undertakings	--	--	--	--	--
Other Receivables	5,636	4,568	--	3,402	--
Total**	2,607,974	1,256,451	1,674,859	2,263,468	6,046,303

* Items with determined maturities are classified according to remaining maturities

** Items without determined maturities are not included: TL 1,833,457 central bank receivables, TL 78,507 cash and equivalents, TL 20,295 credit card limits, TL 61,880 non-cash loan limits ve payment commitments, TL 283,101 other receivables, TL 112,835 overdue receivables, TL 77,668 non-cash loans, TL 44,943 investment funds.

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II. Explanations on credit risk (continued)

3. Analysis of maturity-bearing exposures according to remaining maturities (Continued)

The Bank uses long-term credit ratings announced by an international rating firm, The Islamic International Ratings Agency (IIRA). Such ratings are used in compliance with regulation on “The Licencing and Operations of the Rating Firms”. For the Bank's capital adequacy calculation, only the latest credit ratings are used that are currently accepted as valid by the issuing Credit Rating Agency.

Credit ratings are used only for the classification of receivables from banks and brokerage houses. The securities in the trading book have credit ratings. Therefore, no credit rating is used for issuer or issue.

Based on “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” Appendix 1, The Islamic International Ratings Agency (IIRA)’s credit ratings corresponds to credit grades below:

	BRSA Credit Quality Grades	IIRA Risk Rating
Long Term Credit Quality Grades	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below

4. Exposures by risk weights

Risk Weights Current Period	0%	10%	20%	35%	50%	75%	100%	150%	Deductions from Equity	Total
Exposures Before Credit Risk Mitigation	2,688,354	-	755,492	--	1,743,001	4,869,317	12,367,953	90,133	--	22,514,250
Exposures After Credit Risk Mitigation	4,584,695	-	279,114	450,827	2,915,947	3,115,787	11,077,747	90,133	--	22,514,250

Risk Weights Prior Period	%0	%10	%20	%50	%75	%100	%150	%200	Deductions from Equity	Total
Exposures Before Credit Risk Mitigation	594,760	--	718,833	2,787,752	3,675,567	8,559,239	25,590	--	--	16,361,741
Exposures After Credit Risk Mitigation	1,184,344	--	214,249	4,854,900	2,797,473	7,285,185	25,590	--	--	16,361,741

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II. Explanations on credit risk (continued)

5. Information by major sectors and type of counterparties

As per the TAS and TFRS;

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

Current Period		Loans		
Major Sector / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments(*)	Provisions(**)
Agriculture	16,358	45,900	289	8,622
Farming and Stockbreeding	5,942	40,784	259	2,301
Forestry	9,358	5,108	30	5,290
Fishery	1,058	8	-	1,031
Manufacturing	103,548	48,598	297	43,377
Mining and Quarrying	46,310	16,225	92	13,105
Production	57,085	32,269	204	30,179
Electricity, Gas and Water	153	104	1	93
Construction	87,757	90,617	561	33,115
Services	138,152	304,356	2,031	48,453
Wholesale and Retail Trade	104,752	105,634	729	39,112
Accommodation and Dining	11,995	53,397	455	2,790
Transportation and Telecommunication	9,564	107,550	604	2,758
Financial Institutions	28	7,097	18	14
Real Estate and Rental Services	1,770	11,631	61	401
Self-Employment Services	794	3,607	34	472
Educational Services	5,116	1,780	17	1,311
Health and Social Services	4,133	13,660	113	1,595
Other	122,678	107,779	1,498	37,428
Total	468,493	597,250	4,676	170,995

(*) Shows the general provision amount for past due credits.

(**) Shows the specific provision amount for impaired loans.

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II. Explanations on credit risk (continued)**5. Information by major sectors and type of counterparties (Continued)**

Prior Period	Loans			
Major Sector / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments(*)	Provisions(**)
Agriculture	8,563	11,640	232	2,371
Farming and Stockbreeding	3,349	4,237	84	648
Forestry	4,174	7,398	148	709
Fishery	1,040	5	-	1,014
Manufacturing	65,848	87,857	1,757	19,643
Mining and Quarrying	29,753	21,372	427	8,112
Production	29,977	66,200	1,324	10,307
Electricity, Gas and Water	6,118	285	6	1,224
Construction	44,121	46,890	938	26,625
Services	67,938	211,726	4,235	21,837
Wholesale and Retail Trade	54,813	70,188	1,403	18,436
Accommodation and Dining	2,445	112,310	2,246	665
Transportation and Telecommunication	3,058	9,195	184	1,482
Financial Institutions	314	958	19	79
Real Estate and Rental Services	444	8,695	174	146
Self-Employment Services	616	2,833	57	133
Educational Services	4,500	1,968	40	613
Health and Social Services	1,748	5,579	112	283
Other	26,169	58,332	1,166	13,694
Total	212,639	416,445	8,328	84,170

(*) Shows the general provision amount for past due credits.

(**) Shows the specific provision amount for impaired loans.

6. Information on movements in value adjustments and provisions

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments (*)	Closing Balance
Current Period					
Specific Provisions	84,170	184,444	(3,684)	(93,935)	170,995
General Provisions	121,287	--	(50,707)	--	70,580

(*)Write-off items and the sales from the NPL portfolio are disclosed.

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments (*)	Closing Balance
Prior Period					
Specific Provisions	78,465	127,003	(5,071)	(116,227)	84,170
General Provisions	91,103	30,184	--	--	121,287

(*)Write-off items and the sales from the NPL portfolio are disclosed.

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II. Explanations on credit risk (continued)

7. Exposures subject to countercyclical capital buffer

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	14,083,563	436,482	14.520,045
England	8,113	276,604	284,717
Russia	267,583	16	267,599
Malta	100,890	-	100,890
Holland	6,950	10,740	17,690
United States of America	13,737	-	13,737
Germany	826	9,070	9,896
Switzerland	879	1,196	2,075
Others	4,288	435	4,723
Total	14,486,829	734,543	15,221,372

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	11,446,647	272,141	11,718,786
Russia	174,328	--	174,328
Malta	90,037	--	90,037
Marshall Islands	24,666	--	24,666
Iraq	296	--	296
England	3,622	146,050	149,672
Germany	1,347	1,800	3,147
France	4	1,439	1,443
Switzerland	395	2,201	2,596
North Cyprus	--	377	377
Others	17,387	--	17,387
Total	11,758,729	424,008	12,182,737

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II. Explanations on credit risk (continued)

8. Information on collaterals, impairment, rating and maturity related to loans granted to individuals and corporates

Details of collaterals of standard and close monitoring loans granted to individuals and corporates are as follows:

	Standard Loans		Loans and Other Receivables Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
Cash loans granted to individuals and corporates				
Secured Loans:	13,748,310	9,977,477	941,037	918,186
Secured by Cash Collateral	11,316	85,000	--	--
Secured by Mortgages	3,216,496	3,100,686	518,603	508,187
Secured by Treasury Guarantees or Securities Issued by Public Sector	--	--	--	--
Guarantees Issued by Financial Institutions	--	--	--	--
Other Collaterals (being on the pledges, corporate and personal guarantees, promissory notes)	10,520,498	6,791,791	422,434	409,999
Non-Secured Loans	79,747	405,817	21,565	11,323
Total	13,828,057	10,383,294	962,602	929,509

Details of collaterals of non-cash loans granted to individuals and corporates are as follows:

	Standard Loans		Loans and Other Receivables Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
Non-cash loans granted to individuals and corporates				
Secured Loans:	1,984,510	841,698	18,602	24,797
Secured by Cash Collateral	3,771	--	--	--
Secured by Mortgages	36,291	59,280	3,122	5,886
Secured by Treasury Guarantees or Securities Issued by Public Sector	--	--	--	--
Guarantees Issued by Financial Institutions	--	--	--	--
Other Collaterals (being on the pledges, corporate and personal guarantees, promissory notes)	1,944,448	782,418	15,480	18,911
Non-Secured Loans	27,882	30,531	--	--
Total	2,012,392	872,229	18,602	24,797

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III. Explanations on currency risk

Position limit on currency risk is determined in line with net general position standard ratio on foreign currency. The Bank does not take foreign exchange and parity risk; transactions are usually hedged. Measurable and manageable risks are taken within legal limits.

As of 31 December 2017, the Bank's net short position is TL 92,480 (31 December 2016: TL 125,488 net short position) resulting from short position on the balance sheet amounting to TL 1,050,041 (31 December 2016: TL 376,413 long position) and long position on the off-balance amounting to TL 957,561 (31 December 2015: TL 501,901 short position). The Bank uses "Standard Method" in legal reporting to measure the foreign exchange risk.

The announced foreign exchange buying rates of the Bank at 31 December 2017 and the previous five working days in full TL are as follows:

US Dollar purchase rate as at the balance sheet date	TL 3.7719
Euro purchase rate as at the balance sheet date	TL 4.5155

Date	USD	EUR
26 December 2017	3.8087	4.5205
27 December 2017	3.8029	4.5116
28 December 2017	3.8197	4.5385
29 December 2017	3.8104	4.5478
31 December 2017	3.7719	4.5155

The USD Dollar FX buying rate is TL 3,8459 and EUR FX buying rate is TL 4,5535 according to simple arithmetic average on December 2017.

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III. Explanations on currency risk (Continued)

Current Period	EUR	USD	Other	Total
Assets				
Cash and Balances with the Central Bank of Turkey	271,672	1,578,269	361,714	2,211,655
Banks	184,382	83,076	4,423	271,881
Financial Assets at Fair Value through Profit/Loss (*)	411	4,579	--	4,990
Interbank Money Market Placements	361,244	15,090	--	376,334
Financial Assets Available for Sale	88,939	492,468	--	581,407
Loans (**)	3,915,540	1,227,118	111,354	5,254,012
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	--	--	--	--
Investments Held to Maturity	--	--	--	--
Derivative Financial Assets Held for Hedging Purposes	--	--	--	--
Tangible Assets	--	--	--	--
Intangible Assets	--	--	--	--
Other Assets (***)	1,596	1,021	--	2,617
Total Assets	4,823,784	3,401,621	477,491	8,702,896
Liabilities				
Banks Deposits	130,045	364,645	25,247	519,937
Foreign Currency Deposits	724,805	4,622,156	29,287	5,376,248
Interbank Money Market Received	73,396	402,981	--	476,377
Funds Borrowed from Other Financial Institutions	1,028,911	1,068,608	4,841	2,102,360
Sundry Creditors	18,779	74,741	--	93,520
Marketable Securities Issued	--	--	--	--
Derivative Financial Liabilities Held for Hedging Purposes	--	--	--	--
Other Liabilities(****)	25,250	1,159,245	--	1,184,495
Total Liabilities	2,001,186	7,692,376	59,375	9,752,937
Net Balance Sheet Position	2,822,598	(4,290,755)	418,116	(1,050,041)
Net Off-Balance Sheet Position	(2,895,496)	4,249,171	(396,114)	957,561
Financial Derivative Assets(*****)	4,356,736	8,723,477	172,731	13,252,944
Financial Derivative Liabilities(*****)	7,252,232	4,474,306	568,845	12,295,383
Non-Cash Loans (*****)	409,758	861,425	--	1,271,183
Prior Period				
Total Assets	2,769,187	3,549,207	376,254	6,694,648
Total Liabilities	1,785,647	4,490,878	41,710	6,318,235
Net Balance Sheet Position	983,540	(941,671)	334,544	376,413
Net Off-Balance Sheet Position	(1,015,278)	810,480	(297,103)	(501,901)
Financial Derivative Assets(*****)	2,245,247	3,495,902	86,823	5,827,972
Financial Derivative Liabilities(*****)	3,260,525	2,685,422	383,926	6,329,873
Non-Cash Loans (*****)	139,807	316,902	145	456,854

(*) The balance does not include accruals of trading derivative financial assets amounting to TL 6,477.

(**) The balance includes foreign currency indexed loans and accruals amounting to TL 393,457.

(***) The balance does not include TL 18,659 of prepaid expenses.

(****) The balance does not include accruals of trading derivative financial liabilities amounting to TL 7,143.

(*****) In the current period, foreign currency purchase commitments within the financial derivative assets amounted to TL 488,310 (31 December 2016: TL 182,784), foreign currency sale commitments within the derivative financial liabilities amounted to TL 411,183 (31 December 2016: TL 143,268).

(*****) There is no effect on the net off-balance sheet position.

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III. Explanations on currency risk (Continued)

The following table demonstrates prospective increase and decrease in equities and profit/loss as of 31 December 2017 and 2016 (excluding tax effect) on condition that 10% decrease of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, are constant.

	Current Period		Prior Period	
	Profit/Loss	Equity	Profit/Loss	Equity
USD	(4,101)	(57)	(12,041)	(1,078)
EURO	(7,568)	278	(3,174)	68
Other FC	2,200	--	3,744	--
Total (Net)	(9,469)	221	(11,471)	(1,010)

IV. Explanations on interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items are evaluated weekly by considering market developments in the Asset-Liability Committee.

Standard method and Asset-Liability risk measurement methods are used to measure the Bank's interest rate risk.

Measurements by employing the standard method are carried out monthly by using maturity ladder. Bank applies interest rate shock analysis to interest rate sensitive assets and liabilities considering historic economic crisis. Change in the net present value of the net assets of the Bank are monitored within the limits set by the Board of Directors.

“Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)”:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,759,977	--	--	--	--	727,279	2,487,256
Banks	238,557	--	--	--	--	81,138	319,695
Financial Assets at Fair Value Through Profit or Loss	98,620	26,213	95,483	520,559	3,002	--	743,877
Interbank Money Market Placements	376,334	--	--	--	--	--	376,334
Financial Assets Available-for-Sale	--	4,860	179,757	522,484	57,335	1,727	766,163
Loans	1,770,612	3,826,951	3,024,129	5,317,896	851,071	297,498	15,088,157
Investment Securities Held-to-Maturity	--	--	--	--	--	--	--
Other Assets (*)	--	--	10,373	7,529	--	316,822	334,724
Total Assets	4,244,100	3,858,024	3,309,742	6,368,468	911,408	1,424,464	20,116,206
Liabilities							
Bank Deposits							
Other Deposits	464,105	3,219	--	--	--	134,145	601,469
Interbank Money Market Received	7,009,999	3,066,528	763,994	27,149	--	803,604	11,671,274
Sundry Creditors	169,882	309,998	--	--	--	--	479,880
Marketable Securities Issued	--	--	--	--	--	312,519	312,519
Funds Borrowed from Other Financial Institutions	346,570	423,478	485,018	--	--	--	1,255,066
Bank Deposits	242,040	1,243,539	635,733	2,837	--	--	2,124,149
Other Liabilities(**)	93,299	62,015	104,261	1,647,371	1,571	1,763,332	3,671,849
Total Liabilities	8,325,895	5,108,777	1,989,006	1,677,357	1,571	3,013,600	20,116,206

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IV. Explanations on interest rate risk (Continued)

Balance Sheet Long Position	--	--	1,320,736	4,691,111	909,837	--	6,921,684
Balance Sheet Short Position	(4,081,795)	(1,250,753)	--	--	--	(1,589,136)	(6,921,684)
Off-Balance Sheet Long Position	--	--	--	25,000	--	19,573,772	19,598,772
Off-Balance Sheet Short Position	--	--	--	(25,000)	--	(19,596,665)	(19,621,665)
Total Position	(4,081,795)	(1,250,753)	1,320,736	4,691,111	909,837	(1,612,029)	(22,893)

(*) Non-interest bearing column includes TL 4,897 investments in associates, TL 5,445 subsidiaries, TL 191,953 tangible assets, TL 5,948 intangible assets, TL 9,475 tax assets, TL 23,795 non-current assets held for sale and TL 75,309 other assets.

(**) Non-interest bearing column includes TL 1,464,590 shareholders' equity, TL 103,169 other liabilities, TL 469 finance lease liabilities, TL 152,918 provisions and TL 42,186 tax liabilities.

“Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)”:

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,352,802	--	--	--	--	585,132	1,937,934
Financial Assets at Fair Value Through Profit or Loss	33,815	--	--	--	--	24,249	58,064
Interbank Money Market Placements	21,971	1,174	1,014	1,194	2,905	469,427	497,685
Financial Assets Available-for-Sale	274,702	--	--	--	--	--	274,702
Loans	--	293	24,940	751,929	109,044	1,020	887,226
Investment Securities Held-to-Maturity	1,869,120	3,805,040	1,991,266	2,772,280	875,097	128,469	11,441,272
Other Assets (*)	--	--	--	--	--	296,626	296,626
Total Assets	3,552,410	3,806,507	2,017,220	3,525,403	987,046	1,504,923	15,393,509
Liabilities							
Bank Deposits							
Other Deposits	347,019	20,072	--	--	--	114,714	481,805
Interbank Money Market Received	5,589,025	2,136,045	894,494	17,244	--	502,890	9,139,698
Sundry Creditors	517,259	166,569	--	--	--	--	683,828
Marketable Securities Issued							
Funds Borrowed from Other Financial Institutions	--	--	--	--	--	145,749	145,749
Bank Deposits	183,558	424,661	383,756	--	--	--	991,975
Other Liabilities(**)	56,928	903,970	609,851	2,534	--	--	1,573,283
Total Liabilities	6,693,789	3,660,054	1,888,101	19,778	351,920	2,779,867	15,393,509
Off-Balance Sheet Items							
Balance Sheet Long Position	--	146,453	129,119	3,505,625	635,126	--	4,416,323
Balance Sheet Short Position	(3,141,379)	--	--	--	--	(1,274,944)	(4,416,323)
Off-Balance Sheet Long Position	--	--	--	25,000	--	9,921,939	9,946,939
Off-Balance Sheet Short Position	--	--	--	(25,000)	--	(9,874,479)	(9,899,479)
Total Position	(3,141,379)	146,453	129,119	3,505,625	635,126	(1,227,484)	47,460

(*) Non-interest bearing column includes TL 5,445 subsidiaries, TL 186,199 tangible assets, TL 3,979 intangible assets, TL 3 tax assets, TL 3,817 non-current assets held for sale and TL 97,183 other assets

(**) Non-interest bearing column includes TL 1,289,866 shareholders' equity, TL 126,110 other liabilities, TL 85 finance lease liabilities, TL 178,569 provisions and TL 38,424 tax liabilities.

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IV. Explanations on interest rate risk (continued)

Average interest rates applied to financial instruments

Current Period End	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	--	1.25	--	4.00
Banks	0.02	1.50	--	12.75
Financial Assets at Fair Value Through Profit/ Loss	2.00	5.29	--	14.70
Interbank Money Market Placements	0.05	1.65	--	--
Financial Assets Available-for-Sale	3.43	4.42	--	10.15
Loans	5.97	6.65	--	16.96
Investment Securities Held-to-Maturity	--	--	--	--
Liabilities				
Bank Deposits	--	1.65	--	12.52
Other Deposits	1.59	3.99	--	14.38
Interbank Money Market Received	0.24	2.50	--	11.63
Sundry Creditors	--	--	--	--
Marketable Securities Issued	--	7.75	--	14.00
Funds Borrowed from Other Financial Institutions	1.95	2.87	--	6.63

Prior Period End	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	--	0.75	--	3.31
Banks	0.03	0.55	--	--
Financial Assets at Fair Value Through Profit/Loss	3.19	4.69	--	10.67
Interbank Money Market Placements	0.01	--	--	10.40
Financial Assets Available-for-Sale	3.43	4.51	--	9.40
Loans	5.97	6.23	--	15.23
Investment Securities Held-to-Maturity	--	--	--	--
Liabilities				
Bank Deposits	--	0.84	--	9.06
Other Deposits	1.60	3.46	--	11.40
Interbank Money Market Received	0.53	2.27	--	8.00
Sundry Creditors	--	--	--	--
Marketable Securities Issued	--	9.25	--	10.77
Funds Borrowed from Other Financial Institutions	1.89	2.53	--	6.55

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IV. Explanations on interest rate risk (continued)

Interest rate risk on banking book

As per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published by the BRSA in 23 August 2011, the Bank analyses and reports to the Bank’s senior management the interest rate sensitivity of equity on a monthly basis by applying positive and negative shocks to the interest sensitive on balance sheet and off-balance sheet positions which are distributed into groups based on their cash flows.

Interest rate sensitivity of equity as of 31 December 2017:

Current Period	Shock Applied (+/- x bps)	Gains/ Losses	Gains/ Equity - Losses/Equity
TRY	500	(234,042)	(8.69) %
TRY	-400	215,506	8.01%
USD Dollar	200	59,703	2.22%
USD Dollar	-200	(66,610)	(2.47) %
EURO	200	(113,460)	(4.21) %
EURO	-200	125,825	4.67%
Total (For Positive Shocks)		(287,799)	(10.69) %
Total (For Negative Shocks)		274,721	10.20%

Prior Period	Shock Applied (+/- x bps)	Gains/ Losses	Gains/ Equity - Losses/Equity
TRY	500	(204,228)	(11.45) %
TRY	-400	195,267	10.95%
USD Dollar	200	(15,789)	(0.89) %
USD Dollar	-200	12,210	0.68%
EURO	200	(77,262)	(4.33) %
EURO	-200	48	0.00%
Total (For Positive Shocks)		(297,279)	(16.67) %
Total (For Negative Shocks)		207,525	11.64%

V. Explanations on position risk of equity securities resulted from banking book

The Bank has no position risk of equity shares as of 31 December 2017 (31 December 2016: None).

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VI. Explanations on liquidity risk

The Board of Directors reviews the liquidity and funding risk management policy weekly or in case of necessity. Liquidity risk is managed by Asset and Liability Committee (ALCO) in line with risk management policy as short and long term liquidity risk.

Liquidity Risk is managed by ALCO in order to take the necessary measures in a timely and correct manner against possible liquidity shortages. Treasury department manages cash inflows and outflows in line with strategies determined by ALCO. As deemed necessary by the ALCO members, liquidity meetings are performed for the purposes of close monitoring. Treasury department manages short term liquidity by adhering to the ALCO strategy and ensuring compliance with legal liquidity limits and stress testing.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows weekly and action plan is made based on ALCO decisions. The funding balance is directly monitored and compensated by making the risk-return-cost evaluation.

For long-term liquidity "Maturity Mismatch Report" is prepared and presented to ALCO on a weekly basis. The Bank, resulting from the general structure of Turkish banking sector, has a liquidity gap at the 2 year maturity period. The Bank intends to eliminate liquidity mismatch shifting focus to long-term funding alternatives. Such decisions of the risk of incompatibility are taken by ALCO. The Bank diversifies its funding sources among customer deposits, domestic and foreign borrowings, bills and bonds issued, taking into consideration the maturity match between its assets and liabilities and keeps liquid assets in order to fully meet the liquidity requirements that may emerge in case of market volatility.

Information on the use of stress testing

Department of Risk Management implements stress testing according to Liquidity and Funding Risk Policy approved by the Board of Directors on a weekly basis. These stress tests are based on the scenarios of the deposit outflow, funds obtained from bonds issued will outflow, banks limits will not be used during a 14-day period, the results are included in the presentation of ALCO on a weekly basis and in the Presentation of Risk Committee on a monthly basis. In this way, the Bank's funding structure is closely monitored and actions are taken on behalf of existing risk management.

Alternative funding sources are identified in case of need. ALCO members are responsible for short-term liquidity shocks to take actions. In the case of a crisis or if deemed necessary, ALCO summon a meeting and take possible action plans immediately. These action plans are approved by the Board of Directors under the İSEDES. The Bank reviews resources that are available in any emergency situation constantly and takes into consideration the results of the above-mentioned stress testing and scenario analysis by the early warning system.

According to BRSA's "Legislation on Measurement and Assessment of Liquidity Adequacy of the Banks"; published in the Official Gazette numbered 28948, dated 21 March 2014; liquidity ratio is required to be 60% for foreign currency assets/liabilities and 80% for total assets/liabilities in the calculation of the banks' weekly and monthly reporting effective from 1 January 2017.

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VI. Explanations on liquidity risk (continued)

Current Period		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)			2,577,040	2,258,253
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	6,752,452	2,820,942	650,213	285,282
3	Stable deposits	516,695	--	25,105	--
4	Less stable deposits	6,235,757	2,820,942	625,108	285,282
5	Unsecured wholesale funding, of which:	5,088,006	2,894,298	2,781,247	1,619,726
6	Operational deposits	--	--	--	--
7	Non-operational deposits	3,532,975	1,840,665	1,407,518	734,429
8	Unsecured funding	1,555,031	1,053,633	1,373,729	885,297
9	Secured wholesale funding			274,839	274,839
10	Other cash outflows of which:	2,528,841	1,112,865	543,159	318,972
11	Outflows related to derivative exposures and other collateral requirements	305,733	248,347	305,812	248,511
12	Outflows related to restructured financial instruments	--	--	--	--
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	2,223,109	864,519	237,348	70,461
14	Other revocable off-balance sheet commitments and contractual obligations	--	--	--	--
15	Other irrevocable or conditionally revocable offbalance sheet obligations	20,015	187	20,031	187
16	Total Cash Outflows			4,269,489	2,499,006
Cash Inflows					
17	Secured receivables	31,646	31,646	31,187	31,187
18	Unsecured receivables	2,210,772	517,447	1,591,954	490,371
19	Other cash inflows	104,983	54,494	104,925	54,596
20	Total Cash Inflows	2,347,401	603,587	1,728,066	576,154
				Upper Limit Applied Values	
21	Total HQLA			2,577,040	2,258,253
22	Total Net Cash Outflows			2,541,423	1,922,852
23	Liquidity Coverage Ratio (%)			101.40	117.44

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

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VI. Explanations on liquidity risk (continued)

Prior Period		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)			1,612,419	1,500,173
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	5,695,464	2,273,281	358,551	137,961
3	Stable deposits	4,219,902	1,787,343	210,995	89,367
4	Less stable deposits	1,475,563	485,938	147,556	48,594
5	Unsecured wholesale funding, of which:	3,101,718	1,610,573	1,781,409	982,506
6	Operational deposits	-	-	-	-
7	Non-operational deposits	2,154,050	1,001,207	861,620	400,483
8	Unsecured funding	947,668	609,366	919,788	582,023
9	Secured wholesale funding			389,631	389,631
10	Other cash outflows of which:	1,364,540	818,505	261,554	180,209
11	Outflows related to derivative exposures and other collateral requirements	128,841	402,536	128,840	123,387
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	1,235,699	415,969	132,714	56,822
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable offbalance sheet obligations	20,807	27	20,546	27
16	Total Cash Outflows			2,811,690	1,690,334
Cash Inflows					
17	Secured receivables	41,014	40,870	40,080	40,080
18	Unsecured receivables	1,547,281	283,953	963,460	236,017
19	Other cash inflows	34,203	28,492	34,202	28,491
20	Total Cash Inflows	1,622,497	353,315	1,037,742	304,589
Upper Limit Applied Values					
21	Total HQLA			1,612,419	1,500,173
22	Total Net Cash Outflows			1,773,948	1,385,745
23	Liquidity Coverage Ratio (%)			90.89	108.26

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

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VI. Explanations on liquidity risk (continued)

The table below shows the lowest, highest and average Liquidity Cover Ratio in the last 3 months of the 1 January - 31 December 2017 period.

Current Period	Highest	Date	Lowest	Date	Average
TL+FC	132.81%	06.10.2017	84.58%	28.12.2017	102.28%
FC	163.46%	22.12.2017	84.13%	14.11.2017	120.56%

Prior Period	Highest	Date	Lowest	Date	Average
TL+FC	129.68%	25.10.2016	72.00%	23.11.2016	92.16%
FC	170.08%	07.12.2016	74.04%	15.11.2016	113.52%

The Bank implements the calculation in accordance with the Regulation of Liquidity Coverage Ratio Calculation of Banks dated 21 March 2014 and numbered 28948 published in the Official Gazette. As per the related regulation high quality liquid assets are mainly securities portfolio, cash assets and reserve requirements. The important factors affecting the results of the liquidity coverage ratio are the changes in the remaining maturities of the items and changes in the amounts of deposits and money market transactions, the remaining maturities of which are less than 30 days. Deposits form a significant portion of the Bank's sources of funds, on the other hand bonds issued, money market borrowings, funds provided from abroad are other important sources of funding.

The Bank calculates cash flow and margin likely to transactions arising from derivative transactions in accordance with the Regulation on Banks' Liquidity Coverage Ratio dated 21 March 2014 and numbered 28948 published in Official Gazette as taking 24-month average into account.

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VI. Explanations on liquidity risk (continued)

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	5 Years and Over	Unallocated	Total
Assets								
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	628,694	1,858,562	--	--	--	--	--	2,487,256
Banks	81,138	238,557	--	--	--	--	--	319,695
Financial Assets at Fair Value Through Profit or Loss	--	80,614	26,183	95,282	538,796	3,002	--	743,877
Interbank Money Market Placements	--	376,334	--	--	--	--	--	376,334
Financial Assets Available-for-Sale	1,727	--	4,860	177,940	522,484	59,152	--	766,163
Loans	--	1,660,339	2,015,567	5,746,428	4,963,581	404,744	297,498	15,088,157
Investment Securities Held-to- Maturity	--	--	--	--	--	--	--	--
Other Assets(*)	--	--	--	10,373	7,529	--	316,822	334,724
Total Assets	711,559	4,214,406	2,046,610	6,030,023	6,032,390	466,898	614,320	20,116,206
Liabilities								
Bank Deposits	134,145	464,105	3,219	--	--	--	--	601,469
Other Deposits	803,604	7,009,999	3,066,528	763,994	27,149	--	--	11,671,274
Funds Borrowed from Other Financial Institutions	--	59,927	210,266	1,310,123	479,892	63,941	--	2,124,149
Interbank Money Market	--	169,882	309,998	--	--	--	--	479,880
Marketable Securities Issued	--	346,570	423,478	485,018	--	--	--	1,255,066
Sundry Creditors	--	312,519	--	--	--	--	--	312,519
Other Liabilities(**)	--	198,088	70,586	112,632	538,020	1,133,305	1,619,218	3,671,849
Total Liabilities	937,749	8,561,090	4,084,075	2,671,767	1,045,061	1,197,246	1,619,218	20,116,206
Net Liquidity Gap	(226,190)	(4,346,684)	(2,037,465)	3,358,256	4,987,329	(730,348)	(1,004,898)	--
Net Off-Balance Sheet Position	--	(48,287)	(5,426)	3,819	30,781	(1,531)	--	(20,644)
Derivative Financial Assets	--	6,049,366	3,193,912	4,726,102	4,774,285	37,720	--	18,781,385
Derivative Financial Liabilities	--	6,097,653	3,199,338	4,722,283	4,743,504	39,251	--	18,802,029
Non-Cash Loans	--	174,789	355,796	768,245	189,571	542,592	--	2,030,993
Prior Period								
Total Assets	373,581	3,690,006	1,575,068	4,420,080	4,322,835	586,844	425,095	15,393,509
Total Liabilities	617,604	6,955,286	2,929,037	2,137,078	852,775	432,119	1,469,610	15,393,509
Net Liquidity Gap	(244,023)	(3,265,280)	(1,353,969)	2,283,002	3,470,060	154,725	(1,044,515)	--
Net Off-Balance Sheet Position	--	15,785	(3,025)	19,021	16,005	--	--	47,786
Derivative Financial Assets	--	2,622,167	1,018,933	2,321,449	3,776,784	--	--	9,739,333
Derivative Financial Liabilities	--	2,606,382	1,021,958	2,302,428	3,760,779	--	--	9,691,547
Non-Cash Loans	--	49,172	158,169	321,197	95,139	273,349	--	897,026

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies and prepaid expenses are included in this column.

(**) Shareholders' equity and provisions are classified as other liabilities under unallocated column

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VI. Explanations on liquidity risk (continued)

Contractual maturity analysis of liabilities according to remaining maturities

31 December 2017	Carrying Values	Gross Nominal Outflows	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposit	601,469	601,712	134,145	464,255	3,312	--	--	--
Other Deposit	11,671,274	11,802,366	803,604	7,034,113	3,109,272	823,508	31,869	--
Money Market Funds	479,880	480,893	--	169,989	310,904	--	--	--
Securities Issued	1,255,066	1,287,720	--	348,760	432,100	506,860	--	--
Funds Borrowed	2,084,851	2,146,784	--	56,125	208,881	1,352,416	502,626	26,736
Subordinated Loans	1,194,561	2,083,766	--	--	45,747	45,788	366,046	1,626,185
Total	17,287,101	18,403,241	937,749	8,073,242	4,110,216	2,728,572	900,541	1,652,921

31 December 2016	Carrying Values	Gross Nominal Outflows	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposit	481,805	482,035	114,714	347,062	20,259	--	--	--
Other Deposit	9,139,698	9,243,955	502,890	5,606,205	2,161,950	953,227	19,683	--
Money Market Funds	683,828	684,961	--	517,655	167,306	--	--	--
Securities Issued	991,975	1,015,580	--	184,700	432,430	398,450	--	--
Funds Borrowed	1,536,663	1,604,138	--	13,782	148,990	857,847	538,987	44,532
Subordinated Loans	397,278	752,983	--	--	17,868	18,164	143,990	572,961
Total	13,231,247	13,783,652	617,604	6,669,404	2,948,803	2,227,688	702,660	617,493

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VII. Explanations on leverage level

The table of leverage level calculated in accordance with the Regulation on Assessment and Calculation of Banks' Leverage Level published in the Official Gazette numbered 29450 and dated 5/11/2013 shown below;

	Balance sheet assets	Current Period(*)	Prior Period(*)
1	Balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	20,679,192	15,533,937
2	(Assets deducted in determining Tier 1 capital)	(33,187)	(34,286)
3	Total balance sheet risks (sum of lines 1 and 2)	20,646,005	15,499,651
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	791,132	331,031
5	Potential credit risk associated with all derivative financial instruments and credit derivatives	331,754	185,286
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,122,886	516,317
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (except for on-balance sheet)	569,650	811,748
8	Risks from brokerage activities related exposures	--	--
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	569,650	811,748
	Off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	4,718,820	2,193,861
11	(Adjustments for conversion to credit equivalent amounts)	--	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	4,718,820	2,193,861
	Capital and total risks		
13	Tier 1 capital	1,428,870	1,265,803
14	Total risks (sum of lines 3, 6, 9 and 12)	27,057,361	19,021,576
	Leverage ratio		
15	Leverage ratio	5.29	6.67

(*)Represents three-month average amounts.

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VIII. Explanations on presentation of financial assets and liabilities at their fair values

Valuation methods of the financial instruments valued with their fair value are shown below.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	16,550,349	12,661,264	16,636,285	12,725,668
Interbank Money Market Placements	376,334	274,702	376,334	274,702
Banks	319,695	58,064	319,695	58,064
Financial Assets Available-for-Sale	766,163	887,226	766,163	887,226
Investments Held-to-Maturity	--	--	--	--
Loans	15,088,157	11,441,272	15,174,093	11,505,676
Financial Liabilities	17,119,740	12,693,168	17,119,740	12,693,168
Bank Deposits	601,469	481,805	601,469	481,805
Other Deposits	11,671,274	9,139,698	11,671,274	9,139,698
Funds Borrowed from Other Financial Institutions	3,279,412	1,933,941	3,279,412	1,933,941
Marketable Securities Issued	1,255,066	991,975	1,255,066	991,975
Sundry Creditors	312,519	145,749	312,519	145,749

Fair values of financial assets available-for-sale are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

	Level 1 TL		Level 2 TL		Level 3 TL	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets						
Financial Assets at Fair Value through Profit and Loss	55,376	82,681	688,501	415,004	--	--
Financial Assets Available for Sale	764,436	886,207	1,727	1,019	--	--
Total	819,812	968,888	690,228	416,023	--	--
Financial Liabilities						
Financial Liabilities at Fair Value through Profit and Loss	--	--	749,590	383,459	--	--
Total	--	--	749,590	383,459	--	--

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

IX. Explanations on transactions carried out on behalf of customers and fiduciary activities

None.

X. Explanations on securitisation positions

The Bank does not have any securitization positions as of balance sheet date.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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XI. Explanations on risk management objectives and policies

The Bank does not apply any netting on balance sheet and off-balance sheet. Guarantees and derivatives are not used as credit mitigation techniques; but only financial collaterals consisting of cash blockages are used.

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, the Asset-Liability Committee and the Risk Management Department which have been composed in order to manage systemic risks that the Bank is exposed to. The Board of Directors is the owner of the Bank'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 Bank 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 Bank's future cash flows, the level and the quality of related activities.

As part of the Risk Management System, the Asset and Liability Committee presentation is prepared on a weekly basis and the Risk Committee and the Board of Directors presentations are prepared on a monthly basis. The presentations mainly consist of the Bank's financial statements, profit and loss analysis, credit risk, market risk, liquidity risk, concentration risk, interest rate risk due to banking book, and operational risk as well as the risk that the Bank is currently exposed to or possible risks.

The Board of Directors of the Bank delegated the authorization related to the hedge accounting to The Asset and Liability Committee with the condition of providing regular information. At the same time the Bank has organized credit policies and risk mitigation policies due to credit risk. All processes of the Bank are controlled by the Bank's Internal Control Department's control matrices regularly and are subject to supervision by the Internal Audit Department at the same time.

The Bank uses credit rating models and/or decision trees and rating systems using financial and non-financial data for loan customers as a risk measurement system. Market risk measures are calculated within the scope of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks and using only internal model and market data for intra-bank use. In addition to these, risks are measured and reported with regular stress tests. Three stress tests (base, negative, extremely negative) are performed on a yearly basis, stress tests are performed on a monthly basis for market risk and counter party credit risk, stress tests are performed on a weekly basis for interest rate risk and liquidity risk by Risk Management Department of Bank and then they are shared with senior management in the ALCO and the Risk Committee meetings.

Periodic reports about liquidity risk, interest risk, securities portfolio, credit risk, customer concentration, sectoral concentration, collateral structure and capital adequacy are reported to the Board of Directors and senior management.

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XI. Explanations on risk management objectives and policies (continued)

Notes and explanations in this section have been prepared in accordance with the “Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Bank uses the standard approach for the calculation of capital adequacy, the following tables those have to be disclosed in accordance with the Communiqué on an annual basis were not presented by the Bank as of 31 December 2017:

- RWA flow statements of credit risk exposures under IRB (Internal Ratings Based)
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an Internal Model Approach (IMA)
- Qualitative disclosures related to IRB models
- IRB - Credit risk exposures by portfolio and PD range
- IRB – Effect on RWA of credit derivatives used as CRM techniques
- IRB – Backtesting of probability of default (PD) per portfolio
- IRB (specialised lending and equities under the simple risk weight method)
- CCR exposures by portfolio and PD scale
- Quantitative disclosures related to IRB models
- Internal Models Approach values for trading portfolios

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XI. Explanations on risk management objectives and policies (continued)

Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period (31 December 2017)	Prior Period (31 December 2016)	Current Period (31 December 2017)
1	Credit risk (excluding counterparty credit risk) (CCR)	14,462,198	11,713,786	1,156,976
2	Of which standardised approach (SA)	14,462,198	11,713,786	1,156,976
3	Of which internal rating-based (IRB) approach	--	--	--
4	Counterparty credit risk	1,003,732	662,570	80,299
5	Of which standardised approach for counterparty credit risk (SA-CCR)	1,003,732	662,570	80,299
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	24,631	44,943	1,970
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	323,000	153,788	25,840
17	Of which standardised approach (SA)	323,000	153,788	25,840
18	Of which internal model approaches (IMM)	--	--	--
19	Operational risk	887,018	653,305	70,961
20	Of which basic indicator approach	887,018	653,305	70,961
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)	16,700,579	13,228,392	1,336,046

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XI. Information on risk management objectives and policies (continued)

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

	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(**)	Securitisation exposures	Subject to market risk (***)	Not subject to capital requirements or subject to deduction from capital
Current Period (*)						
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	2,487,256	2,487,256	--	--	--	--
Financial Assets Held for Trading	743,877	34,511	685,927	--	743,877	--
Financial Assets at Fair Value Through Profit or Loss	600,156	600,156	--	--	--	--
Banks	319,695	319,695	--	--	--	--
Interbank Money Markets Placements	376,334	376,334	--	--	--	--
Financial Assets at Fair Value Through Profit or Loss (net)	766,163	766,163	579,403	--	--	--
Loans	14,488,001	14,487,966	--	--	--	35
Factoring Receivables	--	--	--	--	--	--
Investment Held-to-Maturity (net)	--	--	--	--	--	--
Investment in Associates (net)	4,897	4,897	--	--	--	--
Investment in Subsidiaries (net)	5,445	5,445	--	--	--	--
Investment in Joint-Ventures (net)	--	--	--	--	--	--
Lease Receivables	--	--	--	--	--	--
Derivative Financial Assets Held for Risk	17,902	--	17,902	--	--	--
Tangible Assets (net)	191,953	181,696	--	--	--	10,257
Intangible Assets (net)	5,948	--	--	--	--	5,948
Investment Property (net)	--	--	--	--	--	--
Tax Asset	9,475	9,475	--	--	--	--
Assets Held for Sale and Assets of Discontinued Operations (net)	23,795	23,795	--	--	--	--
Other Assets	75,309	75,309	--	--	--	--
Total Assets	20,116,206	19,372,698	1,283,232	--	743,877	16,240
Liabilities						
Deposits	12,272,743	--	--	--	--	12,272,743
Derivative Financial Liabilities Held for Trading	749,590	--	--	--	749,590	749,590
Funds Borrowed	2,084,851	--	--	--	--	2,084,851
Interbank Money Markets	479,880	--	476,378	--	3,502	479,880
Securities Issued	1,255,066	--	--	--	--	1,255,066
Funds	--	--	--	--	--	--
Miscellaneous Payables	312,519	--	--	--	--	312,519
Other External Fundings Payable	103,169	--	--	--	--	103,169
Factoring Payables	--	--	--	--	--	--
Lease Payables	469	--	--	--	--	469
Derivative Financial Liabilities Held for Risk Management	3,664	--	--	--	--	--
Provisions	152,918	--	--	--	--	152,918
Tax Liability	42,186	--	--	--	--	42,186
Liabilities for Assets Held for Sale and Assets of Discontinued Operations (net)	--	--	--	--	--	--
Subordinated Debts	1,194,561	--	--	--	--	1,194,561
Shareholders' Equity	1,464,590	--	--	--	--	1,464,590
Total Liabilities	20,116,206	--	476,378	--	753,092	20,112,542

(*)Refers to the Bank's unconsolidated financial statements.

(**) Disclosed based on gross amounts of the securities.

(***)Disclosed based on gross position amounts subject to general market risk and specific risk.

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XI. Information on risk management objectives and policies (continued)

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

	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(**)	Securitisation exposures	Subject to market risk (***)	Not subject to capital requirements or subject to deduction from capital
Prior Period (*)						
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	1,937,934	1,937,934	--	--	--	--
Financial Assets Held for Trading	497,685	60,198	424,307	--	437,487	--
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--	--	--
Banks	58,064	58,064	--	--	--	--
Interbank Money Markets Placements	274,702	274,702	--	--	--	--
Financial Assets at Fair Value Through Profit or Loss (net)	887,226	887,226	851,289	--	--	--
Loans	11,441,272	11,441,080	--	--	--	192
Factoring Receivables	--	--	--	--	--	--
Investment Held-to-Maturity (net)	--	--	--	--	--	--
Investment in Associates (net)	--	--	--	--	--	--
Investment in Subsidiaries (net)	5,445	5,445	--	--	--	--
Investment in Joint-Ventures (net)	--	--	--	--	--	--
Lease Receivables	--	--	--	--	--	--
Derivative Financial Assets Held for Risk	--	--	--	--	--	--
Tangible Assets (net)	186,199	186,199	--	--	--	--
Intangible Assets (net)	3,979	--	--	--	--	3,979
Investment Property (net)	--	--	--	--	--	--
Tax Asset	3	3	--	--	--	--
Assets Held for Sale and Assets of Discontinued Operations (net)	3,817	3,817	--	--	--	--
Other Assets	97,183	86,215	--	--	--	10,968
Total Assets	15,393,509	14,940,883	1,275,595	--	437,487	15,144
Liabilities						
Deposits	9,621,503	--	--	--	--	9,621,503
Derivative Financial Liabilities Held for Trading	383,459	--	--	--	382,392	383,459
Funds Borrowed	1,536,663	--	--	--	--	1,536,663
Interbank Money Markets	683,828	--	674,136	--	9,515	683,828
Securities Issued	991,975	--	--	--	--	991,975
Funds	--	--	--	--	--	--
Miscellaneous Payables	145,749	--	--	--	--	145,749
Other External Fundings Payable	126,110	--	--	--	--	126,110
Factoring Payables	--	--	--	--	--	--
Lease Payables	85	--	--	--	--	85
Derivative Financial Liabilities Held for Risk Management	--	--	--	--	--	--
Provisions	178,569	--	--	--	--	178,569
Tax Liability	38,424	--	--	--	--	38,424
Liabilities for Assets Held for Sale and Assets of Discontinued Operations (net)	--	--	--	--	--	--
Subordinated Debts	397,278	--	--	--	--	397,278
Shareholders' Equity	1,289,866	--	--	--	--	1,289,866
Total Liabilities	15,393,509	--	674,136	--	391,907	15,393,509

(*)Refers to the Bank's unconsolidated financial statements.

(**) Disclosed based on gross amounts of the securities.

(***)Disclosed based on gross position amounts subject to general market risk and specific risk.

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XI. Information on risk management objectives and policies (continued)

The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		Total	Credit risk	Subject to the securitization	Counterparty credit risk	Market risk(*)
	Current Period					
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	20,099,966	19,372,698	--	1,283,232	743,877
2	Carrying value of liabilities that are subjected to counterparty credit risk as per TAS	--	--	--	476,378	753,092
3	Total Net Amount	20,099,966	19,372,698	--	806,854	(9,215)
4	Off-balance sheet amounts(**)	23,013,143	4,335,157	--	18,677,986	18,677,986
5	Valuation differences	--	--	--	--	--
6	Differences due to different netting rules	--	--	--	(18)	(18,345,771)
7	Differences due to consideration of provisions	--	--	--	--	--
8	Differences resulted from the BRSA's applications	--	--	--	(18,366,104)	--
9	Differences due to risk mitigation	--	--	--	476,378	--
10	Risk Amounts	43,113,109	23,707,855	--	1,595,096	323,000

(*)Risk amounts include financial instruments in trading accounts as per to the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and market risk due to calculated capital requirement for currency risk.

(**)Off-balance sheet amounts subject to capital adequacy ratio calculation.

		Total	Credit risk	Subject to the securitization	Counterparty credit risk	Market risk(*)
	Prior Period					
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	15,378,370	14,940,883	--	1,275,596	437,487
2	Carrying value of liabilities that are subjected to counterparty credit risk as per TAS	--	--	--	674,136	391,907
3	Total Net Amount	15,378,370	14,940,883	--	601,460	45,580
4	Off-balance sheet amounts(**)	11,447,133	1,764,414	--	9,682,719	9,682,719
5	Valuation differences	--	--	--	--	--
6	Differences due to different netting rules	--	--	--	(9,386)	(9,574,512)
7	Differences due to consideration of provisions	--	--	--	--	--
8	Differences resulted from the BRSA's applications	--	--	--	(9,477,788)	--
9	Differences due to risk mitigation	--	--	--	674,136	--
10	Risk Amounts	26,825,503	16,705,297	--	1,471,141	153,788

(*)Risk amounts include financial instruments in trading accounts as per to the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and market risk due to calculated capital requirement for currency risk.

(**)Off-balance sheet amounts subject to capital adequacy ratio calculation.

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Explanation on the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

Disclosures regarding differences between amounts valued according to TAS and risk exposures

The differences between the amounts assessed under TAS and the amounts after risk reduction in transactions subject to counterparty credit risk stem from the addition of potential risk amounts to the renewal costs of derivative transactions subject to the CPR and the volatility adjustments for repo / reverse repo transactions. Funds provided to differences arising from risk reduction are also included by opening separate line for them.

Valuations of securities subject to market risk in accordance with TAS represent the fair value of held for trading financial instruments. On the other hand, the values in the risk amount line represents the amount subject to market risk based on the capital requirements calculated for the losses arising due factors such as interest rate risk of the market risk, equity price risk, currency risk in accordance with the “Regulation for Measurement and Evaluation of Banks’ Capital Adequacy Ratio”.

If financial instruments that are accounted for at their fair value are traded in an active market, the valuation is based on that market price. The TL borrowing instruments in the held for trading securities portfolio comprise of government securities. These securities are evaluated at the weighted average trading price in the Istanbul Stock Exchange. For TL securities that are not traded, the market price is calculated based on the CBRT prices. For the FX securities in the same portfolio, the average of purchase and sale quotations in the market are considered as the market price. Derivative financial instruments are evaluated using the discounted cash flow model using market data. Input data used in evaluations using market value and/or valuation methods are periodically checked for validity and independence.

Information on Credit Risk

General Qualitative Information on Credit Risk:

The Bank’s credit risk management policies are established in line with the strategy approved by the Board of Directors in accordance with the related regulations and are based on prudence, sustainability and the customers’ credit worthiness principles.

The limits are set in accordance with the Risk Policies by the Board of Directors based on the Bank’s risk appetite. In accordance with the determined risk limits, the authorizations and sub-authorizations are done by the Credit Policies which is in line with the determined limits. Special attention is given to ensure that the limits are in line with market expectations and the Bank’s strategies.

Credit rating models and decision trees are used in the credit underwriting processes in accordance with the risk appetite, credit policies set by the Bank and the targets of the Bank. The grading of all customers except for individual credit customers by the Bank is essential. The individual loan portfolio is managed via an automated decision trees.

Customer selection is carried out in accordance with policies and strategies of the Bank and is based on the ability to pay on time and the cash flows expected to be received from its operations independent from guarantees, sureties and pledged assets. When needed; it is mandatory for the Bank to obtain appropriate collateral in line with the source of the payment for the repayment of the credit from the customers to ensure that their obligations arising from the credit are met on time and in full. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risks. In this context, a minimum collateral margin is determined by taking into account the collateral quality and the collection expectations given default and it is ensured that the appropriate collateral is obtained based on the credit type. Before a credit relationship is established with a customer, an analysis and intelligence collection are carried out in order to measure the creditworthiness of the customers. Before the credit decisions; the customer is examined and evaluated with an analysis for factors that have affected its past, present and future performances and any other factors (financial and non-financial data) that may affect its past, present and future performances.

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General Qualitative Information on Credit Risk (continued):

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all corporate, commercial and SME credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, maturity, customer and internal rating to avoid the risk of concentration.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. Credit risk is managed on the basis of portfolios, risk / return balance and asset quality of the Bank, and the credit risk is governed by the principles contained in the policy documents. In addition, credit-based evaluation, underwriting and follow-up are carried out by the units in the Loans group within the framework of the relevant processes. Loans proposals are evaluated by the credit units of the Headquarters, if necessary, within the framework of the level of authority based on the determined amount and finalized the loan proposal by the Credit Committee and the Board of Directors.

The units carry out their risk management activities in accordance with the risk appetite and capacity of the Bank through the use of risk measurement and management tools within the policies established by the Board of Directors. In this context, the organizational structure for credit risk management and control functions is detailed as follows the units included in the scope of Credit Risk Management are Corporate and Commercial Loans, Individual and SME Loans Allocation, Credit Monitoring and Collection Department and Credit Analysis Department. Decisions on credit policies are taken by the Credit Committee.

Allocated credit limits and usages, exceeded limits, assessments of large risks and overdue loans are regularly reported to the senior management.

In the course of credit risk management, the Risk Management Department conducts monitoring and reporting of internal concentration limits. It is ensured that the policies related to the concentration risk management are prepared and processed within the policies of allocation, monitoring, limit monitoring and management. Regular reporting on the cost of the loan and the development of the following loans is made. In addition, stress test and scenario analysis studies related to the loan portfolio are carried out within the scope of ICAAP.

The evaluation of the internal systems established to cover all branches and units and the maintenance of the continuity of functioning, competence and efficiency are among the highest priorities of the Bank's Board of Directors. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are; Internal Audit, Internal Control and Risk Management activities are carried out by the Audit Committee.

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General Qualitative Information on Credit Risk (continued):

Credit Quality of Assets

Current Period		Gross carrying values in accordance with Turkish Accounting Standards (TAS) in financial statements prepared		Allowances/ amortisation and impairments	Net value
		Defaulted	Non-defaulted		
1	Loans	468,493	14,790,659	170,995	15,088,157
2	Debt securities	--	819,812	--	819,812
3	Off-balance sheet exposures	4,135	4,330,126	1,677	4,332,584
4	Total	472,628	19,940,597	172,672	20,240,553

Prior Period		Gross carrying values in accordance with Turkish Accounting Standards (TAS) in financial statements prepared		Allowances/ amortisation and impairments	Net value
		Defaulted	Non-defaulted		
1	Loans	212,639	11,312,803	84,170	11,441,272
2	Debt securities	--	968,888	--	968,888
3	Off-balance sheet exposures	2,900	1,762,554	1,311	1,764,143
4	Total	215,539	14,044,245	85,481	14,174,303

Changes in stock of default loans and debt securities

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	212,639	147,230
2	Loans and debt securities defaulted since the last reporting period	426,021	219,140
3	Receivables back to non-defaulted status	--	--
4	Amounts written off(*)	93,935	111,963
5	Other changes (**)	76,232	41,768
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	468,493	212,639

(*) Sales of non-performing loan portfolios are disclosed.

(**) Other changes include collections during the period.

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Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	Current Period	Prior Period
Loans and Other Receivables		
Domestic	14,411,839	10,938,052
European Union (EU) Countries	100,840	90,015
OECD Countries	--	--
Off-Shore Banking Regions	--	--
USA, Canada	11,317	--
Other Countries	266,663	284,736
Total	14,790,659	11,312,803

Sectoral Breakdown:

	Current Period	Prior Period
Loans and Other Receivables		
Agriculture	553,037	345,743
Farming and Stockbreeding	414,750	233,513
Forestry	132,337	91,726
Fishery	5,950	20,504
Manufacturing	3,037,887	2,596,352
Mining and Quarrying	726,698	824,816
Production	1,763,479	1,271,125
Electricity, Gas and Water	547,710	500,411
Construction	2,619,255	1,913,735
Services	7,012,967	5,314,809
Wholesale and Retail Trade	2,442,467	1,762,636
Accommodation and Dining	1,409,774	1,095,717
Transportation and Telecommunication	719,631	536,239
Financial Institutions	357,013	617,167
Real Estate and Rental Services	404,058	306,542
Self-Employment Services	406,111	543,196
Educational Services	538,367	79,444
Health and Social Services	735,546	373,868
Others	1,567,513	1,142,164
Total	14,790,659	11,312,803

Breakdown by outstanding maturity:

	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Total
Current Period	1,660,339	2,015,567	5,746,428	4,963,581	404,744	14,790,659
Prior Period	1,703,514	1,562,411	4,358,997	3,214,614	473,267	11,312,803

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Exposures provisioned against by major regions and sectors and write-offs:

Current Period	Non-performing loans	Specific Provisions	Write-offs
Domestic	468,493	170,995	93,935
European Union (EU) Countries	--	--	--
OECD Countries	--	--	--
Off-Shore Banking Regions	--	--	--
USA, Canada	--	--	--
Other Countries	--	--	--
Total	468,493	170,995	93,935

Prior Period	Non-performing loans	Specific Provisions	Write-offs
Domestic	212,639	84,170	111,963
European Union (EU) Countries	--	--	--
OECD Countries	--	--	--
Off-Shore Banking Regions	--	--	--
USA, Canada	--	--	--
Other Countries	--	--	--
Total	212,639	84,170	111,963

Current Period	Non-performing loans	Specific Provisions	Write-offs(*)
Agriculture	16,358	8,622	2,072
Farming and Stockbreeding	5,942	2,301	1,155
Forestry	9,358	5,290	863
Fishery	1,058	1,031	54
Manufacturing	103,548	43,377	28,504
Mining and Quarrying	46,310	13,105	14,848
Production	57,085	30,179	5,579
Electricity, Gas and Water	153	93	8,077
Construction	87,757	33,115	11,672
Services	138,152	48,453	39,331
Wholesale and Retail Trade	104,752	39,112	33,399
Accommodation and Dining	11,995	2,790	1,988
Transportation and Telecommunication	9,564	2,758	106
Financial Institutions	28	14	2,489
Real Estate and Rental Services	1,770	401	243
Self-Employment Services	794	472	318
Educational Services	5,116	1,311	335
Health and Social Services	4,133	1,595	453
Others	122,678	37,428	12,356
Total	468,493	170,995	93,935

* Amounts other than collections from asset management companies through loan sales are shown under the column "Write-offs".

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Exposures provisioned against by major regions and sectors and write-offs (continued):

Prior Period	Non-performing loans	Specific Provisions	Write-offs(*)
Agriculture	8,563	2,371	8,183
Farming and Stockbreeding	3,349	648	3,084
Forestry	4,174	709	3,816
Fishery	1,040	1,014	1,283
Manufacturing	65,848	19,643	35,332
Mining and Quarrying	29,753	8,112	14,891
Production	29,977	10,307	20,336
Electricity, Gas and Water	6,118	1,224	105
Construction	44,121	26,625	7,901
Services	67,938	21,837	42,473
Wholesale and Retail Trade	54,813	18,436	38,890
Accommodation and Dining	2,445	665	737
Transportation and Telecommunication	3,058	1,482	166
Financial Institutions	314	79	12
Real Estate and Rental Services	444	146	37
Self-Employment Services	616	133	310
Educational Services	4,500	613	526
Health and Social Services	1,748	283	1,795
Others	26,169	13,694	18,074
Total	212,639	84,170	111,963

* Amounts other than collections from asset management companies through loan sales are shown under the column "Write-offs".

Aging analysis:

Days past due	Current Period	Prior Period
0-30	14,497,297	11,043,542
31-60	158,059	83,151
61-90	135,303	186,110
90+	468,493	212,639
Total	15,259,152	11,525,442

Breakdown of restructured receivables based on whether or not provisions are allocated:

Current Period	Performing loans	Loans under follow-up	Non-performing loans
Provisioned	--	--	287
Not provisioned (*)	12,728	537,992	--
Total	12,728	537,992	287

(*) General provisions are allocated for those loans.

Breakdown of restructured receivables based on whether or not provisions are allocated:

Prior Period	Performing loans	Loans under follow-up	Non-performing loans
Provisioned	--	--	88
Not provisioned (*)	11,555	491,960	--
Total	11,555	491,960	88

(*) General provisions are allocated for those loans.

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Credit risk mitigation techniques-Overview

Current Period		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	11,624,385	3,463,772	1,839,428	1,624,344	1,624,344	--	--
2	Debt securities	819,812	--	--	--	--	--	--
3	Total	12,444,197	3,463,772	1,839,428	1,624,344	1,624,344	--	--
4	Of which defaulted	254,902	42,596	42,596	--	--	--	--

Prior Period		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	8,801,565	2,639,707	2,639,707	--	--	--	--
2	Debt securities	968,888	--	--	--	--	--	--
3	Total	9,770,453	2,639,707	2,639,707	--	--	--	--
4	Of which defaulted	102,781	25,688	25,688	--	--	--	--

Credit risk exposure and credit risk mitigation techniques

Current Period		Exposures before CCF and CRM		Exposures 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	Exposures to sovereigns and their central banks	2,559,215	--	4,183,559	--	116,429	2.8%
2	Exposures to regional and local governments	--	--	--	--	--	0.0%
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	0.0%
4	Exposures to multilateral development banks	--	--	--	--	--	0.0%
5	Exposures to international organizations	--	--	--	--	--	0.0%
6	Exposures to banks and brokerage houses	2,422,155	39,652	2,422,155	22,670	901,641	36.9%
7	Exposures to corporates	9,441,066	1,629,510	8,984,571	1,151,625	10,121,108	99.9%
8	Retail exposures	3,864,150	717,758	2,834,788	282,020	2,336,840	75.0%
9	Exposures secured by residential property	551,336	10,405	531,845	5,041	243,848	45.4%
10	Exposures secured by commercial property	1,387,945	27,975	1,268,949	18,505	811,226	63.0%
11	Past-due items	219,982	--	219,982	--	238,353	108.4%
12	Exposures in high-risk categories	78,877	2,458	78,877	1,229	84,999	106.1%
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	0.0%
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	0.0%
15	Exposures in the form of collective investment undertakings	24,631	--	24,631	--	24,631*	100.0%
16	Other exposures	409,112	1,907,399	409,112	74,691	342,297	70.8%
17	Equity share investments	--	--	--	--	--	0.0%
18	Total	20,958,469	4,335,157	20,958,469	1,555,781	15,221,372	67.6%

*Content management methodology is used to calculate the risk-weighted amount of investments in the form of collective investment undertakings, final value obtained by using the content methodology.

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Credit risk exposure and credit risk mitigation techniques

Prior Period		Exposures before CCF and CRM		Exposures 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	Exposures to sovereigns and their central banks	2,043,169	--	2,043,169	--	880,701	43,1%
2	Exposures to regional and local governments	--	--	--	--	--	0,0%
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	0,0%
4	Exposures to multilateral development banks	--	--	--	--	--	0,0%
5	Exposures to international organizations	--	--	--	--	--	0,0%
6	Exposures to banks and brokerage houses	1,033,121	39,194	1,033,121	19,618	521,712	49,6%
7	Exposures to corporates	6,156,944	547,932	6,156,944	278,248	6,350,192	98,7%
8	Retail exposures	2,590,572	504,918	2,590,572	206,902	2,098,106	75,0%
9	Exposures secured by residential property	649,037	6,572	649,037	3,286	228,313	35,0%
10	Exposures secured by commercial property	1,905,670	28,146	1,905,670	14,073	1,212,331	63,2%
11	Past-due items	112,834	--	112,834	--	112,330	99,6%
12	Exposures in high-risk categories	15,633	1,590	15,633	795	17,767	108,2%
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	0,0%
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	0,0%
15	Exposures in the form of collective investment undertakings	59,922	--	59,922	--	44,943*	75,0%
16	Other exposures	373,698	636,067	373,698	61,909	292,334	67,1%
17	Equity share investments	--	--	--	--	--	0,0%
18	Total	14,940,600	1,764,419	14,940,600	584,831	11,758,729	75,7%

*Content management methodology is used to calculate the risk-weighted amount of investments in the form of collective investment undertakings, final value obtained by using the content methodology.

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Exposures by asset classes and risk weights

	Risk Class/ Risk Weight (Current Period)	%0	%10	%20	%35(*)	%50	%50	%75	%100	%150	%200	Total risk amount(**)
1	Exposures to sovereigns and their central banks	3,950,702	--	--	--	232,857	--	--	--	--	--	4,183,559
2	Exposures to regional and local government	--	--	--	--	--	--	--	--	--	--	--
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organizations	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to banks and brokerage houses	476,378	--	279,114	--	1,687,029	--	--	2,304	--	--	2,444,825
7	Exposures to corporates	15,088	--	--	--	--	--	--	10,121,108	--	--	10,136,196
8	Retail exposures	1,021	--	--	--	--	--	3,115,787	--	--	--	3,116,808
9	Exposures secured by residential property	--	--	--	450,827	--	--	--	86,059	--	--	536,886
10	Exposures secured by commercial property	--	--	--	--	--	952,456	--	334,998	--	--	1,287,454
11	Past-due items	--	--	--	--	42,447	--	--	98,346	79,189	--	219,982
12	Exposures in high-risk categories	--	--	--	--	1,158	--	--	68,004	10,944	--	80,106
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	--	--	--	--	--	--
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	--	--	--	--	--	--
15	Exposures in the form of collective investment undertakings	--	--	--	--	--	--	--	24,631	--	--	24,631
16	Equity share investments	--	--	--	--	--	--	--	--	--	--	--
17	Other exposures	141,506	--	--	--	--	--	--	342,297	--	--	483,803
18	Total	4,584,695	--	279,114	450,827	1,963,491	952,456	3,115,787	11,077,747	90,133	--	22,514,250

(*) Collateralized by real estate mortgages

(**) After CCF and CRM

(***)Content management methodology is used to calculate the risk-weighted amount of investments in the form of collective investment undertakings, final value obtained by using the content methodology.

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Exposures by asset classes and risk weights

	Risk Class/ Risk Weight (Prior Period)	%0	%10	%20	%35(*)	%50	%50	%75	%100	%150	%200	Total risk amount(**)
1	Exposures to sovereigns and their central banks	281,766	--	--	--	1,761,403	--	--	--	--	--	2,043,169
2	Exposures to regional and local government	--	--	--	--	--	--	--	--	--	--	--
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organizations	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to banks and brokerage houses	--	--	37,266	--	1,002,429	--	--	13,044	--	--	1,052,739
7	Exposures to corporates	85,000	--	--	--	--	--	--	6,350,192	--	--	6,435,192
8	Retail exposures	--	--	--	--	--	--	2,797,474	--	--	--	2,797,474
9	Exposures secured by residential property	--	--	--	652,323	--	--	--	--	--	--	652,323
10	Exposures secured by commercial property	--	--	--	--	--	1,414,825	--	504,918	--	--	1,919,743
11	Past-due items	--	--	--	--	22,078	--	--	69,686	21,070	--	112,834
12	Exposures in high-risk categories	--	--	--	--	1,841	--	--	10,067	4,520	--	16,428
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	--	--	--	--	--	--
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	--	--	--	--	--	--
15	Exposures in the form of collective investment undertakings	14,979	--	--	--	--	--	--	44,943	--	--	59,922
16	Equity share investments	--	--	--	--	--	--	--	--	--	--	--
17	Other exposures	143,273	--	--	--	--	--	--	292,334	--	--	435,607
18	Total	525,018	--	37,266	652,323	2,787,751	1,414,825	2,797,474	7,285,184	25,590	--	15,525,431

(*) Collateralized by real estate mortgages

(**) After CCF and CRM

(***)Content management methodology is used to calculate the risk-weighted amount of investments in the form of collective investment undertakings, final value obtained by using the content methodology.

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Information on credit risk mitigation techniques

The Bank does not apply any netting on balance sheet and off-balance sheet. Guarantees and derivatives are not used as credit mitigation technique; only financial collaterals consisting of cash blockages are used.

Applications related to the valuation and management of collaterals are defined as follows: Appraisals for the mortgages that are received as collaterals are only performed by the firms that have been approved by the BRSA and licensed by the Capital Markets Board ("CMB"). Appraisal reports for the real estate that are received as collaterals for commercial loans, are renewed each year as long as the risk continues. As a rule, each year a different appraisal firm is preferred. Management of the appraisal process is carried out by the Credits Department. Vehicle pledges are followed through their insurance values. Regular investigations are performed for the cheques and bills that are received as collaterals and in case of any negative finding the Bank seeks to replace the collateral.

The Bank's collaterals are mainly composed of cheques, notes, mortgages, guarantees, vehicle pledges and deposit pledges. The Bank's credit risk concentration mainly consists of corporate receivables and are followed by receivables that are collateralized with mortgage, SME receivables and retail receivables, respectively.

Exposure Categories *				Guarantees
Current Period	Amount	Financial Collaterals	Other/Physical Collaterals**	and Credit Derivatives
Receivables from Central Governments	4,183,559	--	--	1,624,344
Receivables, Coins, Purchased Cheques from Regional or Local Governments and CBT Banks	--	--	--	--
Receivables from Administrative Units and Non-Commercial Enterprises	--	--	--	--
Receivables from Multilateral Development Banks	--	--	--	--
Receivables from International Organisations	--	--	--	--
Receivables from Banks and Brokerage Houses	2,444,825	476,378	--	--
Corporate Receivables	10,136,196	15,088	--	--
Retail Receivables	3,116,808	1,021	--	--
Receivables that are Collateralized by Residential Property	1,824,340	--	1,403,283	--
Past due Receivables	219,982	--	42,723	--
Receivables Defined in High Risk Category by BRSA	80,106	--	--	--
Securities Collateralised by Mortgages	--	--	--	--
Short-term Receivables from Banks, Brokerage Houses and Corporates	--	--	--	--
Investments Similar to Collective Investment Funds	24,631	--	--	--
Other Receivables	483,803	--	--	--
Total	22,514,250	492,487	1,446,006	1,624,344

(*) Non-cash risks presented above are subject to credit conversion.

(**)Other / Physical Collaterals are shown with full amounts which are possible to be used, in line with the Regulation on Measurement and Assessment of Capital Adequacy of Banks and Credit Risk Mitigation Techniques.

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Information on consolidated credit risk mitigation techniques (continued)

Exposure Categories * Prior Period	Amount	Financial Collaterals	Other/Physical Collaterals**	Guarantees and Credit Derivatives
Receivables from Central Governments	2,212,890	169,924	--	--
Receivables, Coins, Purchased Cheques from Regional or Local Governments and CBT Banks	--	--	--	--
Receivables from Administrative Units and Non-Commercial Enterprises	--	--	--	--
Receivables from Multilateral Development Banks	--	--	--	--
Receivables from International Organisations	--	--	--	--
Receivables from Banks and Brokerage Houses	1,734,306	504,584	--	--
Corporate Receivables	6,435,193	85,000	--	--
Retail Receivables	2,797,473	--	--	--
Receivables that are Collateralized by Residential Property	2,572,066	--	4,153,674	--
Past due Receivables	112,835	--	57,278	--
Receivables Defined in High Risk Category by BRSA	16,428	--	8,455	--
Securities Collateralised by Mortgages	--	--	--	--
Short-term Receivables from Banks, Brokerage Houses and Corporates	--	--	--	--
Investments Similar to Collective Investment Funds	44,943	--	--	--
Other Receivables	435,607	--	--	--
Total	16,361,741	759,508	4,219,407	--

(*) Non-cash risks presented above are subject to credit conversion.

(**)Other / Physical Collaterals are shown with full amounts which are possible to be used, in line with the Regulation on Measurement and Assessment of Capital Adequacy of Banks and Credit Risk Mitigation Techniques.

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Counterparty credit risk (CCR) approach analysis

Current Period		Replacement Cost	Potential Credit Exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	703,811	311,882	--	1.4	1,015,693	713,938
2	Internal Model Method (for derivative instruments, 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)	--	--	--	--	579,403	20,605
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	703,811	311,882	--	--	1,595,096	734,543

Prior Period		Replacement Cost	Potential Credit Exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	414,720	204,929	--	1.4	619,649	424,008
2	Internal Model Method (for derivative instruments, 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)	--	--	--	--	851,289	35,396
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	--	--	--	--	203	--
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	--	--	--	--	--	--
6	Total	414,720	204,929	--	--	1,471,141	459,404

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Capital requirement for credit valuation adjustment (CVA)

Current Period		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	1,015,693	269,189
4	Total subject to the CVA capital obligation	1,015,693	269,189

Prior Period		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	619,649	203,166
4	Total subject to the CVA capital obligation	619,649	203,166

CCR exposures by risk class and risk weights – standardised approach

Current Period	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Exposures to sovereigns and their central banks	--	--	--	--	--	--	--	--	--
Exposures to regional and local governments	--	--	--	--	--	--	--	--	--
Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--
Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--
Exposures to international organizations	--	--	--	--	--	--	--	--	--
Exposures to banks and brokerage houses	476,378	--	150,628	522,483	--	16	--	--	1,149,505
Exposures to corporates	--	--	--	--	--	438,928	--	--	438,928
Retail exposures	1,021	--	--	--	5,642	--	--	--	6,663
Exposures secured by residential property	--	--	--	--	--	--	--	--	--
Past-due items	--	--	--	--	--	--	--	--	--
Exposures in high-risk categories	--	--	--	--	--	--	--	--	--
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	--	--	--	--	--	--	--	--	--
Equity share investments	--	--	--	--	--	--	--	--	--
Other Exposures	--	--	--	--	--	--	--	--	--
Other Assets	--	--	--	--	--	--	--	--	--
Total	477,399	--	150,628	522,483	5,642	438,944	--	--	1,595,096

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CCR exposures by risk class and risk weights – standardised approach (continued)

Prior Period									
	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Exposures to sovereigns and their central banks	169,924	--	--	--	--	--	--	--	169,924
Exposures to regional and local governments	--	--	--	--	--	--	--	--	--
Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--
Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--
Exposures to international organizations	--	--	--	--	--	--	--	--	--
Exposures to banks and brokerage houses	504,583	--	246,580	273,925	--	378	--	--	1,025,466
Exposures to corporates	--	--	--	--	--	265,523	--	--	265,523
Retail exposures	595	--	--	--	9,633	--	--	--	10,228
Exposures secured by residential property	--	--	--	--	--	--	--	--	--
Past-due items	--	--	--	--	--	--	--	--	--
Exposures in high-risk categories	--	--	--	--	--	--	--	--	--
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	--	--	--	--	--	--	--	--	--
Equity share investments	--	--	--	--	--	--	--	--	--
Other Exposures	--	--	--	--	--	--	--	--	--
Other Assets	--	--	--	--	--	--	--	--	--
Total	675,102	--	246,580	273,925	9,633	265,901	--	--	1,471,141

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Collaterals for CCR

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral Received		Collateral given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	--	--	--	--	--	--
Cash-foreign currency	1,021	--	--	--	476,378	--
Domestic sovereign debts	--	--	--	--	--	--
Other sovereign debts	--	--	--	--	--	--
Government agency debts	--	--	--	--	--	--
Corporate debts	--	--	--	--	--	579,403
Equity securities	--	--	--	--	--	--
Other collateral	--	--	--	--	--	--
Total	1,021	--	--	--	476,378	579,403

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral Received		Collateral given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	--	--	--	--	179,244	--
Cash-foreign currency	595	--	--	--	504,584	--
Domestic sovereign debts	--	--	--	--	--	179,302
Other sovereign debts	--	--	--	--	--	--
Government agency debts	--	--	--	--	--	--
Corporate debts	--	--	--	--	--	681,567
Equity securities	--	--	--	--	--	--
Other collateral	--	--	--	--	--	--
Total	595	--	--	--	683,828	860,869

Explanations on market risk

Whether the bank within the financial risk management objectives hedges itself against market risk, the precautions taken by the Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk

In order to hedge against the market risk within the context of the risk management objectives, the Bank sets its activities related with market risk management in accordance with “Regulations on Banks’ Internal Control and Risk Management Systems” published in the Official Gazette no. 29057 dated 11 July 2014 and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 29511 dated 23 October 2015.

Being exposed to market risk, Bank’s Board of Directors have defined risk management strategies and policies about risk managements in line with application and recommendation of group and have led to follow-up strategies periodically. The limits of risks are identified and these limits are revised periodically. Board of Directors ensures that risk management group and executive managers should identify, measure, control and manage the Bank’s risk.

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Whether the bank within the financial risk management objectives hedges itself against market risk, the precautions taken by the Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk (continued)

Market risk arising from trading transactions is limited through the risk appetite policy approved by Board of Directors as “low” and measured by taking into consideration BRSA’s standard methodology. Additionally Financial Control Department reports the market value and realized profit/loss of trading portfolio. The Risk Management and Asset Liability Committee continuously monitor compliance of trading transactions with the risk appetite policy. Measurements can be done with online connection with treasury front office in real time. Market risk occurred between mismatches of asset-liability maturity is also monitored through GAP report.

Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Risk measurement methods such as cash flow projection and GAP analysis are also applied.

Capital to be kept for general market risk and specific risk are calculated by using a standard method in accordance with “Measurement and Assessment of Bank Capital Adequacy Regulation” and are reported monthly.

In the calculation of the value at credit risk for the derivative financial instruments, the receivables from counterparties are multiplied by the rates stated in the Article 21 and Appendix-2 of “the Regulation on Measurement and Assessment of Capital Adequacy of Banks”, reduced as per the “Regulation on Credit Risk Mitigation Techniques” following included in the relevant exposure category and weighted for a second time. The risk amount related to the Bank’s derivative financial instruments are calculated using the “Fair Value Method”.

Market risk under standardised approach

RWA		Current Period	Prior Period
Outright products			
1	Interest rate risk (general and specific)	296,137	119,763
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	23,563	25,750
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	3,300	8,275
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	323,000	153,788

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1. Quantitative information on counterparty risk

The counterparty risk amount is calculated in accordance with fair value measurement methodology stated in Appendix 2 and section 3 of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The replacement costs of the contracts with positive value are obtained by evaluating the contracts according to their fair value. The potential credit risk amount is calculated by multiplying contract or transaction amounts with certain ratios determined in accordance with days to maturity and contract type. The total of replacement cost and potential credit risk make up counterparty risk amount. Counterparty credit risk mitigation considers only cash collaterals.

Current Period	Value	Risk Weights					Total RWA
		0%	20%	50%	75%	100%	
Interest-Rate Contracts (*)	--	--	--	--	--	--	--
Foreign-Exchange-Rate Contracts (**)	311,882	656	32,510	143,673	3,169	131,874	212,589
Commodity Contracts	--	--	--	--	--	--	--
Equity-Shares Related Contracts	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Gross Positive Fair Values	703,811	365	15,093	378,810	2,473	307,070	501,349
Netting Benefits	--	--	--	--	--	--	--
Net Current Exposure Amount	--	--	--	--	--	--	--
Collaterals Received	1,021	--	--	--	--	--	--
Net Derivative Position (***)	1,015,693	1,021	47,603	522,483	5,642	438,944	713,938

(*) Repo transactions

(**) Includes option, swap and forward contracts.

(***) Consists of foreign exchange rate and interest rate contracts and gross values of positive fair value amounts.

Prior Period	Value	Risk Weights					Total RWA
		0%	20%	50%	75%	100%	
Interest-Rate Contracts (*)	203	203	--	--	--	--	--
Foreign-Exchange-Rate Contracts (**)	204,929	456	33,376	67,983	3,563	99,551	142,890
Commodity Contracts	--	--	--	--	--	--	--
Equity-Shares Related Contracts	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Gross Positive Fair Values	414,720	137	36,220	205,943	6,070	166,350	281,118
Netting Benefits	--	--	--	--	--	--	--
Net Current Exposure Amount	--	--	--	--	--	--	--
Collaterals Received	595	--	--	--	--	--	--
Net Derivative Position (***)	619,852	796	69,596	273,926	9,633	265,901	424,008

(*) Repo transactions

(**) Includes option, swap and forward contracts.

(***) Consists of foreign exchange rate and interest rate contracts and gross values of positive fair value amounts.

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Explanations on operational risk

The value at operational risk is calculated according to the “basic indicator approach”. Value at operational risk amount is calculated by using the last 3 years’ (2016, 2015, 2014 gross income, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” issued on Official Gazette dated September 6, 2014 numbered 29111 , “Calculation of Operational Risk”. 15% of gross income which is TL 70,961 (31 December 2016:TL 52,264) represents also the minimum capital requirement to recover the risk amount.

	31.12.2014	31.12.2015	31.12.2016	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Current Period						
Gross Income	355,245	443,400	620,584	473,076	15	70,961
Value at Operational Risk (Total*12.5)						887,018

	31.12.2013	31.12.2014	31.12.2015	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Prior Period						
Gross Income	248,854	354,638	441,795	348,429	15	52,264
Value at Operational Risk (Total*12.5)						653,305

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

1. Information on cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL /Foreign Currency	28,792	89,320	28,535	49,972
Balances with the Central Bank of Turkey	246,809	2,122,335	109,442	1,749,985
Other	--	--	--	--
Total	275,601	2,211,655	137,977	1,799,957

1.1 Information related to the account of the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	240,425	270,157	109,442	160,363
Unrestricted Time Deposits	6,384	--	--	25,969
Restricted Time Deposits	--	1,852,178	--	1,563,653
Total	246,809	2,122,335	109,442	1,749,985

According to the communiqué No: 2005/1 on “Reserve Deposits” of CBRT, the banks operating in Turkey are required to keep reserve deposit at the rates varying from 4% - 10.50% for TL liabilities depending on maturities of liabilities at the rates 4% - 24% and denominated mainly in EUR and USD for FC liabilities. According to the Central Bank of Turkey’s press announcement No. 2014-72 dated 21 October 2014, the Reserve Deposits as from November of 2014 are paid interest on the portion held in Turkish Lira and according to the Central Bank of Turkey’s press announcement No. 2015-35 dated 2 May 2015, the Reserve Deposits as from May of 2015 are paid interest on the portion held in USD.

2. Information on financial assets at fair value through profit or loss

2.1 Information on financial assets at fair value through profit and loss given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	18,295	--	7,055	--
Other	--	--	--	--
Total	18,295	--	7,055	--

Trading securities given as collateral represent those collaterals given to the Central Bank of Turkey, and Istanbul Clearing and Custody Bank (Takasbank) for interbank money market, foreign exchange market and other transactions, as of balance sheets dates.

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2.2 Financial assets at fair value through profit and loss subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	--	--	9,581	--
Total	--	--	9,581	--

2.3 Positive differences relating to derivative financial assets held-for-trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	53,648	--	15,877	--
Swap Transactions	414,489	--	272,383	--
Futures Transactions	--	--	--	--
Options	213,887	6,477	126,479	265
Other	--	--	--	--
Total	682,024	6,477	414,739	265

3. Information on Banks

3.1 Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	45,943	193,540	514	33,815
Foreign	1,871	78,341	598	23,137
Foreign head-offices and branches	--	--	--	--
Total	47,814	271,881	1,112	56,952

3.2 Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	7,135	9,880	32,629	2,669
USA and Canada	33,632	8,960	--	--
OECD Countries (*)	1,236	1,174	2,527	--
Off-Shore Banking Regions	--	--	--	--
Other	3,053	1,052	--	--
Total	45,056	21,066	35,156	2,669

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

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4. Information on financial assets available-for-sale

4.1 Financial assets subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	167,674	579,405	169,880	681,568
Other	--	--	--	--
Total	167,674	579,405	169,880	681,568

4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt instruments	774,052	902,795
Quoted on Stock Exchange	774,052	902,795
Unquoted on Stock Exchange	--	--
Share certificates	1,727	1,019
Quoted on Stock Exchange	1,727	1,019
Unquoted on Stock Exchange	--	--
Impairment provision (-)	9,616	16,588
Total	766,163	887,226

5. Information on loans

5.1 Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans to Shareholders	--	--	--	--
Loans to Employees	4,872	--	3,630	--
Total	4,872	--	3,630	--

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

5.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loan and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loan and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	13,828,057	12,728	--	962,602	409,217	128,775
Working Capital Loans	--	--	--	--	--	--
Export Loans	274,982	--	--	2,253	--	--
Import Loans	--	--	--	--	--	--
Loans to Financial Sector	346,974	--	--	1,421	751	--
Consumer Loans	785,665	5	--	69,179	4,763	2,022
Credit Cards	105,261	--	--	10,382	--	--
Others	12,315,175	12,723	--	879,367	403,703	126,753
Specialization Loans	--	--	--	--	--	--
Other Receivables	--	--	--	--	--	--
Total	13,828,057	12,728	--	962,602	409,217	128,775

	Current Period		Prior Period	
	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Number of Extensions	12,728	409,217	9,356	474,112
1 or 2 times	12,728	406,481	9,356	470,413
3, 4 or 5 times	--	2,736	--	3,699
Over 5 times	--	--	--	--

	Current Period		Prior Period	
	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extension Periods	12,728	409,217	9,356	474,112
0-6 months	359	31,093	2,012	32,121
6 -12 months	--	31,187	843	38,737
1 – 2 years	--	114,262	470	124,864
2 – 5 years	5,916	122,345	4,095	168,291
5 years and over	6,453	110,330	1,936	110,099

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5.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued)

The overdue analysis of close monitoring loans

<i>Current Period</i>	Commercial Loans	Consumer Loans	Total
1-30 days	144,593	9,031	153,624
31-60 days	133,293	24,766	158,059
61-90 days	117,932	17,371	135,303
Total	395,818	51,168	446,986

Prior Period	Commercial Loans	Consumer Loans	Total
1-30 days	141,691	5,493	147,184
31-60 days	63,683	19,468	83,151
61-90 days	173,908	12,202	186,110
Total	379,282	37,163	416,445

Maturity analysis of cash loans

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	<i>Loans and Other Receivables</i>	<i>Loans and Receivables with Revised Contract Terms</i>	<i>Loans and Other Receivables</i>	<i>Loans and Receivables with Revised Contract Terms</i>
<i>Current Period</i>				
Short-term Loans and Other Receivables	5,336,129	--	147,095	40,755
Loans	5,336,129	--	147,095	40,755
Specialization Loans	--	--	--	--
Other Loans	--	--	--	--
Medium and Long-term Loans and Other Receivables	8,491,928	12,728	815,507	497,237
Loans	8,491,928	12,728	815,507	497,237
Specialization Loans	--	--	--	--
Other Loans	--	--	--	--

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5.3

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

	Short-Term	Medium or Long Term	Total
Consumer Loans-TL	194,252	597,412	791,664
Real Estate Loans	102	370,417	370,519
Vehicle Loans	--	4,667	4,667
General Purpose Loans	194,150	222,328	416,478
Other	--	--	--
Consumer Loans-Indexed to FC	--	49,145	49,145
Real Estate Loans	--	47,859	47,859
Vehicle Loans	--	--	--
General Purpose Loans	--	1,286	1,286
Other	--	--	--
Consumer Loans-FC	--	1,099	1,099
Real Estate Loans	--	1,099	1,099
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Individual Credit Cards-TL	6,847	--	6,847
With Installment	1,025	--	1,025
Without Installment	5,822	--	5,822
Individual Credit Cards-FC	37	--	37
With Installment	--	--	--
Without Installment	37	--	37
Loans Given to Employees-TL	263	3,540	3,803
Real Estate Loans	--	875	875
Vehicle Loans	--	--	--
General Purpose Loans	263	2,665	2,928
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real Estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	--	--	--
Real Estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Personnel Credit Cards – TL	1,066	--	1,066
With Installment	291	--	291
Without Installment	775	--	775
Personnel Credit Cards – FC	3	--	3
With Installment	--	--	--
Without Installment	3	--	3
Overdraft Loans-TL (Real Persons)	9,132	--	9,132
Overdraft Loans-FC (Real Persons)	--	--	--
Total	211,600	651,196	862,796

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5.4

Information on commercial loans with instalments and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans – TL	908,755	3,746,867	4,655,622
Real Estate Loans	--	6,445	6,445
Vehicle Loans	3,707	64,620	68,327
General Purpose Loans	905,048	3,675,802	4,580,850
Other	--	--	--
Installment Commercial Loans – Indexed to FC	8,319	191,911	200,230
Real Estate Loans	--	407	407
Vehicle Loans	--	18,971	18,971
General Purpose Loans	8,319	172,533	180,852
Other	--	--	--
Installment Commercial Loans - FC	--	--	--
Real Estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Corporate Credit Cards – TL	107,591	--	107,591
With Installment	22,515	--	22,515
Without Installment	85,076	--	85,076
Corporate Credit Cards – FC	99	--	99
With Installment	--	--	--
Without Installment	99	--	99
Overdraft Loans-TL (Legal Entities)	76,541	--	76,541
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	1,101,305	3,938,778	5,040,083

5.5

Allocation of loans by customers

	Current Period	Prior Period
Public Sector	--	--
Private Sector	14,709,659	11,312,803
Total	14,709,659	11,312,803

5.6

Allocation of Domestic and Foreign Loans

	Current Period	Prior Period
Domestic Loans	14,411,839	10,938,052
Foreign Loans	378,820	374,751
Total	14,790,659	11,312,803

5.7

Loans granted to subsidiaries and associates

The Bank does not have any loans granted to subsidiaries and associates as of 31 December 2017 (31 December 2016: None).

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

5.8 Specific provisions provided against loans

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	26,022	9,430
Loans and Receivables with Doubtful Collectability	44,497	23,399
Uncollectible Loans and Receivables	100,476	51,341
Total	170,995	84,170

5.9 Information on non-performing loans (Net)

5.9.1 Information on loans and other receivables included in non-performing loans which are restructured or rescheduled

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period	187	80	20
(Gross Amounts before Specific Provisions)	--	--	--
Restructured Loans and Other Receivables	187	80	20
Rescheduled Loans and Other Receivables	--	--	--
Prior Period	--	--	88
(Gross Amounts before Specific Provisions)	--	--	--
Restructured Loans and Other Receivables	--	--	288
Rescheduled Loans and Other Receivables	--	--	--

5.9.2 Movement on non-performing loans

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balances at the End of Prior Period	71,154	62,682	78,803
Additions (+)	417,736	5,186	3,099
Transfers from Other Categories of Non-Performing Loans (+)	--	271,834	168,010
Transfers to Other Categories of Non-Performing Loans (-)	271,841	168,004	--
Collections (-)	39,847	16,806	19,578
Write-offs (*) (-)	1	29,484	64,450
Corporate and Commercial Loans	--	26,895	52,676
Retail Loans	--	420	7,709
Credit Cards	1	2,169	4,065
Other	--	--	--
Balances at End of the Period	177,201	125,408	165,884
Specific Provisions (-)	26,022	44,497	100,476
Net Balance on Balance Sheet	151,179	80,911	65,408

(*) Amounts of TL 27,407 and TL 66,528 loans have been written off by being assigned and sold to the asset management companies in June 2017 and October 2017.

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5.9.3 Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance as of the Period End	16,634	8,047	34,217
Specific Provisions (-)	1,239	2,794	16,851
Net Balance on Balance Sheet	15,395	5,253	17,366
Prior Period			
Balance as of the Period End	348	4,057	24,401
Specific Provisions (-)	70	2,029	7,352
Net Balance on Balance Sheet	278	2,028	17,049

5.9.4 Information regarding gross and net amounts of non-performing loans with respect to debtor groups

	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)	151,179	80,911	65,408
Loans Granted to Real Persons and Legal Entities (Gross)	177,201	125,408	165,884
Specific Provisions (-)	26,022	44,497	100,476
Loans Granted to Real Persons and Legal Entities (Net)	151,179	80,911	65,408
Banks (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net)	61,724	39,283	27,462
Loans Granted to Real Persons and Legal Entities (Gross)	71,154	62,682	78,803
Specific Provisions (-)	9,430	23,399	51,341
Loans Granted to Real Persons and Legal Entities (Net)	61,724	39,283	27,462
Banks (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--

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5.10 Liquidation policy for uncollectible loans and other receivables

The Bank allocates 100% provision for uncollectible loans. If the Bank has collateral, non-performing loans and other receivables are collected through liquidation of these collaterals. In the absence of collateral, the Bank performs periodical market intelligence and tries to determine the assets acquired subsequently by the debtor and applies to the legal follow-up process.

5.11 Explanations related to write-off policy

Impaired loans are written-off by the Board of Directors' decision when the necessary conditions are met as to their impairment in accordance with the related regulations.

6. Information on held-to-maturity investments

The Bank does not have held to maturity investments as of 31 December 2017 and 31 December 2016.

7. Information on associates

The Bank has TL 4,897 investment in an associate as of 31 December 2017 (31 December 2016:None).

Company Name	Address (City / Country)	Bank's Share– If different voting rights (%)	Bank's Risk Group Share (%)
Kredi Garanti Fonu A.Ş.	Ankara	1.54%	1.54%

8. Information on subsidiaries

The Bank has TL 5,445 investment in a subsidiary as of 31 December 2017 (31 December 2016: TL 5,445).

Company Name	Address (City / Country)	Bank's Share– If different voting rights (%)	Bank's Risk Group Share (%)	Consolidation Method
Fiba Portföy Yönetimi A.Ş.	İstanbul	99.0%	99.0%	Full Consolidation

Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
5,745	5,468	9	643	--	127	82	5,468

(*)Total fixed assets consist tangible and intangible assets.

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Information on subsidiaries (continued)

Movement of consolidated investment in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	5,445	5,445
Movements during the Period		
Additions and Capital Increases	--	--
Bonus Shares Received	--	--
Dividends from the Current Year Profit	--	--
Sales/Liquidations	--	--
Reclassification of shares	--	--
Increase / (Decrease) in Market Values	--	--
Currency Differences on Foreign Subsidiaries	--	--
Reversal of Impairment Loses/ Impairment Losses (-)	--	--
Balance at the End of Period	5,445	5,445
Capital Commitments	--	--
Share of Percentage at the end of Period (%)	99	99

(*)Fiba Portföy Yönetimi A.Ş. was established on 26 September 2013 with 99% participation of Fibabanka A.Ş.

Sectoral distrubition of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	--	--
Insurance Companies	--	--
Factoring Companies	--	--
Leasing Companies	--	--
Finance Companies	--	--
Other Subsidiaries	5,445	5,445

Quoted consolidated investments in subsidiaries

None.

9. Information on entities under common control (Joint Ventures)

The Bank does not have investments in entities under common control as of 31 December 2017.

10. Information on lease receivables

The Bank does not have lease receivables as of 31 December 2017.

11. Information on derivative financial assets held for hedging purposes

	Current Period		Prior Period	
Derivative financial assets held for hedging	TL	FC	TL	FC
Fair Value Hedge	17,902	--	--	--
Cash Flow Hedge	--	--	--	--
Foreign Net Investment Hedge	--	--	--	--
Total	17,902	--	--	--

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12. Information on tangible assets

Current Period	Buildings	Vehicles	Other Tangible Assets*	Total
Cost				
Beginning Balance, 1 January 2017	171,403	79	66,016	237,498
Additions	160	--	13,554	13,714
Disposals	--	--	3,837	3,837
Ending Balance, 31 December 2017	171,563	79	75,733	247,375
Accumulated Depreciation				
Beginning Balance, 1 January 2017	(6,078)	(22)	(45,199)	(51,299)
Depreciation	(1,693)	(16)	(9,339)	(11,048)
Disposals	3,088	--	3,837	6,925
Ending Balance, 31 December 2017	(4,683)	(38)	(50,701)	(55,422)
Net Book Value, 31 December 2017	166,880	41	25,032	191,953

* Other tangible fixed assets consist of leasehold improvements, safe boxes, office machinery, furniture and other movables.

Prior Period	Buildings	Vehicles	Other Tangible Assets*	Total
Cost				
Beginning Balance, 1 January 2016	171,365	44	60,461	231,870
Additions	38	35	6,667	6,740
Disposals	--	--	1,112	1,112
Ending Balance, 31 December 2016	171,403	79	66,016	237,498
Accumulated Depreciation				
Beginning Balance, 1 January 2016	(2,640)	(9)	(37,539)	(40,188)
Depreciation	(3,438)	(13)	(8,773)	(12,224)
Disposals	--	--	1,113	1,113
Ending Balance, 31 December 2016	(6,078)	(22)	(45,199)	(51,299)
Net Book Value, 31 December 2016	165,325	57	20,817	186,199

* Other tangible fixed assets consist of leasehold improvements, safe boxes, office machinery, furniture and other movables.

12.1 Disclosure for impairment losses or releases individually material for financial statements

12.1.1 Conditions for allocating/releasing any impairment:

None.

12.1.2 Amount of impairment losses provided or released in financial statements during current period:

None.

12.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually

None.

13. Information on intangible assets

13.1 Useful lives and amortisation rates

The useful life of an asset is determined by taking the asset's expected economic life, technical, technological or other kinds of obsolescence, and maintenance costs into account. The amortization rates used are in accordance with the useful lives of the underlying assets. The useful lives are determined as defined by TAS 38 "Intangible Assets".

The Bank's intangible assets consist of software programs and rights, and their useful lives range between 3 to 10 years.

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13.2 Amortisation methods

Depreciation is calculated by the straight line method over the estimated amount of depreciation over the period of the asset with respect to the assets that are less than the asset period as of the balance sheet date.

13.3 Balances at beginning and end of the current period

	Current Period		Prior Period	
	Gross book	Accumulated value Amortisation	Gross book	Accumulated value Amortisation
Intangible Assets (*)	55,343	49,395	50,396	46,417

(*)Includes the software and other intangible assets

13.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Cost		
Beginning Balance, 1 January	50,396	48,192
Additions	5,012	2,221
Disposal	(65)	(17)
Ending Balance, 31 December	55,343	50,396
Accumulated Depreciation Beginning		
Balance, 1 January	(46,417)	(42,828)
Amortisation Expense for Current Period (-)	(3,043)	(3,606)
Disposal	65	17
Ending Balance, 31 December	(49,395)	(46,417)
Net Book Value, 31 December	5,948	3,979

13.5 Details for any individually material intangible assets

None.

13.6 Intangible assets capitalised under government incentives at fair values

None.

13.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

13.8 Net book value of intangible asset that are restricted in usage or pledged

None.

13.9 Commitments to acquire intangible assets

None.

13.10 Disclosure on revalued intangible assets

None.

13.11 Research and development costs expensed during current period

None.

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13.12 Goodwill

None.

14. Information on investment properties

None.

15. Information on deferred tax asset

15.1 Amount of deferred tax asset recognized in the balance sheet in respect of deductible temporary differences, unused tax losses and unused tax credits

As of 31 December 2017, the deferred tax assets amounting to TL 9,472 is calculated by netting of deductible temporary differences and taxable temporary differences (31 December 2016: TL 1,374 deferred tax liability).

Deferred tax asset consists of deferred tax asset and liability items recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. The deferred tax assets and liabilities are presented as net in the accompanying financial statements.

Current Period		
	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Financial Assets Valuation	18,621	3,830
Unearned Commission Income/Prepaid Commission Expenses	13,633	2,999
Retirement Pay and Unused Vacation Provision	21,230	4,300
Tangible Assets Base Differences	(9,885)	(1,977)
Other	1,324	320
Deferred Tax Asset/(Liability)	44,923	9,472

Prior Period		
	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Financial Assets Valuation	(25,566)	(5,113)
Unearned Commission Income/ Prepaid Commission Expenses	1,559	312
Retirement Pay and Unused Vacation Provision	17,743	3,549
Tangible Assets Base Differences	(3,357)	(671)
Other	2,744	549
Deferred Tax Asset/(Liability)	(6,877)	(1,374)

The movement of the current year and prior year deferred tax assets is shown below:

	Current Period	Prior Period
Deferred Tax Asset, 1 January	(1,374)	1,653
Deferred Tax Income / (Expense)	12,777	(5,801)
Deferred Tax Recognized Directly Under Equity	(1,931)	2,773
Deferred Tax Asset/(Liability) , December 31	9,472	(1,374)

As of 31 December 2017, the bank has no carry forward tax losses.

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15.2 *Amount and expiry date of deductible temporary differences, unused tax losses, unused tax credits for which no deferred tax asset is recognized in prior periods in the balance sheet*

None.

15.3 *Deferred tax asset resulting from the cancellation of the provision for impairment losses related to the deferred taxes*

None.

16. Information on assets held for sale and non-current assets related to discontinued operations

As of 31 December 2017, the Bank has TL 23,795 assets held for sale (31 December 2016: TL 3,817).

17. Information on other assets

Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

17.1 *Information on prepaid expenses, tax and similar items*

As of 31 December 2017, total prepaid expenses are TL 30,014 (31 December 2016: TL 24,074).

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II. Explanations and disclosures related to liabilities

1. Information on deposits

1.1 Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	74,866	--	409,940	2,067,120	617,183	184,848	150,372	--	3,504,329
Foreign Currency Deposits	339,684	--	682,479	3,935,109	205,144	67,655	141,318	--	5,371,389
Residents in Turkey	326,480	--	615,344	3,917,385	203,702	66,362	51,847	--	5,181,120
Residents Abroad	13,204	--	67,135	17,724	1,442	1,293	89,471	--	190,269
Public Sector Deposits	43,974	--	--	--	--	--	--	--	43,974
Commercial Deposits	338,698	--	84,534	1,448,605	202,249	207,845	349,379	--	2,631,310
Other Ins. Deposits	1,524	--	6,081	63,930	30,265	25	13,589	--	115,414
Precious Metal Deposits	4,858	--	--	--	--	--	--	--	4,858
Interbank Deposits	134,144	--	387,573	72,246	7,506	--	--	--	601,469
Central Bank of Turkey	--	--	--	--	--	--	--	--	--
Domestic Banks	126	--	369,537	--	7,506	--	--	--	377,169
Foreign Banks	17,375	--	18,036	72,246	--	--	--	--	107,657
Special Finan.Inst.	116,643	--	--	--	--	--	--	--	116,643
Other	--	--	--	--	--	--	--	--	--
Total	937,748	--	1,570,607	7,587,010	1,062,347	460,373	654,658	--	12,272,743

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	56,397	--	482,578	2,032,327	325,157	354,068	95,077	--	3,345,604
Foreign Currency Deposits	265,625	--	90,370	2,599,456	252,024	126,933	95,198	--	3,429,606
Residents in Turkey	257,644	--	85,315	2,588,713	247,014	121,569	14,544	--	3,314,799
Residents Abroad	7,981	--	5,055	10,743	5,010	5,364	80,654	--	114,807
Public Sector Deposits	1	--	--	10	--	--	--	--	11
Commercial Deposits	172,450	--	311,657	1,218,969	169,403	175,757	220,118	--	2,268,354
Other Ins. Deposits	1,505	--	1,522	55,280	18,590	12,299	15	--	89,211
Precious Metal Deposits	6,912	--	--	--	--	--	--	--	6,912
Interbank Deposits	114,714	--	332,421	34,670	--	--	--	--	481,805
Central Bank of Turkey	--	--	--	--	--	--	--	--	--
Domestic Banks	12	--	314,090	20,072	--	--	--	--	334,174
Foreign Banks	17,263	--	18,331	14,598	--	--	--	--	50,192
Special Finan.Inst.	97,439	--	--	--	--	--	--	--	97,439
Other	--	--	--	--	--	--	--	--	--
Total	617,604	--	1,218,548	5,940,712	765,174	669,057	410,408	--	9,621,503

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1.2 Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

	Under the Guarantee of Deposit Insurance		Exceeding the limit of Deposit Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	1,151,935	937,362	2,336,011	2,380,080
Foreign Currency Saving Deposits	304,051	188,315	2,457,726	2,163,704
Other Deposits in the Form of Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Insurance of Foreign Authorities	--	--	--	--
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	--	--	--	--
Total	1,455,986	1,125,677	4,793,737	4,543,784

1.3 Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

1.4 Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and Accounts in Branches Abroad	--	--
Deposits of Ultimate Shareholders and Their Close Families	33,853	47,498
Deposits of Chairman and Members of the Board of Directors and their Close Families	13,094	8,032
Deposits Obtained through Illegal Acts Defined in the 282nd Article of the 5237 Numbered Turkish Criminal Code dated 26 September 2004.	--	--
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	--	--

2. Information on derivative financial liabilities held for trading

2.1 Information on negative differences relating to derivative financial liabilities held for trading

	Current Period		Prior Period	
Trading Purpose Derivative Financial Liabilities	TL	FC	TL	FC
Forward Transactions	43,928	--	16,986	--
Swap Transactions	484,580	--	239,985	--
Futures Transactions	--	--	--	--
Options	213,939	7,143	126,226	262
Other	--	--	--	--
Total	742,447	7,143	383,197	262

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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3. Information on banks and other financial institutions

3.1 Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	--	--	--	--
From Domestic Banks and Institutions	21,789	176,532	17,220	65,573
From Foreign Banks, Institutions and Funds	--	1,886,530	--	1,453,870
Total	21,789	2,063,062	17,220	1,519,443

3.2 Maturity analysis of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	20,868	177,567	17,220	45,031
Medium and Long Term	921	1,885,495	--	1,474,412
Total	21,789	2,063,062	17,220	1,519,443

3.3 Additional explanation related to the concentrations of the Bank's major liabilities

In the scope of normal banking operations, the Bank funds itself through the funds provided in the form of deposits, bank borrowings and bond issuance.

4. Informations related with issued instruments

Current Period	TL		FC	
	Short Term	Medium and Long Term	Short Term	Medium and Long Term
Nominal	1,287,720	--	--	--
Book Value	1,255,066	--	--	--

Prior Period	TL		FC	
	Short Term	Medium and Long Term	Short Term	Medium and Long Term
Nominal	1,015,580	--	--	--
Book Value	991,975	--	--	--

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5. Sundry Creditors and Other Liabilities

Sundry creditors and other liabilities of balance sheet do not exceed 10% of the balance sheet total.

6. Criteria used in the determination of lease instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

6.1 Changes in agreements and further commitments arising

None.

6.2 Obligations under financial lease

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	150	125	89	85
Between 1-4 Years	376	344	--	--
Total	526	469	89	85

6.3 Information on operational leases and footnotes

The Bank has operational lease agreements for some of its branches. If the rental payments are made in advance, the paid amount is accounted under prepaid expenses in “Other Assets”, in the following months, the rental expenses belonging to those months are recorded in profit/loss accounts.

The Bank does not incur any liability as a result of any changes in operational lease agreements. The Bank does not have any obligation from operational lease agreements.

6.4 Information on “Sale-and-lease back” agreements

In the current period, there is no sale and lease back transactions.

7. Information on derivative financial liabilities for hedging purposes

Derivative financial liability held for hedging	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	3,664	--	--	--
Cash Flow Hedge	--	--	--	--
Foreign Net Investment Hedge	--	--	--	--
Total	3,664	--	--	--

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8. Information on provisions

8.1 Information on general provisions

	Current Period	Prior Period
Loans and Receivables in Group 1	55,112	95,988
- Additional Provision for Loan and Receivables with Extended Maturities	--	--
Loans and Receivables in Group 2	8,593	18,047
- Additional Provision for Loan and Receivables with Extended Maturities	--	--
Non-Cash Loans	6,875	7,252
Others	--	--
Total	70,580	121,287

8.2 Foreign exchange losses on the foreign currency indexed loans and finance lease receivables

The foreign exchange losses on the foreign currency indexed loans as of 31 December 2017, amounting to TL 359 (31 December 2016: TL 1) are netted off from the loans on the balance sheet.

8.3 The specific provisions provided for unindemnified non cash loans

As of 31 December 2017, the specific provision provided for unindemnified non cash loans is TL 1,677 (31 December 2016: TL 1,311).

8.4 Explanation on other provisions

8.4.1 Provisions for probable losses

	Current Period	Prior Period
Provisions for probable losses	55,500	36,000

8.4.2 The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total provisions

None.(31 December 2016: None).

8.4.3 Explanations on reserves for employee benefits

As of 31 December 2017, reserves for employee benefits amounting to TL 21,231 (31 December 2016: TL 16,894) comprise of TL 11,439 reserve for employee termination benefits (31 December 2016: TL 8,265), TL 2,731 unused vacation pay liability (31 December 2016: TL 2,683) and TL 7,061 personnel premium accrual (31 December 2016: TL 5,946).

9. Explanations on Tax Liability

9.1 Explanations on current tax liability

9.1.1 Explanations on tax provision

As of 31 December 2017, the Bank's current tax liability is TL 42,186 (31 December 2016: TL 37,050). The Bank's corporate taxes payable is TL 5,897 after deducting the taxes paid during the period.(31 December 2016:TL 6,714).

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9.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	5,897	6,714
Taxation on securities	16,662	11,912
Property tax	374	391
Banking and Insurance Transaction Tax (BITT)	11,491	9,228
Taxes on foreign exchange transactions	--	--
Value added taxes payable	324	186
Income tax ceased from wages	3,426	2,640
Other	369	349
Total	38,543	31,420

9.1.3 Information on premium

	Current Period	Prior Period
Social Security Premiums- Employee	1,550	2,426
Social Security Premiums- Employer	1,770	2,701
Bank Social aid Pension Fund Premium- Employee	--	--
Bank Social Aid Pension Fund Premium- Employer	--	--
Pension Fund Membership Fees and Provisions- Employee	--	--
Pension Fund Membership Fees and Provisions- Employer	--	--
Unemployment Insurance- Employee	107	167
Unemployment Insurance- Employer	216	336
Other	--	--
Total	3,643	5,630

9.2 Explanations on deferred tax liabilities

There are no deferred tax liabilities as of December 31, 2017 (31 December 2016: 1,374).

10. Information on liabilities regarding assets held for sale and discontinued operations

None.

11. Explanations on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Domestic Other Institutions	--	--	--	360,657
Foreign Banks	--	39,298	--	36,621
Foreign Other Institutions	--	1,155,263	--	--
Total	--	1,194,561	--	397,278

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12. Information on shareholders' equity

12.1 *Paid-in capital*

	Current Period	Prior Period
Common Stock	941,161	941,161
Preferred Stock	--	--

12.2 *Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital ceiling:*

Registered share capital system is not applied.

12.3 *Information on share capital increases and their sources; other information on increased capital shares in current period*

None.

12.4 *Information on share capital increases from revaluation funds*

None.

12.5 *Information on capital commitments the purpose and the sources until the end of the fiscal year and the subsequent interim period:*

The capital is totally paid in and there are no capital commitments.

12.6 *Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Bank's equity:*

None.

12.7 *Information on privileges given to stocks representing the capital*

The Bank does not have any preferred shares.

12.8 *Common stock issue premiums, shares and equity instruments*

Number of shares issued with premiums and the related share premiums are presented below:

	Current Period	Prior Period
Number of Shares (Thousand)	26,230,098	26,230,098
Number of Privileged Shares	--	--
Share Premium	128,678	128,678
Share Cancellation Profits	--	--
Other Equity Instruments	--	--

12.9 *Information on marketable securities value increase fund*

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates, and Entities Under Common Control (Joint Ventures)	--	--	--	--
Security Valuation Difference	(13,113)	2,214	(10,151)	(10,103)
Exchange Difference	--	--	--	--
Total	(13,113)	2,214	(10,151)	(10,103)

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12.10 Information on revaluation reserve

None.

12.11 Bonus shares of Subsidiaries, Associates and Joint Ventures

None.

12.12 Information on legal reserves

	Current Period	Prior Period
1st Legal Reserves	13,535	7,790
2nd Legal Reserves	--	--
Special Reserves	--	--

12.13 Information on extraordinary reserves

	Current Period	Prior Period
Reserves allocated by the General Assembly	229,749	120,579
Retained Earnings	--	--
Accumulated Losses	--	--
Foreign Currency Capital Exchange Differences	--	--

13. Information on minority shares

None.

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III. Explanations and disclosures related to off-balance sheet contingencies and commitments

1. Information on off-balance sheet commitments

1.1 Nature and amount of irrevocable loan commitments

	Current Period	Prior Period
Asset Sale and Purchase Commitments	1,637,022	415,538
Credit Card Limit Commitments	123,381	101,475
Credit Card and Bank Trans. Promo. Guarantee.	-	1
Commitments for Credit Allocation with the Guarantee of Usage	323,365	171,368
Export Commitments	5,070	4,230
Commitment for Cheques	211,200	172,800
Other Irrevocable Commitments	3,229	3,016
Total	2,303,267	868,428

1.2 Possible losses and commitments related to off-balance sheet items, including the ones listed below

1.2.1 Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits

	Current Period	Prior Period
Letters of Guarantee TL	759,390	439,122
Letters of Guarantee FC	294,942	166,786
Letters of Credit	555,123	224,067
Bills of Exchange and Acceptances	421,539	67,051
Total	2,030,994	897,026

1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Revocable Letters of Guarantee	46,899	34,534
Irrevocable Letters of Guarantee	889,934	497,262
Letters of Guarantee Given in Advance	60,718	47,727
Letters of Guarantee Given to Customs	13,536	14,741
Other Letters of Guarantee	43,245	11,644
Total	1,054,332	605,908

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given against Cash Loans	25,171	5,503
With Original Maturity of 1 Year or Less Than 1 Year	23,486	--
With Original Maturity of More Than 1 Year	1,685	5,503
Other Non-Cash Loans	2,005,823	891,523
Total	2,030,994	897,026

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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3. Information on sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	4,020	0.53	49,380	3.88	2,946	0.67	28,855	6.32
Farming and Stockbreeding	1,419	0.19	13,809	1.09	1,182	0.27	746	0.16
Forestry	2,601	0.34	35,571	2.80	1,234	0.28	23,472	5.15
Fishing	--	--	--	--	530	0.12	4,637	1.01
Manufacturing	86,821	11.43	813,995	64.03	82,472	18.74	280,615	61.42
Mining and Quarrying	9,773	1.29	23,677	1.86	9,623	2.19	12,825	2.81
Production	48,479	6.38	786,348	61.86	48,537	11.03	267,234	58.49
Electricity, Gas and Water	28,569	3.76	3,970	0.31	24,312	5.52	556	0.12
Construction	313,081	41.21	68,818	5.41	156,980	35.66	30,847	6.75
Services	272,323	35.84	196,198	15.43	136,258	30.96	105,227	23.03
Wholesale and Retail Trade	95,352	12.55	106,297	8.36	56,426	12.82	55,700	12.19
Accommodation and Dining	16,382	2.16	9,903	0.78	4,972	1.13	3,206	0.70
Transportation and Telecommunication	17,997	2.37	33,059	2.60	21,946	4.99	7,924	1.73
Financial institutions	92,570	12.18	19,422	1.53	27,354	6.21	15,427	3.38
Real Estate and Rental Services	1,669	0.22	10,386	0.82	749	0.17	9,267	2.03
Self-Employment Services	10,921	1.44	52	0.00	2,111	0.48	42	0.01
Educational Services	5,304	0.70	9,879	0.78	5,386	1.22	193	0.04
Health and Social services	32,128	4.23	7,200	0.57	17,314	3.93	13,468	2.95
Other	83,565	11.00	142,793	11.23	61,516	13.98	11,310	2.48
Total	759,810	100.00	1,271,184	100.00	440,172	100.00	456,854	100.00

4. Information on the first and second group of non-cash loans

	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	745,526	287,157	13,864	7,785
Bills of Exchange and Bank Acceptances	420	421,119	--	--
Letters of Credit	--	555,123	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Related Guarantees	--	--	--	--
Other Guarantees and Sureties	--	--	--	--
Non-Cash Loans	745,946	1,263,399	13,864	7,785

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5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	36,388,695	19,380,880
<i>Forward Transactions</i>	5,295,185	2,038,884
<i>Swap Transactions</i>	17,908,039	11,826,812
<i>Futures Transactions</i>	--	--
<i>Option Transactions</i>	13,185,471	5,515,184
Interest Related Derivative Transactions (II)	50,000	50,000
<i>Forward Rate Transactions</i>	--	--
<i>Interest Rate Swap Transactions</i>	50,000	50,000
<i>Interest Option Transactions</i>	--	--
<i>Futures Interest Transactions</i>	--	--
Other Trading Derivative Transactions (III)	153,464	--
A. Total Derivative Transactions Held for Trading (I+II+III)	36,592,159	19,430,880
Types of hedging transactions		
Fair Value Hedges		
Cash Flow Hedges	991,256	--
Net Investment Hedges	--	--
B. Total Derivative Transactions Held for Hedging Purposes	991,256	--
Total Derivative Transactions (A+B)	37,583,415	19,430,880

6. Credit derivatives and risk exposures on credit derivatives

None.

7. Explanations on contingent liabilities and assets

The Bank provided provision of TL 1,114 for the legal cases pending against the Bank where the cash out flows are highly probable (31 December 2016: TL 1,055).

8. Custodian and intermediary services

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

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IV. Explanations and disclosures related to the income statement

1. Interest income

1.1 Information on interest on loans (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans	1,432,537	261,750	1,040,208	194,526
Short Term Loans	788,538	22,640	655,265	23,464
Medium and Long Term Loans	643,999	239,110	384,943	171,062
Interest on Non-Performing Loans	2,844	--	3,022	--
Premiums received from Resource Utilization Support Fund	--	--	--	--
Total	1,435,381	261,750	1,043,230	194,526

(*) Includes fees and commissions obtained from cash loans as well.

1.2 Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	27,707	--	--	5
Domestic Banks	47,457	636	7,536	269
Foreign Banks	--	306	--	124
Branches and Head Office Abroad	--	--	--	--
Total	75,164	942	7,536	398

1.3 Interest received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,641	218	1,205	208
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Financial Assets Available-for-Sale	16,914	30,678	9,299	23,258
Investment Securities Held-to-Maturity	--	--	--	--
Total	18,555	30,896	10,504	23,466

1.4 Information on interest income received from associates and subsidiaries

None.

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2. Interest expense

2.1 Information on interest on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1,148	32,952	1,049	25,287
The Central Bank of Turkey	--	--	--	--
Domestic Banks	1,140	5,348	1,049	3,606
Foreign Banks	8	27,604	--	21,681
Branches and Head Office Abroad	--	--	--	--
Other Institutions	--	86,114	--	39,546
Total	1,148	119,066	1,049	64,833

(*) Includes also the fee and commission expenses on borrowings.

2.2 Information on interest expenses to associates and subsidiaries

Total interest expense given to subsidiaries is TL 610 (1 January – 31 December 2016: TL 549).

2.3 Information on interest expenses to securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	142,885	--	87,706	--

2.4 Distribution of interest expense on deposits based on maturity of deposits

Account Description	Demand Deposits	Time Deposits					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over		
<i>Turkish Lira</i>								
Bank Deposits	--	9,944	--	--	--	--	--	9,944
Saving Deposits	--	51,443	285,721	42,188	31,313	11,603	--	422,268
Public Sector Deposits	--	--	1	--	--	--	--	1
Commercial Deposits	--	18,098	206,770	28,136	37,454	41,690	--	332,148
Other	--	521	11,307	2,754	1,117	63	--	15,762
7 Days Notice	--	--	--	--	--	--	--	--
Total	--	80,006	503,799	73,078	69,884	53,356	--	780,123
<i>Foreign Currency</i>								
Foreign Currency Deposits	--	14,073	113,044	5,445	2,529	4,316	--	139,407
Bank Deposits	--	7,958	--	--	--	--	--	7,958
7 Days Notice	--	--	--	--	--	--	--	--
Precious Metal Deposits	--	--	--	--	--	--	--	--
Total	--	22,031	113,044	5,445	2,529	4,316	--	147,365
Grand Total	--	102,037	616,843	78,523	72,413	57,672	--	927,488

3. Information on dividend income

None.

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4. Information on net trading income / loss

	Current Period	Prior Period
Income	1,681,187	1,109,902
Gains on Capital Market Operations	7,148	8,073
Gains on Derivative Financial Instruments	965,152	522,454
Foreign Exchange Gains	708,887	579,375
Loss (-)	1,678,362	1,053,927
Losses on Capital Market Operations	2,606	1,339
Losses on Derivative Financial Instruments	945,814	462,840
Foreign Exchange Losses	729,942	589,748
Net Trading Income / (Loss)	2,825	55,975

5. Information on other operating income

Other operating income mainly consists of reversal of provisions, profit from sale of assets, commissions on cheques and notes and costs recharged.

6. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables:	184,444	127,003
<i>III. Group Loans and Receivables</i>	20,012	6,937
<i>IV. Group Loans and Receivables</i>	41,722	31,777
<i>V. Group Loans and Receivables</i>	122,710	88,289
General Loan Loss Provisions	--	30,184
Free Provision for Probable Risks	19,500	36,000
Impairment Losses on Securities:	--	--
<i>Financial Assets at Fair Value Through Profit or Loss</i>	--	--
<i>Financial Assets Available-for-Sale</i>	--	--
Impairment Losses on Associates, Subsidiaries, Joint Ventures and		
Investment Securities Held to Maturity:	--	--
<i>Associates</i>	--	--
<i>Subsidiaries</i>	--	--
<i>Joint Ventures</i>	--	--
<i>Investments Held to Maturity</i>	--	--
Other	9,088	--
Total	213,032	193,187

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7. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	200,243	150,477
Provision for Employee Termination Benefits	1,133	1,539
Provision for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	--
Depreciation Charges of Tangible Assets	11,044	12,224
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	3,043	3,606
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	83	23
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	93,137	76,063
<i>Operational Leases Expenses</i>	35,329	29,688
<i>Repair and Maintenance Expenses</i>	2,323	1,633
<i>Advertisement Expenses</i>	10,830	6,506
<i>Other Expenses)</i>	44,655	38,236
Losses on Sale of Assets	299	14
Other	53,573	48,360
Total	362,555	292,306

8. Information on profit/loss before tax from continued and discontinued operations

The Bank's profit/loss before tax is from its continued operations. The Bank has no discontinued operations.

	Current Period	Prior Period
Interest Income	1,847,392	1,289,546
Interest Expenses (-)	1,205,070	779,598
Net Fee and Commission income	43,809	26,160
Trading Profit/Loss (Net)	2,825	55,975
Other Operating Income(*)	87,017	54,327
Provision for Impairment in Loans and Other Receivables	213,032	193,187
Other Operating Expenses (-)	362,555	292,306
Profit/(loss) Before Tax	200,386	160,917

(*)While the Bank were making provisions over the rates, mentioned in "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation"), general provision amounting to TL 50,507, has been cancelled in the current period when the Bank has decided to use the minimum provisioning rates as defined in the aforementioned Communiqué as of December 31, 2017.

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9. Explanations on tax provision for resumed operations and discontinued operations

9.1 Current period taxation benefit or charge and deferred tax benefit or charge

For the period ended as of 31 December 2017, current tax charge of the bank is TL 46,161 (31 December 2016: TL 40,201) and the deferred tax income of the Bank is TL 12,777 (1 January -31 December 2016: TL 5,801 charge).

	Current Period	Prior Period
Deferred Tax Income/ (Expense)	12,777	(5,801)
Provision of Deferred Tax	--	--
Net Deferred Tax Expense	12,777	(5,801)

9.2 Deferred tax benefit / (charge) arising from origination or reversal of temporary differences

Deferred Tax Benefit / (Charge) Arising from Origination or Reversal of Temporary Differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	17,679	1,781
Arising from Reversal of Deductible Temporary Differences (-)	(779)	(1,439)
Arising from Origination of Taxable Temporary Differences (-)	(6,067)	(6,836)
Arising from Reversal of Taxable Temporary Differences (+)	1,944	693
Arising from Origination of Financial Losses (+)	--	--
Arising from Reversal of Financial Losses (-)	--	--
Arising from Origination of Tax Deductions and Exemptions (+)	--	--
Arising from Reversal of Tax Deductions and Exemptions (-)	--	--
Total	12,777	(5,801)
Provision	--	--
Net Deferred Tax Benefit / (Charge)	12,777	(5,801)

9.3 Deferred tax benefit / (charge) arising from temporary differences, tax losses or unused tax credits

Sources of Deferred Tax Benefit/Charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	16,900	342
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(4,123)	(6,143)
Arising from Origination (+)/ Reversal (-) of Tax Losses	--	--
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	12,777	(5,801)
Allowance	--	--
Net Deferred Tax Benefit / (Charge)	12,777	(5,801)

10. Information on profit/loss from continued and discontinued operations

	Current Period	Prior Period
Profit/(Loss) Before Tax from Continuing Operations	200,386	160,917
Tax Benefit/(Charge) on Continuing Operations	(33,384)	(46,002)
Net Profit/(Loss) from Continuing Operations	167,002	114,915

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

11. Information on net profit/loss for the period

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 the complete understanding of the Bank's performance for the period*

In the current and prior periods, the Bank's income from ordinary banking transactions is interest income from loans and marketable securities and other banking service income. Main expenses are interest expense on deposits and similar debt items which are funding resources of loans and marketable securities.

11.2 *Changes in estimations made by the Bank with respect to the financial statement items do not have a material effect on profit/loss.*

11.3 *As there is no minority share in shareholders' equity, there is no profit or loss attributable to the minority shares.*

12. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items

In the current period, "other" items recognised in "fees and commissions received" majorly comprised of commissions such as limit allocation and revision commissions, valuation commissions, insurance commissions, contracted merchant commissions, credit card commissions and account maintenance fees.

In the current period, "other" items recognised in "fees and commissions paid" majorly comprised of commissions to correspondent banks, credit card commissions and commissions on issuance of securities.

V. Explanations and disclosures related to statements of changes in shareholders' equity

1. Information on inflation adjustment difference of shareholders' equity

Per the circular issued by the BRSA on 28 April 2005 and the decision of BRSA No: 1623 on 21 April 2005, the inflation accounting applied in banking system has been decided to be ceased as at 1 January 2005.

In accordance with the circular, TL 17,416 inflation adjustments to paid-in-capital until 31 December 2005 have been transferred to "Other Capital Reserves" account which was formerly recognized in "Inflation Adjustment to Paid-in-Capital" account. Mentioned inflation adjustment was used in the capital increase from TL 426,650 to TL 550,000 together with TL 9,502 profit from the disposal of real estate and TL 96,432 cash contribution of Fiba Holding A.Ş. in accordance with the Board of Directors decision dated 25 February 2013. Legal procedures were completed on 29 May 2013 and capital increase was accounted for in the financial statements.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

V. Explanations and disclosures related to statements of changes in shareholders' equity (continued)

2. Information on profit distribution

The decision relating to distribution of 2017 profit will be made at the General Assembly.

At the General Assembly meeting held on 27 March 2017, 2016 profit of the Bank was decided to be distributed as follows:

Profit or Loss	114,915
A-1st Legal Reserves	5,745
B-Extraordinary Reserves	109,170

3. Information on foreign exchange difference

None.

4. Information on available for sale financial assets

Mark to market gains and losses on available for sale securities are not reflected to profit and loss but recognized in equity under "Securities Valuation Reserve" account until such securities are sold, redeemed, disposed of or impaired.

VI. Explanations and disclosures related to the statement of cash flows

1. Information on cash and cash equivalents

Cash and cash equivalents components and accounting policies defining these components:

Cash, foreign currency, money in transfer, purchased bank cheques and deposits in all banks including Central Bank of Turkey are defined as "Cash", interbank money market placements with original maturity less than 3 months and investments on marketable securities are defined as "Cash equivalents".

a) Cash and cash equivalents at the beginning of the period:

	1 January 2017	1 January 2016
Cash	78,507	43,549
Banks and Other Financial Institutions	351,169	157,861
Money Market Placements	274,702	--
Total Cash and Cash Equivalent Assets	704,378	201,410

b) Cash and cash equivalents at the end of the period:

	31 December 2017	31 December 2016
Cash	118,112	78,507
Banks and Other Financial Institutions	801,505	351,169
Money Market Placements	376,334	274,702
Total Cash and Cash Equivalents Assets	1,295,951	704,378

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

VI. Explanations and disclosures related to the statement of cash flows (continued)

2. Information on cash and cash equivalent assets of the Bank that is not available for free use due to legal restrictions or other reasons

In the current period, demand deposits of TL 35,156 which is blocked at foreign banks as the guarantee of derivative transactions and required reserves at the Central Bank of Turkish Republic are not included in cash and cash equivalents (31 December 2016: TL 2,669).

3. Information on other item in cash flow statement and the effect of the exchange rate change on cash and cash equivalents

“Other items” amounting to TL (47,980) in “operating profit before changes in operating assets and liabilities” consists of other operating expenses and realized derivative losses (31 December 2016: TL (27,195)).

“Net increase/decrease in other liabilities” amounting to TL (59,225) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, taxes and due payables, other liabilities (31 December 2016: TL 235,454).

“Net increase/decrease in other assets” amounting to TL 6,417 in “Changes in operating assets and liabilities” consists of changes in sundry receivables, other receivables (31 December 2016: TL 380).

“Other” amounting to TL (5,013) in “Net cash flows from investment activities” consists of purchases of intangible asset (31 December 2016: TL (1,952)).

“The effect of exchange rate changes on cash and cash equivalents” is the amount arising from conversion of the cash and cash equivalents denominated in foreign currencies with the average of the exchange rates effective at the beginning and at the end of the related periods and is TL (5,432) for the current period (1 January- 31 December 2016: TL 45,352).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

VII. Explanations and disclosures on the risk group of the Bank

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

1.1 Current Period

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables (**)						
Balance at the Beginning of the Period	--	--	--	22	126,939	30,871
Balance at the End of the Period	--	--	--	22	11,556	48,284
Interest and Commission Income Received	--	--	--	--	3,553	114

(*) Described in article 49 of the Banking Act No: 5411.

(**) Includes all transactions described as loans in article 48 of the Banking Act No: 5411.

Prior Period

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables (**)						
Balance at the Beginning of the Period	--	--	--	20	5,720	17,242
Balance at the End of the Period	--	--	--	22	126,939	30,871
Interest and Commission Income Received	--	--	--	--	1,134	407

(*) Described in article 49 of the Banking Act No:5411.

(**) Includes all transactions described as loans in article 48 of the Banking Act No: 5411.

1.2 Information on deposits of the Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	4,767	4,761	15,552	89,173	595,922	496,534
Balance at the End of the Period	4,840	4,767	300,055	15,552	409,339	595,922
Deposit Interest Expense	610	549	20,434	6,094	44,072	28,398

(*) Described in article 49 of the Banking Act No: 5411.

1.3 Information on funds obtained from the Bank's risk group

As of 31 December 2017, the amount of funds obtained from Bank's risk group is TL 171,583 and that fund amount has obtained from IFC and EBRD in the form of borrowings (31 December 2016: TL 523,313; that fund amount includes TL 162,656 from IFC and EBRD in the form of borrowings and TL 360,657 funds provided from repurchase agreements).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

1.4 Information on forward and option agreements and similar agreements made with Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Prior Period	Current Period
Financial Assets at Fair Value Through Profit and Loss:						
Balance at the Beginning of the Period	--	--	--	--	863,016	344,668
Balance at the End of the Period	--	--	--	--	899,553	863,016
Total Income/Loss	--	--	--	--	(23,856)	(1,367)
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/Loss	--	--	--	--	--	--

(*) As described in the Article 49 of Banking Act no.5411.

2. Information on transactions with the Bank's risk group

2.1 Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

The terms of related party transactions are equivalent to those that prevail in arm's length transactions only if such terms can be substantiated regarding the limits exposed by the Banking Act. Adopted Bank policy is that assets and liabilities will not be dominated by the risk group and the balances with the risk group will have a reasonable share in the total balance sheet.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of 31 December 2017, the ratio of the loans and other receivables used by the entities of risk group to total loans and receivables is 0.07% (31 December 2016: 1.10%) and the ratio of the deposits of entities of risk group to total deposits is 5.82 % (31 December 2016: 6.40%). Ratio of funds obtained from entities of risk group to total funds borrowed is 5.2% (31 December 2016:27.1%). The distribution of 5.2% is 4.6% IFC and 0.6% EBRD.

In current period benefits; such as salaries and bonuses; provided to the key management is TL 13,803 (1 January - 31 December 2016: TL 9,029).

2.3 Total of similar type of transactions together, unless a separate disclosure is required to present the effect of the transactions on financial statements

None.

2.4 Transactions accounted for under equity method None.

2.5 Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agency contracts, finance lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

None.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

VIII. Explanations on the Bank's domestic, foreign, off-shore branches or investments in associates and foreign representative offices

1. Information related to the Bank's domestic and foreign branch and representatives

	Number	Number of Employees			
Domestic Branch	80	1,633			
			Country of Incorporations		
Foreign Representation Office			1-		
			2-		
			3-		
				Total Assets	Statutory Share Capital
Foreign Branch			1-		
			2-		
			3-		
Off-shore Banking Region Branches			1-		
			2-		
			3-		

IX. Events after balance sheet date

The Bank has completed its Regulation S Only Eurobond issue abroad with US Dollar and having a maturity of 5 years on 24/01/2018. Securities, having a total nominal value of USD 300 million and a maturity of January 25, 2023 and 6% of fixed interest rate with a bi-annual interest payment, have been issued.

As of February 8, 2018, the Bank has obtained necessary permissions to establish an affiliated company in order to provide consultancy services on innovation, creation of new business fields and technologies, investing to financial technology companies, mobile payment, income-expense tracking and money transfer as a result of its application to BRSA.

X. Other disclosures on activities of the Bank

Summary information of Bank's risk ratings by international rating agencies

Fitch Ratings	
Long term FC and TL Rating	BB-
Short term FC and TL Rating	B
Viability Rating	BB-
Support Rating	5
Long term National Scale Rating	A+ (tur)
Senior Unsecured Debt Rating	BB-
Subordinated Debt Rating	B+
Outlook	Stable

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

SECTION SIX

OTHER EXPLANATIONS ON THE OPERATIONS OF THE BANK

None.

SECTION SEVEN EXPLANATIONS ON AUDITORS' REPORT

I. Explanations on the auditors' report

The Bank's publicly available financial statements and footnotes have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Ernst&Young Global Limited) and the independent auditors' report is presented in front of the financial statements as of February 27, 2018.

II. Other footnotes and explanations prepared by the independent auditors

None.

**FİBABANKA A.Ş. AND ITS
FINANCIAL SUBSIDIARY
INDEPENDENT AUDITOR'S REPORT,
CONSOLIDATED FINANCIAL STATEMENTS AND
RELATED DISCLOSURES FOR THE YEAR ENDED
31 DECEMBER 2017**

(Convenience translation of publicly announced consolidated financial statements, related disclosures and auditor's report originally issued in Turkish)

(Convenience translations of the independent auditor's report originally issued in Turkish ~ See Note I. of Section 3)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fibabanka Anonim Şirketi:

A) Report on the Audit of Consolidated Financial Statements

1) Qualified Opinion

We have audited the accompanying consolidated financial statements of Fibabanka A.Ş (the Bank) and its subsidiaries (together will be referred as the "Group"), which comprise the statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss accounted for under equity, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations.

2) Basis for Qualified Opinion

As explained in detail in Note II-8 of Section 5, the accompanying consolidated financial statements as at December 31, 2017 include a general reserve which does not meet the relevant criterias in TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for possible risks provided by the Bank Management for possible results of the circumstances which may arise from possible changes in the economy and market conditions during the year of 2016 and within current period amounting to TL 55,500 thousands out which TL 36,000 thousands and TL 19,500 thousands, respectively.

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued 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 Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our 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. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment on Loans and Advances</i>	
Impairment of loans and receivables is a key area of judgement for the management. There is a potential risk of provision that has been provided or that will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Aforementioned risk is a failure in identifying the loans and receivables which are impaired and not providing the adequate provision for these impaired loans. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related explanations regarding the financial statement relating to the impairment of loans and advances have been disclosed in "Footnote Five Note I-5".	Our audit procedures included among others, selecting samples of loans and receivables based on our judgement in order to identify whether there is objective evidence that impairment exists on these loans and receivables and the assess the adequacy of provision for those loans and receivables in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition our audit procedures include assessing the relevant controls over granting, booking, monitoring and derecognition and testing the design and operational effectiveness of the key controls in place for identifying impaired loans and the calculation of provisions which were provided for them.
<i>Derivative Financial Instruments</i>	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency options, currency futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in "Footnote Five Note I-2 and Footnote Five Note II-2". Fair value of the derivative financial instruments is determined by selecting the most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered as a key audit matter due to the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others include reviewing fair valuation policies adopted by Group Management, re-calculation of samples basis fair values by our experts, assessing the estimations and judgements used in valuation and testing the assessment of operating effectiveness of the key controls in the process for fair value determination.

4) Other Matter

The consolidated financial statements of the Bank and its subsidiaries for the year ended December 31, 2016 were audited by another audit firm, which expressed a qualified opinion in their reports issued on February 17, 2017.

5) Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

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

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 BRSA Independent Audit Regulation and ISAs 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 financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism 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 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 the directors 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2017 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

The engagement partner who supervised and concluded this independent auditor's report is Damla Harman.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner

27 February 2018
İstanbul, Türkiye

CONSOLIDATED FINANCIAL REPORT OF

FİBABANKA A.Ş.

AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

Address: : Esentepe Mah. Büyükdere Caddesi
No: 129 Şişli 34394 İstanbul
Telephone : (212) 381 82 82
Fax : (212) 257 37 78
Web Site : www.fibabanka.com.tr
Contact E-Mail : zeki.goksungur@fibabanka.com.tr

The consolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:



- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE PARENT BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The consolidated subsidiary included in this consolidated financial report is as follows:

Subsidiary:

- Fiba Portföy Yönetimi A.Ş.

The consolidated financial statements and the explanatory footnotes and disclosures unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

 Hüsnü Mustafa Özyeğin Chairman of the Board of Directors	 Nevzi Bozer Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	 Mevlüt Hamdi Aydın Member of the Audit Committee	 Ömer Mert Member of the Board of Directors and General Manager	 Elif Alsev Utku Özbey Deputy General Manager	 Ayşe Akdaş Department Head Financial Control and Reporting Department Head
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Information related to personnel to whom questions related to this financial report may be directed.

Name-Surname/Title : **Ayşe Akdaş** / Financial Control and Reporting Department Head

Telephone Number : (212) 381 84 88

Fax Number : (212) 257 37 78

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
OF 1 JANUARY - 31 DECEMBER 2017**

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

SECTION ONE

GENERAL INFORMATION

I. History of the Parent Bank Including Its Incorporation Date, Initial Status and Amendments to the Initial Status

On 21 December 2001, Share Transfer Agreement was signed with Novabank S.A. for the sale of all shares of Sitebank A.Ş. under the control of SDIF and the sale transaction was approved by the decision of Banking Regulation and Supervision Agency ("BRSA") No: 596 on 16 January 2002.

In the General Assembly held on 4 March 2003, the name of Sitebank A.Ş. was amended as BankEuropa Bankası A.Ş.

In the extraordinary General Assembly held on 28 November 2006, the name of Bank Europa Bankası A.Ş. was amended as Millennium Bank A.Ş.

On 27 December 2010, acquisition of the Bank by Credit Europe Bank N.V., which is an affiliate of Fiba Holding A.Ş., was realized.

In the extraordinary General Assembly held on 25 April 2011 the name of Millennium Bank A.Ş. was amended as Fibabanka A.Ş. ("the Bank").

II. Shareholder Structure, Shareholders Having Direct or Indirect, Joint or Individual Control Over the Management and Internal Audit of the Parent Bank, Changes in Shareholder Structure During the Current Period, if any and Information on the Bank's Risk Group

On 10 February 2010, Banco Comercial Portugues S.A. and Credit Europe Bank N.V., which is an affiliate of Fiba Group, signed a share purchase agreement to transfer 95% of the Parent's Bank's shares to Credit Europe Bank N.V. and the legal approval process was completed as of 27 December 2010.

Credit Europe Bank N.V.'s share of capital increased from 95% to 97.6% after the capital increases during 2011 and 2012. Fiba Holding A.Ş. became the ultimate parent of the Bank after acquiring 97.6% of the shares from Credit Europe Bank N.V. on 3 December 2012 and 2.4% of the shares from Banco Comercial Portugues S.A. on 7 December 2012. There were sales of equity shares to the management of the Parent Bank in 2013. The total shares held by the Bank's management represent 0.61% of the Bank's capital.

The Parent Bank applied to the BRSA on 14 January 2015 for permission of the subordinated loan provided from Fiba Holding A.Ş. in the amount of USD 50 million to be converted to share capital. Following the authorization of the BRSA on 4 March 2015, the Board of Directors decision was taken on 5 March 2015 regarding share capital increase from TL 550,000 to TL 678,860. TL 127,045 of the increase was provided by the subordinated loan granted by Fiba Holding A.Ş. which had been approved to be converted to capital and TL 1,815 of total capital was paid in cash by the other shareholders, capital increase was recognised in financial statements following the completion of the legal procedures on 7 May 2015.

The Parent Bank's paid-in capital amounting to TL 678,860 was increased to TL 847,515 on 23 December 2015 with equal contributions from International Finance Corporation ("IFC") and European Bank for Reconstruction and Development ("EBRD") amounting TL 168,655 in total. In addition, share issuance premium of TL 73,379 was recognised in the shareholders' equity.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

II. Shareholder Structure, Shareholders Having Direct or Indirect, Joint or Individual Control Over the Management and Internal Audit of the Parent Bank, Changes in Shareholder Structure During the Current Period, if any and Information on the Bank's Risk Group (continued)

The Parent Bank's paid-in capital amounting to TL 847,515 was increased to TL 941,161 on 7 September 2016 with the capital contribution of TurkFinance B.V. by TL 93,646. In addition, TL 55,299 was recorded to the equity as share premium.

As of 31 December 2017, paid-in capital of the Bank is TL 941,161 and all paid in.

III. Explanations Regarding the Shares of the Parent Bank Owned by and Areas of Responsibility of the Chairman and the Members of Board of Directors, Audit Committee Members, Chief Executive Officer, Executive Vice Presidents

<u>Name Surname</u>	<u>Title</u>	<u>Assignment Date</u>
<i>Board of Directors</i>		
Hüsnü Mustafa Özyeğin	Chairman	27-Dec-10
Fevzi Bozer	Deputy Chairman	27-Dec-10
Mehmet Güleşçi	Member	27-Dec-10
Mevlüt Hamdi Aydın	Member	24-Jan-13
İsmet Kaya Erdem	Member	11-Feb-13
Memduh Aslan Akçay	Member	13-Apr-16
Selçuk Yorgancıoğlu	Member	22-Sep-16
Hülya Kefeli	Member	15-May-17
Ömer Mert	Member-General Manager	18-Jan-17
<i>Audit Committee</i>		
Fevzi Bozer	Member	27-Dec-10
Mevlüt Hamdi Aydın	Member	24-Jan-13
<i>Assistant General Managers</i>		
Elif Alsev Utku Özbey	Deputy GM - Financial Control & Reporting	07-Jan-11
Adem Aykın	AGM - Information Technologies	01-Jul-11
Esra Osmanağaoğlu	AGM - Banking Operations	29-Feb-12
Sezin Erken	AGM - Consumer Banking & Funding Resource Management	10-Aug-17
Kerim Lokman Kuriş	AGM - Corporate & Commercial Banking	01-Dec-15
Turgay Hasdiker	AGM - Credits	01-Dec-15
Ahu Dolu	AGM - Financial Institutions	01-Dec-15
Orhan Hatipoğlu	AGM - Direct Banking & Supporting Services	02-Jan-17
Ömer Rıfat Gencal	AGM - Treasury	01-May-17
Gerçek Önal	Chief Legal Officer	01-Feb-16

The Bank's equity shares owned by the individuals listed above are not material.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

IV. Individuals and Institutions That Have Qualified Shares in the Parent Bank

<u>Name Surname/ Commercial Title</u>	<u>Share Amount (Nominal)</u>	<u>Share Ratios</u>	<u>Paid in Capital (Nominal)</u>	<u>Unpaid Shares</u>
Fiba Holding A.Ş.	673,147	71.52%	673,147	--
Hüsnü Mustafa Özyeğin	666,433	70.81%	666,433	--

V. Summary Information on the Parent Bank's Services and Activity Areas

The Bank was incorporated as a privately owned bank authorized for customer deposit acceptance and the Head Office of the Bank is located in Istanbul, Turkey. As of 31 December 2017, the Bank serves with 80 domestic branches and 1,633 employees.

VI. Other Information

The Bank's Commercial Title:	Fibabanka Anonim Şirketi
The Bank's General Directorate Address:	Esentepe Mah. Büyükdere Caddesi No:129 Şişli 34394 İstanbul
The Bank's Phone and Fax Numbers:	Telephone : (0212) 381 82 82 Fax : (0212) 257 37 78
The Bank's Web Site Address:	www.fibabanka.com.tr
The Bank's E-Mail Address:	malikontrol@fibabanka.com.tr
Reporting Period:	1 January 2017 – 31 December 2017

The financial statements, related disclosures and notes in this report are presented, unless otherwise indicated, in thousands of Turkish Lira (TL).

VII. Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial affiliates are subject to consolidation whereas as per the Turkish Accounting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation. There are no investments in entities subject to proportional consolidation or to deduction from equity.

VIII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2017

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

ASSETS	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.1)	275,601	2,211,655	2,487,256	137,977	1,799,957	1,937,934
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	1,332,566	11,467	1,344,033	491,693	5,992	497,685
2.1 Financial Assets Held For Trading		732,410	11,467	743,877	491,693	5,992	497,685
2.1.1 Public Sector Debt Securities		18,450	4,174	22,624	17,033	5,720	22,753
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Positive Value of Trading Purpose Derivatives		682,024	6,477	688,501	414,739	265	415,004
2.1.4 Other Securities		31,936	816	32,752	59,921	7	59,928
2.2 Financial Assets Designated at Fair Value		600,156	-	600,156	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		600,156	-	600,156	-	-	-
2.2.4 Other Securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	48,135	271,881	320,016	1,428	56,952	58,380
IV. DUE FROM MONEY MARKETS		-	376,334	376,334	15,009	259,693	274,702
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	376,334	376,334	15,009	259,693	274,702
4.3 Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.4)	184,756	581,407	766,163	174,433	712,793	887,226
5.1 Share Certificates		-	1,727	1,727	-	1,019	1,019
5.2 Public Sector Debt Securities		167,708	12,147	179,855	172,433	11,418	183,851
5.3 Other Securities		17,048	567,533	584,581	2,000	700,356	702,356
VI. LOANS AND RECEIVABLES	(5.1.5)	9,627,446	4,860,555	14,488,001	7,983,452	3,457,820	11,441,272
6.1 Loans and Receivables		9,329,948	4,860,555	14,190,503	7,854,983	3,457,820	11,312,803
6.1.1 Loans Utilized to the Bank's Risk Group		4,714	72	4,786	122,792	48	122,840
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		9,325,234	4,860,483	14,185,717	7,732,191	3,457,772	11,189,963
6.2 Loans under Follow-Up		468,493	-	468,493	212,639	-	212,639
6.3 Specific Provisions (-)		170,995	-	170,995	84,170	-	84,170
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENT HELD TO MATURITY (Net)	(5.1.6)	-	-	-	-	-	-
8.1 Public Sector Debt Securities		-	-	-	-	-	-
8.2 Other Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	4,897	-	4,897	-	-	-
9.1 Associates accounted for Under Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		4,897	-	4,897	-	-	-
9.2.1 Financial Associates		4,897	-	4,897	-	-	-
9.2.2 Non-Financial Associates		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	-	-	-	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.9)	-	-	-	-	-	-
11.1 Joint Ventures accounted for Under Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	48	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING PURPOSE DERIVATIVES	(5.1.11)	17,902	-	17,902	-	-	-
13.1 Fair Value Hedge		17,902	-	17,902	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	191,962	-	191,962	186,205	-	186,205
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	5,948	-	5,948	3,979	-	3,979
15.1 Goodwill		-	-	-	-	-	-
15.2 Others		5,948	-	5,948	3,979	-	3,979
XVI. INVESTMENT PROPERTIES (Net)	(5.1.14)	-	-	-	-	-	-
XVII. TAX ASSETS		9,831	-	9,831	307	-	307
17.1 Current Tax Assets		327	-	327	268	-	268
17.2 Deferred Tax Assets	(5.1.15)	9,504	-	9,504	39	-	39
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.16)	23,795	-	23,795	3,817	-	3,817
18.1 Held For Sale		23,795	-	23,795	3,817	-	3,817
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	54,254	21,276	75,530	81,796	15,569	97,365
TOTAL ASSETS		11,777,093	8,334,575	20,111,668	9,080,096	6,308,776	15,388,872

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2017

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

LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.II.1)	6,371,720	5,896,185	12,267,905	5,814,645	3,802,093	9,616,738
1.1 Deposits of the Bank's Risk Group		460,861	248,535	709,396	399,445	212,031	611,476
1.2 Others		5,910,859	5,647,650	11,558,509	5,415,200	3,590,062	9,005,262
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.2)	742,447	7,143	749,590	383,197	262	383,459
III. FUNDS BORROWED	(5.II.3)	21,789	2,063,062	2,084,851	17,220	1,519,443	1,536,663
IV. DUE TO MONEY MARKETS		3,503	476,377	479,880	179,244	504,584	683,828
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		3,503	-	3,503	-	-	-
4.3 Repurchase Agreements		-	476,377	476,377	179,244	504,584	683,828
V. SECURITIES ISSUED (Net)	(5.II.4)	1,255,066	-	1,255,066	991,975	-	991,975
5.1 Bills		1,255,066	-	1,255,066	991,975	-	991,975
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrowers Funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS	(5.II.5)	219,012	93,520	312,532	59,589	86,191	145,780
VIII. OTHER EXTERNAL RESOURCES	(5.II.5)	74,439	28,763	103,202	117,595	8,561	126,156
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.II.6)	-	469	469	-	85	85
10.1 Financial Lease Payables		-	526	526	-	89	89
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses (-)		-	57	57	-	4	4
XI. HEDGING PURPOSE DERIVATIVES	(5.II.7)	3,664	-	3,664	-	-	-
11.1 Fair Value Hedge		3,664	-	3,664	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XII. PROVISIONS	(5.II.8)	153,080	-	153,080	178,668	-	178,668
12.1 General Provisions		70,580	-	70,580	121,287	-	121,287
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		21,393	-	21,393	16,993	-	16,993
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		61,107	-	61,107	40,388	-	40,388
XIII. TAX LIABILITIES	(5.II.9)	42,256	-	42,256	38,481	-	38,481
13.1 Current Tax Liability		42,256	-	42,256	37,107	-	37,107
13.2 Deferred Tax Liability		-	-	-	1,374	-	1,374
XIV. SALE AND DISCONTINUED OPERATIONS (Net)	(5.II.10)	-	-	-	-	-	-
14.1 Held For Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(5.II.11)	-	1,194,561	1,194,561	-	397,278	397,278
XVI. SHAREHOLDERS' EQUITY	(5.II.12)	1,462,398	2,214	1,464,612	1,299,864	(10,103)	1,289,761
16.1 Paid-In Capital		941,161	-	941,161	941,161	-	941,161
16.2 Supplementary Capital		110,929	2,214	113,143	115,524	(10,103)	105,421
16.2.1 Share Premium		128,678	-	128,678	128,678	-	128,678
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve		(13,113)	2,214	(10,899)	(10,151)	(10,103)	(20,254)
16.2.4 Revaluation Fund on Tangible Assets		-	-	-	-	-	-
16.2.5 Revaluation Fund on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation Fund on Investment Properties		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Supplementary Capital		(4,636)	-	(4,636)	(3,003)	-	(3,003)
16.3 Profit Reserves		243,284	-	243,284	128,369	-	128,369
16.3.1 Legal Reserves		13,535	-	13,535	7,790	-	7,790
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		229,749	-	229,749	120,579	-	120,579
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Profit or Loss		166,970	-	166,970	114,757	-	114,757
16.4.1 Prior Periods' Profits / Losses		(158)	-	(158)	(239)	-	(239)
16.4.2 Current Period Profit / Loss		167,128	-	167,128	114,996	-	114,996
16.5 Minority Shares	(5.II.13)	54	-	54	53	-	53
TOTAL LIABILITIES AND EQUITY		10,349,374	9,762,294	20,111,668	9,080,478	6,308,394	15,388,872

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2017

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

	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		15,098,165	26,819,511	41,917,676	8,581,635	12,614,699	21,196,334
I. GUARANTEES	(5.III.1)	759,810	1,271,184	2,030,994	440,172	456,854	897,026
1.1. Letters of Guarantee		759,390	294,942	1,054,332	439,122	166,786	605,908
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		759,390	294,942	1,054,332	439,122	166,786	605,908
1.2. Bank Acceptances		420	421,119	421,539	1,050	66,001	67,051
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		420	421,119	421,539	1,050	66,001	67,051
1.3. Letters of Credit		-	555,123	555,123	-	224,067	224,067
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	555,123	555,123	-	224,067	224,067
1.4. Prefinancing Given As Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Related Guarantees		-	-	-	-	-	-
1.8. Other Collaterals		-	-	-	-	-	-
1.9. Other Sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.III.1)	1,403,774	899,493	2,303,267	542,376	326,052	868,428
2.1. Irrevocable Commitments		1,403,774	899,493	2,303,267	542,376	326,052	868,428
2.1.1. Asset Purchase and Sale Commitments		737,529	899,493	1,637,022	89,486	326,052	415,538
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		323,365	-	323,365	171,368	-	171,368
2.1.5. Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		211,200	-	211,200	172,800	-	172,800
2.1.8. Tax and Fund Obligations from Export Commitments		5,070	-	5,070	4,230	-	4,230
2.1.9. Commitments for Credit Card Limits		123,381	-	123,381	101,475	-	101,475
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services		-	-	-	1	-	1
2.1.11. Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12. Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		3,229	-	3,229	3,016	-	3,016
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.5)	12,934,581	24,648,834	37,583,415	7,599,087	11,831,793	19,430,880
3.1. Hedging Purpose Derivatives		482,049	509,207	991,256	-	-	-
3.1.1. Fair Value Hedge		482,049	509,207	991,256	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2. Trading Purpose Derivatives		12,452,532	24,139,627	36,592,159	7,599,087	11,831,793	19,430,880
3.2.1. Forward Foreign Currency Purchases/Sales		1,929,765	3,365,420	5,295,185	456,674	1,582,210	2,038,884
3.2.1.1. Forward Foreign Currency Purchases		918,657	1,731,510	2,650,167	193,451	823,219	1,016,670
3.2.1.2. Forward Foreign Currency Sales		1,011,108	1,633,910	2,645,018	263,223	758,991	1,022,214
3.2.2. Currency and Interest Rate Swaps		5,133,914	12,824,125	17,958,039	4,400,155	7,476,657	11,876,812
3.2.2.1. Currency Swaps-Purchases		2,340,868	6,587,892	8,928,760	2,410,286	3,533,213	5,943,499
3.2.2.2. Currency Swaps-Sales		2,743,046	6,236,233	8,979,279	1,939,869	3,943,444	5,883,313
3.2.2.3. Interest Rate Swaps-Purchases		25,000	-	25,000	25,000	-	25,000
3.2.2.4. Interest Rate Swaps-Sales		25,000	-	25,000	25,000	-	25,000
3.2.3. Currency, Interest Rate and Security Options		5,310,753	7,874,718	13,185,471	2,742,258	2,772,926	5,515,184
3.2.3.1. Currency Options-Purchases		2,654,127	3,936,025	6,590,152	1,465,408	1,288,756	2,754,164
3.2.3.2. Currency Options-Sales		2,656,626	3,938,693	6,595,319	1,276,850	1,484,170	2,761,020
3.2.3.3. Interest Rate Options-Purchases		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sales		-	-	-	-	-	-
3.2.3.5. Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6. Securities Options-Sales		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sales		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6. Others		78,100	75,364	153,464	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		99,748,531	41,498,940	141,247,471	70,890,212	32,888,095	103,778,307
IV. ITEMS HELD IN CUSTODY		1,464,887	288,177	1,753,064	961,063	262,458	1,223,521
4.1. Customers' Securities and Portfolios Held		128,611	-	128,611	160,517	-	160,517
4.2. Securities Held in Custody		150,635	116,692	267,327	77,188	87,118	164,306
4.3. Checks Received for Collection		737,227	91,680	828,907	430,886	81,067	511,953
4.4. Commercial Notes Received for Collection		170,178	79,805	249,983	126,323	94,273	220,596
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items under Custody		278,236	-	278,236	166,149	-	166,149
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		98,283,644	41,210,763	139,494,407	69,929,149	32,625,637	102,554,786
5.1. Securities		86,637	150,865	237,502	55,143	88,839	143,982
5.2. Guarantee Notes		167,345	198,887	366,232	164,027	64,842	228,869
5.3. Commodities		-	-	-	2,500	-	2,500
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		9,477,490	5,736,845	15,214,335	8,994,608	4,143,780	13,138,388
5.6. Other Pledged Items		88,552,172	35,124,166	123,676,338	60,712,871	28,328,176	89,041,047
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		114,846,696	68,318,451	183,165,147	79,471,847	45,502,794	124,974,641

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

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

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

INCOME AND EXPENSE ITEMS		CURRENT PERIOD (01/01/2017- 31/12/2017)	PRIOR PERIOD (01/01/2016- 31/12/2016)
I. INTEREST INCOME	(5.IV.1)	1,847,427	1,289,571
1.1 Interest from Loans		1,697,131	1,237,756
1.2 Interest from Reserve Deposits		19,714	7,988
1.3 Interest from Banks		76,141	7,959
1.4 Interest from Money Market Transactions		4,682	1,558
1.5 Interest from Securities Portfolio		49,451	33,970
1.5.1 Trading Securities		1,859	1,413
1.5.2 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3 Available for Sale Securities		47,592	32,557
1.5.4 Held to Maturity Securities		-	-
1.6 Interest from Financial Leases		-	-
1.7 Other Interest Income		308	340
II. INTEREST EXPENSE		1,204,462	779,047
2.1 Interest on Deposits	(5.IV.2)	926,880	611,101
2.2 Interest on Funds Borrowed	(5.IV.2)	120,214	65,882
2.3 Interest on Money Market Transactions		486	556
2.4 Interest on Securities Issued	(5.IV.2)	142,885	87,706
2.5 Other Interest Expense		13,997	13,802
III. NET INTEREST INCOME (I - II)		642,965	510,524
IV. NET FEES AND COMMISSION INCOME /EXPENSE		45,492	27,463
4.1 Fees and Commissions Received		78,578	49,352
4.1.1 Non-Cash Loans		11,294	9,074
4.1.2 Other	(5.IV.12)	67,284	40,278
4.2 Fees and Commissions Paid		33,086	21,889
4.2.1 Non-Cash Loans		189	220
4.2.2 Other	(5.IV.12)	32,897	21,669
V. DIVIDEND INCOME	(5.IV.3)	-	-
VI. TRADING INCOME/LOSS (Net)	(5.IV.4)	2,825	55,997
6.1 Profit / Loss on Securities Trading		4,542	6,756
6.2 Profit / Loss on Derivative Financial Transactions		19,338	59,614
6.3 Foreign Exchange Gains / Losses		(21,055)	(10,373)
VII. OTHER OPERATING INCOME	(5.IV.5)	86,816	54,140
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		778,098	648,124
IX. PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.6)	213,032	193,187
X. OTHER OPERATING EXPENSES (-)	(5.IV.7)	364,521	293,917
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		200,545	161,020
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.8)	200,545	161,020
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.9)	(33,416)	(46,023)
16.1 Current Tax		(46,186)	(40,201)
16.2 Deferred Tax		12,770	(5,822)
XVII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.10)	167,129	114,997
XVIII. PROFIT FROM DISCONTINUED OPERATIONS		-	-
18.1 Assets Held for Sale		-	-
18.2 Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other		-	-
XX. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Current Tax		-	-
21.2 Deferred Tax		-	-
XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT / LOSS (XVII+XXII)	(5.IV.11)	167,129	114,997
23.1 Group's Profit / Loss		167,128	114,996
23.2 Minority Shares		1	1
Earnings / Losses per Share (Per thousand share)		0.00177	0.00131

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2017

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

INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD (01/01/2017-31/12/2017)	PRIOR PERIOD (01/01/2016-31/12/2016)
I.	ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	15,694	(12,648)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN FLOW HEDGES (Effective portion of Fair Value Differences)	-	-
VI.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	-	-
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(2,041)	(709)
IX.	DEFERRED TAXES OF VALUATION DIFFERENCES	(1,931)	2,773
X.	NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	11,722	(10,584)
XI.	CURRENT PERIOD PROFIT/LOSS	163,128	114,486
11.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(4,000)	(510)
11.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	-	-
11.3	Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
11.4	Other	167,128	114,996
XII.	TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	174,850	103,902

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

CONSOLIDATED STATEMENT SHAREHOLDERS EQUITY FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017

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

CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-In Capital	Inflation Adjustments to Paid-In Capital (*)	Share Premium	Share Cancellation	Legal Reserves	Status Reserves	Extraordinary Reserves	Share Premium	Current Period Net Profit /	Prior Period Net Profit /	Securities Revaluation	Revaluation Fund of Tang./Intang.A.	Bonus Shares Obtained from Associates	Hedging Reserves	Val.Diff.Related to Assets Held for	Total Equity Attrib.to Equity	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD 01.01.2016-31.12.2016																				
I.	Balances at the Beginning of Period		847,515	-	73,379	-	3,711	-	43,075	(2,436)	81,518	(174)	(9,727)	-	-	-	-	1,036,861	52	1,036,913
II.	Corrections Accordance with TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The impact of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of The Change on Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)		847,515	-	73,379	-	3,711	-	43,075	(2,436)	81,518	(174)	(9,727)	-	-	-	-	1,036,861	52	1,036,913
Changes in the Period																				
IV.	Increase / Decrease Related to Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Valuation Differences of Securities		-	-	-	-	-	-	-	-	-	-	(10,527)	-	-	-	-	(10,527)	-	(10,527)
VI.	Hedging Transactions (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Fund of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	The Effect of Capital Increase		93,646	-	55,299	-	-	-	-	-	-	-	-	-	-	-	-	148,945	-	148,945
14.1	Cash		93,646	-	55,299	-	-	-	-	-	-	-	-	-	-	-	-	148,945	-	148,945
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of Capital Stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	(567)	-	-	-	-	-	-	-	(567)	-	(567)
XIX.	Current Period Net Profit / Loss		-	-	-	-	-	-	-	-	114,996	-	-	-	-	-	-	114,996	1	114,997
XX.	Profit Distribution		-	-	-	-	4,079	-	77,504	-	(81,518)	(65)	-	-	-	-	-	-	-	-
20.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfer to Reserves		-	-	-	-	4,079	-	77,504	-	-	(81,583)	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	(81,518)	81,518	-	-	-	-	-	-	-	-
Balances at the End of Period (I+II+III+...+XVI+XVII+XVIII)			941,161	-	128,678	-	7,790	-	120,579	(3,003)	114,996	(239)	(20,254)	-	-	-	-	1,289,708	53	1,289,761
CURRENT PERIOD 01/01-31/12/2017 01.01.2017-31.12.2017																				
I.	Balances at the Beginning of Period		941,161	-	128,678	-	7,790	-	120,579	(3,003)	114,996	(239)	(20,254)	-	-	-	-	1,289,708	53	1,289,761
Changes in the Period																				
II.	Increase / Decrease Related to Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation Differences of Securities		-	-	-	-	-	-	-	-	-	-	9,355	-	-	-	-	9,355	-	9,355
IV.	Hedging Transactions (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Fund of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The Effect of Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Capital Stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(1,633)	-	-	-	-	-	-	-	(1,633)	-	(1,633)
XVII.	Current Period Net Profit / Loss		-	-	-	-	-	-	-	-	167,128	-	-	-	-	-	-	167,128	1	167,129
XVIII.	Profit Distribution		-	-	-	-	5,745	-	109,170	-	(114,996)	81	-	-	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfer to Reserves		-	-	-	-	5,745	-	109,170	-	-	(114,915)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(114,996)	114,996	-	-	-	-	-	-	-	-
Balances at the End of Period (I+II+III+...+XVI+XVII+XVIII)			941,161	-	128,678	-	13,535	-	229,749	(4,636)	167,128	(158)	(10,899)	-	-	-	-	1,464,558	54	1,464,612

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017

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

	Footnotes	CURRENT PERIOD (01/01/2017-31/12/2017)	PRIOR PERIOD (01/01/2016-31/12/2016)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit before Changes in Operating Assets and Liabilities (+)		382,039	199,510
1.1.1 Interest Received (+)		1,749,197	1,229,724
1.1.2 Interest Paid (-)		1,147,006	756,060
1.1.3 Dividend Received (+)		-	-
1.1.4 Fees And Commissions Received (+)		78,563	48,297
1.1.5 Other Income (+)		141,941	18,942
1.1.6 Collections from Previously Written-Off Loans and Other Receivables (+)		2,844	3,022
1.1.7 Payments to Personnel and Service Suppliers (-)		326,753	252,264
1.1.8 Taxes Paid (-)		68,633	64,844
1.1.9 Other (+/-)	(5.VI.3)	(48,114)	(27,307)
1.2 Changes in Operating Assets and Liabilities		(931,236)	(260,397)
1.2.1 Net (Increase) Decrease in Trading Securities (+/-)		47,924	(61,868)
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV (+/-)		(600,156)	-
1.2.3 Net (Increase) Decrease in Banks (+/-)		(316,874)	(222,997)
1.2.4 Net (Increase) Decrease in Loans (+/-)		(3,169,601)	(2,870,176)
1.2.5 Net (Increase) Decrease in Other Assets (+/-)	(5.VI.3)	6,319	216
1.2.6 Net Increase (Decrease) in Bank Deposits (+/-)		121,072	261,736
1.2.7 Net Increase (Decrease) in Other Deposits (+/-)		2,484,531	1,885,161
1.2.8 Net Increase (Decrease) in Funds Borrowed (+/-)		545,345	512,003
1.2.9 Net Increase (Decrease) in Due Payables (+/-)		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.3)	(49,796)	235,528
I. Net Cash (Used in)/Provided from Banking Operations (+/-)		(549,197)	(60,887)
B. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
II. Net Cash Provided from / (Used in) Investing Activities (+/-)		94,881	(295,372)
2.1 Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)		4,897	-
2.2 Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)		-	-
2.3 Fixed Assets Purchases (-)		13,714	6,740
2.4 Fixed Assets Sales (+)		4,914	1,526
2.5 Cash Paid for Purchase of Investments Available for Sale (-)		95,050	563,427
2.6 Cash Obtained From Sale of Investments Available for Sale (+)		208,641	275,221
2.7 Cash Paid for Purchase of Investment Securities (-)		-	-
2.8 Cash Obtained from Sale of Investment Securities (+)		-	-
2.9 Other (+/-)	(5.VI.3)	(5,013)	(1,952)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from / (Used in) Financing Activities (+/-)		1,051,326	813,889
3.1 Cash Obtained from Funds Borrowed and Securities Issued (+)		871,173	2,384,034
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued (-)		617,130	1,719,090
3.3 Capital Increase (+)		797,283	148,945
3.4 Dividends Paid (-)		-	-
3.5 Payments for Finance Leases (-)		-	-
3.6 Other (+/-)		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)		(5,432)	45,352
V. Net Increase / (Decrease) in Cash and Cash Equivalents		591,578	502,982
VI. Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.1)	704,694	201,712
VII. Cash and Cash Equivalents at the End of Period	(5.VI.1)	1,296,272	704,694

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

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

CONSOLIDATED PROFIT DISTRIBUTION TABLES FOR THE PERIODS ENDED 31 DECEMBER 2017

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

	CURRENT PERIOD(*) (01/01/2017-31/12/2017)	PRIOR PERIOD (01/01/2016-31/12/2016)
I. DISTRIBUTION OF CURRENT YEAR INCOME (1)		
1.1 CURRENT YEAR INCOME	-	-
1.2 TAXES AND DUTIES PAYABLE (-)	-	-
1.2.1 Corporate Tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (2)	-	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	-	-
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
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	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
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 (%)	-	-

(*)As per the Turkish Commercial Code profit distributions are made based on unconsolidated financial statements.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. Explanations on the basis of presentation

1. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and the Communiqué on Principles and Procedures on the Accounting Practice and Documentation of Banks

As per the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” (the “Regulation”) published in the Official Gazette dated 1 November 2006 with No. 26333 related to the Turkish Banking Law No. 5411; the consolidated financial statements are prepared, in accordance with the regulations on accounting and financial reporting published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance announced by the Public Oversight, Accounting and Auditing Standards Authority (“POA”) for the matters not legislated by the aforementioned regulations. The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communique on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and Communique on Disclosures About Risk Management to be Announced to Public by Banks” and amendments to this communique. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements are prepared in thousands of TL based on the historical cost convention, except for the financial assets and liabilities carried at fair value.

Notes with respect to TFRS 9 Financial Instruments Standard:

TFRS 9 “Financial Instruments” standard has been published on Official Gazette dated January 19, 2017 and numbered 29953 in order to be implemented for accounting periods on and after January 1, 2018 by Public Oversight, Accounting and Auditing Standards Authority (POA) in place of “TAS 29 Financial Instruments: Accounting and Measurement”.

The Bank shall implement the requirements of classification and measurement and impairment through reflecting to opening equity amounts without making any adjustments during the opening balance sheet comparison period on January 1, 2018. In addition, deferred tax asset based on general provisions shall begin to be calculated in accordance with provisions of TFRS 9 as of January 1, 2018.

Impacts of TFRS 9 to financial statements of previous periods are being reviewed and it is anticipated that the aforementioned change of standard to equity of the Bank shall be around (-) 15% provided that provision for contingencies, amounting to TL 55,500 thousand and included in balance sheet of the Bank, are cancelled.

1.1 Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

2. Accounting policies and valuation principles applied in preparation of consolidated financial statements

The accounting policies and valuation principles used in the preparation of the financial statements are selected and applied in accordance with the requirements set out in regulations, communiqués, statements and guidance published by the BRSA and if there is no special regulation by the BRSA, in accordance with the principles within TAS / TFRS. The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained in Notes II and XXIV below.

II. Explanations on the usage strategy of financial instruments and on foreign currency transactions

1. Usage strategy of the financial instruments

The major factor in managing interest rate and liquidity risk at the balance sheet is parallel movement of asset and liability side.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Value at risk models are used for this purpose.

Purchase-sale transactions of short and long-term financial instruments are realized within predetermined risk limits that are allowed for the purpose of increasing risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

2. Foreign currency transactions

2.1 Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements

The foreign currency transactions are recognized in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from the foreign currency transactions are translated into Turkish Lira by using the exchange rates at the date of the transaction and recognized in accounting records. At the end of the periods, foreign currency assets and liabilities are converted into Turkish Lira by using the spot foreign currency exchange rates at the end of the period and the related currency translation differences are recognized as foreign exchange gains and losses.

As at the end of the related periods, the foreign currency exchange rates are as follows:

	31 December 2017	31 December 2016
US Dollar	3.7719	3.5192
Euro	4.5155	3.7099

2.2 Foreign exchange gains and losses included in the income statement

As of 31 December 2017, net foreign exchange loss included in the income statement is TL 21,055 (1 January - 31 December 2016: TL 10,373 loss).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

III. Explanations on Subsidiaries and Affiliates

Fiba Portföy Yönetimi A.Ş. ("Fiba Portföy"); the subsidiary of the Bank was consolidated by using full consolidation method in the consolidated financial statements dated 31 December 2017. Fibabanka A.Ş. and Fiba Portföy Yönetimi A.Ş. together are referred to as "the Group" in the report.

Capital Markets Board ("CMB") approved Fiba Portföy's licence application for portfolio management activity and the licence numbered PYŞ. PY 56/1267 and dated 12 December 2013 was assigned to Fiba Portföy.

The objective of Fiba Portföy is to manage portfolios consisting of financial assets as a representative by entering into portfolio management contracts in accordance with CMB laws and relevant regulation and also to perform capital markets operations. Besides, Fiba Portföy can manage the portfolios of local and foreign investment funds, investment trusts, local/foreign real persons, brokerage companies and other similar legal entities within the context of the related regulation as portfolio management activities.

On the condition that, the requirements of the Capital Markets regulations are fulfilled and necessary approvals and licences from the Capital Markets Board are obtained; Fiba Portföy can also perform investment advisory services, market consultancy in Borsa İstanbul A.Ş. Emerging Companies Market, and intermediary services for the trading of investment fund certificates. The Bank owns 99% of the equity of Fiba Portföy whose headquarter is located in Istanbul.

According to full consolidation method, the subsidiary's 100% of assets, liabilities, revenues, expenditures and off-balance sheet liabilities were combined with the Parent Bank's assets, liabilities, revenues, expenditures and off-balance sheet liabilities. Book value of the investment in the Group's subsidiary and the portion of the cost of subsidiary's capital belonging to the Group are eliminated. All intragroup balances and income and expenses relating to transactions between the Bank and its subsidiary are eliminated in full on consolidation. Minority shares in the net income of consolidated subsidiary determined the net income of the Group and were demonstrated as a separate item in the income statement. Minority shares were presented under equity in the consolidated financial statement.

IV. Explanations on forward transactions, options and derivative instruments

The Parent Bank's derivative transactions mainly consist of foreign currency swaps, interest rate swaps, foreign currency options and foreign currency forward purchase/sale contracts. The Parent Bank does not have any embedded derivatives separated from the host contract.

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", foreign currency forward purchase/sale contracts, swaps and options are classified as "hedging purpose" and "trading purpose" transactions. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

1. Explanations on derivative financial instruments held for trading

The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivative financial assets held for trading" or "derivative financial liabilities held for trading" items of the balance sheet depending on the difference's being positive or negative.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

2. Explanations on derivative financial instruments held for hedging

The Parent Bank entered into cross currency interest rate swap transactions in order to hedge the change in fair values 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, which is fixed rate TL denominated loans, are presented in statement of financial position together with the hedged item. Subsequently, derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets held for hedging” or “derivative financial liabilities held for hedging”, respectively depending on the fair values being positive or negative. Fair value changes are recorded under income statement.

The Parent Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. Hedge accounting is continued 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.

V. Explanations on interest income and expenses

Interest income and expenses calculated using internal rate of return are recognized on accrual basis. In accordance with Banking Act No: 5411 Articles 53 and 93, based on the prevailing communique, interest accruals on loans becoming non-performing are reversed and also ceased to accrue interest on such loans until these loans are classified as performing or collected.

VI. Explanations on fee and commission income and expenses

Fee and commission income/expenses are recognized based on cash basis or accrual basis upon the nature of the transaction.

VII. Explanations on financial assets

Financial assets include cash on hand, contractual rights to receive cash or another financial asset from the counterparty or the right to exchange of financial instruments or equity instrument transactions of the counterparty. Financial assets are classified into four groups as financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity investments and loans and receivables.

1. Financial assets at fair value through profit or loss

1.1 *Financial assets held for trading*

Financial assets held for trading are recognized at their fair values and any gain or losses resulting from such valuation are recorded in the profit and loss accounts. Interests received during the holding period of such financial assets and the difference between the amortized cost (calculated using internal rate of return) and the acquisition cost are recognized as interest income in the income statement. Gains and losses on sale of held for trading financial assets before their maturity and the difference between market value and amortized cost (calculated using internal rate of return) of such financial as assets are recognized in gains and losses on securities trading under income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

1.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subject to valuation in accordance with fair value principles and profit or losses, emerging as a result of valuation, are recognized under profit/loss accounts.

The Group has determined a portion of its extended credits as financial assets fair value through profit or loss, mentioned in TAS 39 standard. The aforementioned loans have been demonstrated on credits line under "Financial assets at Fair value through profit or loss (net)".

Fair value of Loans, which are classified as financial assets at fair value through profit or loss, are determined through discounting of payment plan via using yield curve, established through adding Z-spread on the based of credit to swap yield curve.

2. Financial assets Available for Sale

Financial assets available-for-sale, are financial assets other than assets held for trading purposes, investments held-to-maturity and originated loans and receivables. Financial assets available-for-sale are measured at their fair values subsequently.

Interest income of the investments securities available-for-sale; based on the internal rate of return; are included in the income statement. Unrecognized gain/losses derived from the difference between their fair value and the discounted values are recorded in "Marketable Securities Revaluation Reserve" under the shareholders' equity. In case of disposal, gains/losses recognized under equity are realized and recognized directly in the income statement.

Purchase and sale transactions of securities are accounted for on a settlement date basis.

3. Held to maturity investments

The Group does not have any held to maturity investments as of 31 December 2017.

4. Loans and receivables

Loans and receivables are financial assets, which are generated by providing funds, goods or services to the debtor.

Loans and receivables are financial assets with fixed or determinable repayment schedules and they are not traded in an active market.

Loans are initially measured at their acquisition cost and subsequently measured at amortized cost calculated using effective interest rate method in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Duty charges, transaction fees and other expenses paid for the collaterals of the loans are considered as part of the transaction costs and charged to the customers.

The Bank classifies its loans and receivables to related groups by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006 and other regulations and makes special or general provisions according to group, in which the loans and receivables are tracked.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

VIII. Explanations on impairment of financial assets

Financial asset or groups of financial assets are reviewed by the Bank at each balance sheet date to determine whether there is objective evidence of impairment. If any such indicator exists, the Bank determines the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the reliably estimated future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to initial recognition.

The Bank provides specific and general allowances for loan and other receivables classified in accordance with the related Communiqué published on the Official Gazette No.2633 dated November 1, 2006. The allowances are recorded in the income statement of the related period.

IX. Explanations on offsetting financial instruments

If the fair values of equity shares held for trading and quoted at the stock exchanges are lower than their carrying values, allowance for impairment is recognized and the recognized impairment is offset with the related assets on the face of the balance sheet.

Specific allowances for non-performing loans and other receivables are provided in accordance with "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Such allowances are offset with loans under follow-up on the asset side. Other financial assets and liabilities are offset when the Bank has a legally enforceable right to offset.

X. Explanations on sale and repurchase agreements and securities lending transactions

Securities subject to repo (repurchase agreements) are classified as "Financial assets at fair value through profit and loss", "Financial assets available for sale" or "Investments held to maturity" according to their purposes to be held in the Bank's portfolio and evaluated within the principles of the relevant portfolio. Funds obtained from repurchase agreements are followed under the "Funds from repo transactions" account in liabilities, and interest expense accruals are calculated using the effective interest (internal rate of return) method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are recorded under the "Receivables from reverse repurchase agreements" account.

XI. Explanations on noncurrent assets held for sale and discontinued operations and the related

Liabilities

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at the lower of the carrying value or fair value less costs to sell. Assets held for sale are not depreciated and presented in the financial statements separately. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

XII. Explanations on goodwill and other intangible assets

As at the balance sheet date, there is no goodwill in the accompanying financial statements. The intangible assets of the Bank consist of software, intangible rights and other intangible assets.

The costs of the intangible assets purchased before 1 January 2005 are recognized at their inflation adjusted costs as of 31 December 2004 and intangible assets purchased after 1 January 2005 are recognized at their acquisition cost less accumulated amortization and impairment, if any.

The Group's estimated useful lives of the intangible assets are 3 to 10 years, and amortization rates are 10% to 33.3%.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, an allowance for impairment is recognized.

XIII. Explanations on tangible assets

Tangible assets are measured at cost in accordance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

The costs of the tangible assets purchased before 1 January 2005 are recognized at their inflation adjusted costs as of 31 December 2004 and tangible assets purchased after 1 January 2005 are recognized at their acquisition cost less accumulated depreciation and impairment, if any.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, an allowance for impairment is recognized.

Gains/losses from the sale of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Depreciation rates and estimated useful lives used for the tangible assets are as follows:

Tangible Assets	Estimated Useful Lives (Years)	Depreciation Rates (%)
Safe boxes	2-50	2-50
Vehicles	5	20
Real estate	50	2
Other tangible assets	4-50	2-25

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

XIV. Explanations on leasing transactions

Duration of financial leasing contracts is maximum 4 years. Tangible assets obtained via financial leasing are classified as the Bank's assets or liabilities resulting from financial leasing according to its nature. Assets obtained via financial leasing are depreciated in accordance with the principals for tangible assets. Rent payments for operating leases are recorded at equal amounts as expense during the payment period.

XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". In the financial statements, a provision is made if there is a present obligation that arises from past events as of the balance sheet date, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

Provisions recognized during the period are recognized within "other operating expenses"; reversals of provisions recognized in the prior periods are recognized within "other operating income".

XVI. Explanations on contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the notes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Explanations on liabilities for employee benefits

As per the existing labour laws and agreements in Turkey, entities are required to pay severance for the employees retired or fired. These payments are qualified as recognized retirement benefit plan according to revised TAS 19 Employee Benefits. Severance payment liability recognized in the balance sheet is calculated according to the net present value of expected amount in the future arising from all employees' retirements and represented in financial statements. The amendments to TAS 19 have changed the accounting of defined benefit plans and severance indemnity. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus.

The major assumptions used in the actuarial calculation are as follows:

- Calculation is based on discount rate as 11.90%, inflation rate as 8.90% and real rate of rise in salary as 0.00%.
- Effective as of 31 December 2017, ceiling salary amount is considered as TL 4,732.48 (full TL).
- Individuals' earliest retirement age is considered as retirement age.
- CSO 1980 mortality table is used for the death probabilities of male and female employees.

There is no employee foundation, fund or similar institutions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

XVIII. Explanations on taxation

1. Current Tax

Effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2009/14593 and no.2009/14594 of the Council of Ministers published in the Official Gazette no.27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

It is mentioned in provisional article 91 of Law numbered 7061, which is added to Corporate Tax Law numbered 5520 that tax rate for profit of the company regarding 2018, 2019 and 2020 fiscal periods (accounting periods starting within the related period for companies which are assigned special accounting period) shall be implemented as 22%.

2. Deferred Tax

The Group calculates and recognizes tax for taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base according to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes".

In accordance with the provisional article, added to Corporate Tax Law, corporate tax, which is 20% for the year 2017, shall be applied as 22% for the profit of company belonging to 2018, 2019 and 2020 fiscal periods. In accordance with this applicable law, 22% tax rate shall be calculated for periods, in which the deferred tax assets and liabilities emerges and liabilities are met, while it is calculated with 20% for 2021 and following periods.

As of 31 December 2017, the deferred tax asset is TL 9,504 (31 December 2016: TL 39 the deferred tax asset and 31 December 2016: TL 1,374 the deferred tax liability). The deferred tax liability is calculated as the net of taxable and deductible temporary differences.

Deferred tax benefit/ (charge) is recognized within "Deferred tax benefit/ (charge)" in the income statement; deferred tax income for the current period is TL 12,770 (1 January - 31 December 2016: TL 5,822 charge). Deferred tax effects of the transactions and events recognized directly in the shareholders' equity are also recognized directly in the shareholders' equity which is TL 1,931 expense (1 January - 31 December 2016: TL 2,773 benefit).

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XVIII. Explanations on taxation (continued)

3. Transfer pricing

The article 13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this topic.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the “7.1 Annual Documentation” section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices. Related forms are submitted to tax offices on time.

XIX. Additional explanations on borrowings

The Bank provides resources from domestic and foreign individuals and institutions both by borrowing funds and issuing bills and bonds.

Borrowing instruments are initially measured at acquisition cost and subsequently measured at amortized cost. In the accompanying financial statements, foreign currency denominated borrowing funds are translated to Turkish Lira with the Bank's spot foreign exchange buying rates and interest expenses incurred during the period relating to the borrowing funds are recognized in income statement.

The general hedging techniques has been applied for mitigating the liquidity risk, interest rate risk and currency risk of the borrowing instruments. Those techniques do not meet the definition of hedge accounting according to TAS 39.

XX. Explanations on share certificates issued

None.

XXI. Explanations on bank acceptances and bills of guarantee

Acceptances and bills of guarantee are presented within off-balance sheet liabilities as being possible liabilities and commitments. Cash transactions relating to acceptances and bills of guarantee are realized concurrently with the customer payments. As of the balance sheet date, there are no acceptances and bills of guarantee recognized as liability against an asset.

XXII. Explanation on government incentives

As of the balance sheet date, the Group does not have any government incentives.

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XXIII. Explanations on segmental reporting

The Bank operates in retail and commercial banking services, customer current accounts, deposit accounts, long term investment products, clearing and custody services, credit and atm services, retail and commercial loans, long term mortgage loans, and all other kinds of consumer and commercial banking services. Fiba Portföy, a subsidiary of the Bank, operates in the field of portfolio management and its operating results and assets and liabilities are reported under "Treasury and Head Office Department".

	Retail Banking	Commercial & Corporate Banking	Treasury & Headquarters	Total Operations of the Bank
Current Period - 1 January – 31 December 2017				
Operating Income	282,051	467,774	28,273	775,098
Operating Profit	(49,010)	290,755	(41,200)	200,545
Taxation				(33,416)
Net Profit/(Loss) for Current Period 31 December 2017				167,129
Segment Assets	4,202,600	10,588,059	5,321,009	20,111,668
Unallocated Assets				--
Total Assets				20,111,668
Segment Liabilities	7,354,825	4,316,449	6,975,782	18,647,056
Unallocated Liabilities				--
Shareholders' Equity				1,464,612
Total Liabilities				20,111,668
Prior Period - 1 January – 31 December 2016				
Operating Income	250,518	308,806	88,800	648,124
Operating Profit	9,778	185,574	(34,332)	161,020
Taxation				(46,023)
Net Profit/(Loss) for Prior Period 31 December 2016				114,997
Segment Assets	3,338,361	7,974,405	4,076,106	15,388,872
Unallocated Assets				--
Total Assets				15,388,872
Segment Liabilities	6,543,963	2,595,736	4,959,412	14,099,111
Unallocated Liabilities				--
Shareholders' Equity				1,289,761
Total Liabilities				15,388,872

XXIV. Other matters

None.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 December 2016, the Group’s total capital has been calculated as TL 2,687,385 and the capital adequacy standard ratio is 16.09% (As of 31 December 2016, the Bank’s total capital amounted to TL 1,782,988 and the capital adequacy standard ratio was 13.48%).

I. Information related to the components of consolidated shareholders’ equity:

	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	941,161	--
Share Premium	128,678	
Reserves	243,284	
Other comprehensive income according to TAS	2,214	
Profit	167,129	
Current period profit	167,129	
Prior period profit	--	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	--	
Minority shares	11	
Tier I Capital Before Deductions	1,482,477	
Deductions From 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 (-)	17,908	--
Improvement costs for operating leasing (-)	10,257	--
Goodwill and other intangible assets and related deferred taxes (-)	--	--
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,758	--
Excess amount arising from deferred tax assets from temporary differences	--	--
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	--	--

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
Net amount of defined benefit plans	--	--
Direct and indirect investments of the Bank on its own Tier I Capital (-)	--	--
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 (-)	--	
Excess amount arising from mortgage servicing rights	--	
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	32,923	
Total Common Equity Tier I Capital	1,449,554	
ADDITIONAL TIER I CAPITAL	--	
Preferred stock not included in 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 Core Capital before Deductions	--	
Deductions from Additional Core 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	--	--
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 (-)	--	--

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
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 tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	1,190	--
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	--	
Total Additional Tier I Capital	--	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,448,364	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1,169,289	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	--	
Shares of third parties on Additional Tier II Capital	--	
Shares of third parties on Tier II Capital (Temporary Article 3)	--	
Provisions (Article 8 of the Regulation on the Equity of Banks)	70,580	
Tier II Capital before Deductions	1,239,869	
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	814	--
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 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	814	
Total Tier II Capital	1,239,055	
Total Equity (Total Tier I and Tier II Capital)	2,687,419	

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
Total Tier I Capital and Tier II Capital (Total Equity)	34	
Loans granted against the Articles 50 and 51 of the Banking Law (-)	--	
Net book values of movables and immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	--	
Other items to be Defined by the BRSA (-)	34	
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 (-)	--	--
EQUITY		
Total Capital (Total of Tier I Capital and Tier II Capital)	2,687,385	--
Total Risk Weighted Assets	16,698,036	--
CAPITAL ADEQUACY RATIOS		
Core Capital Ratio (%)	8.68	--
Tier I Capital Ratio (%)	8.67	--
Capital Adequacy Ratio (%)	16.09	--
BUFFERS		
Bank-specific total Core Capital Ratio	4.50	--
Capital Conservation Buffer Ratio (%)	1.25	--
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02	--

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	Current Period (31/12/2017) Amount	Amount as per the regulation before 1/1/2014 (*)
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	0.03	--
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 Tier I Capital	--	--
Remaining mortgage servicing rights	--	--
Net deferred tax assets arising from temporary differences	--	--
Limits for Provisions Used in Tier II Capital Calculation	--	--
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	70,580	--
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	70,580	--
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	-	-

* The amounts to be considered under the transitional provisions.

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	941,161	--
Share premium	128,678	
Reserves	128,369	
Other comprehensive income according to TAS	--	
Profit	114,996	
Current period profit	114,996	
Prior period profit	--	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	--	
Minority shares	22	
Tier I Capital Before Deductions	1,313,226	
Deductions From 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 (-)	23,497	--
Improvement costs for operating leasing (-)	10,968	--
Goodwill and other intangible assets and related deferred taxes (-)	--	--
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,388	--
Excess amount arising from deferred tax assets from temporary differences	--	--
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	--	--

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
Net amount of defined benefit plans		
Direct and indirect investments of the Bank on its own Tier I Capital (-)	--	--
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 (-)	--	
Excess amount arising from mortgage servicing rights	--	
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	36,853	
Total Common Equity Tier I Capital	1,276,373	
ADDITIONAL TIER I CAPITAL	--	
Preferred stock not included in 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 Core Capital before Deductions	--	
Deductions from Additional Core 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	--	
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 (-)	--	--

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
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 tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	1,592	--
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	--	
Total Additional Tier I Capital	--	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,274,781	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	387,112	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	--	
Shares of third parties on Additional Tier II Capital	--	
Shares of third parties on Tier II Capital (Temporary Article 3)	--	
Provisions (Article 8 of the Regulation on the Equity of Banks)	121,287	
Tier II Capital before Deductions	508,399	
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 (-)	--	--
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	508,399	
Total Equity (Total Tier I and Tier II Capital)	1,783,180	

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans granted against the Articles 50 and 51 of the Banking Law (-)	66	
Net book values of movables and immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	--	
Other items to be Defined by the BRSA (-)	126	
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 (-)	--	--
EQUITY		
Total Capital (Total of Tier I Capital and Tier II Capital)	1,782,988	--
Total Risk Weighted Assets	13,230,505	--
CAPITAL ADEQUACY RATIOS		
Core Capital Ratio (%)	9.65	--
Tier I Capital Ratio (%)	9.65	--
Capital Adequacy Ratio (%)	13.48	--
BUFFERS		
Bank-specific total Core Capital Ratio	4.50	--
Capital Conservation Buffer Ratio (%)	0.63	--
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	--	--

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	Prior Period (31/12/2016) Amount	Amount as per the regulation before 1/1/2014 (*)
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	0.05	--
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 Tier I Capital	--	--
Remaining mortgage servicing rights	--	--
Net deferred tax assets arising from temporary differences	--	--
Limits for Provisions Used in Tier II Capital Calculation	--	--
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	121,287	--
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	121,287	--
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	-	-

* The amounts to be considered under the transitional provisions.

Explanations on reconciliation of shareholder's equity items to balance sheet:

The difference between "Equity" in equity table and "Shareholder's Equity" in the unconsolidated balance sheet mainly arises from the subordinated loan, bonds and general provisions. In the calculation of Total Capital, general provision up to 1.25% credit risk is taken into consideration as Tier II Capital.

On the other hand, in the calculation of the "Equity", improvement costs for operating leases followed under tangible assets in the balance sheet, and related deferred tax liabilities, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

Items included in shareholder's equity calculation:

Issuer	Fibabanka A.Ş.	Eco Trade And Development Bank*
Code of debt instrument (CUSIP, ISIN etc.)	XS1386178237	*
Regulation of debt instrument	BRSA's "Regulation on Equities of Banks" dated 1 November 2006" and English Law	BRSA's "Regulation on Equities of Banks" dated 1 November 2006" and English Law
Consideration Status in Shareholders' Equity Calculation		
Situation of being subject to practice of being taken into consideration with 10% deduction after 1/1/2015	No	No
Validity situation of consolidated or unconsolidated based or consolidated and unconsolidated based	Unconsolidated and Consolidated	Unconsolidated and Consolidated
Type of debt instrument	Subordinated Bond	Subordinated Loan
Considered amount in shareholders' equity calculation (By last report date of – Thousand TL)	1,131,570	37,719
Nominal value of debt instrument (Thousand TL)	1,131,570	37,719
Related account of debt instrument	Subordinated Debt Instruments	Subordinated Loan
Issuing date of debt instrument	24/03/16-10/05/17	06/08/13
Maturity structure of debt instrument (Demand/Time)	Time	Time
Initial term of of debt instrument	11 years	10 years
Whether there is right of reimbursement of issuer or not according to BRSA rules	There is	There is
Optional reimbursement date, options of conditional reimbursement and reimbursement amount	24/11/2022; \$ 300 million	06/08/2018; \$ 10 million
Following reimbursement option dates	None	None

*Subordinated loan from Eco Trade and Development Bank.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Interest/Dividend Payments		
Fixed or floating interest/dividend payments	Floating interest	Floating interest
Interest rate or index value of interest rate	7.75% (5-years mid-swap rate + 5.758%) till reimbursement date and then; 5-years mid-swap rate+5.758%	Libor + 8.5%
Whether there is any restriction to stop dividend payments or not	None	The Bank can not pay dividends if becomes overdue according to subordinated loan agreement.
Feature of being fully optional, partially optional or obligatory	Obligatory	Obligatory
Whether there is any stimulant to repayment like interest rate hike or not	None	None
Feature of being cumulative or noncumulative	--	--
Feature of being convertible bonds		
If there is convertible bonds, trigger incidents cause this conversion	--	Regulation Article 8.2 (ğ)
If there is convertible bonds, feature of full or partially conversion	--	--
If there is convertible bonds, rate of conversion	--	--
If there is convertible bonds, feature of conversion –obligatory or optional-	--	--
If there is convertible bonds, types of convertible instruments	--	--
If there is convertible bonds, exporter of convertible debt instruments	--	--
Feature of value reduction		
If there is a feature of value reduction, trigger incidents cause this reduction	--	--
If there is a feature of value reduction, feature of full or partially reduction of value	--	--
If there is a feature of value reduction, feature of being constant of temporary	--	--
If there is a feature of value reduction, mechanism of value incrementation	--	--
Claiming rank in case of winding up (Instrument that is just above debt instrument)	--	--
Whether meeting the conditions defined by 7th or 8th articles of Shareholders' Equity of Banks Regulation	Meets the conditions defined by 8th article, does not meet the conditions defined by 7th article.	Meets the conditions defined by 8th article, does not meet the conditions defined by 7th article.
The conditions not met which were defined by 7th or 8th of the 7th or 8th articles of Shareholders' Equity of Banks Regulation	--	--

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

II. Explanations on Consolidated credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set.

The debtors or group of debtors are subject to credit risk limits. The debtors' or group of debtors' and industrial risk limitations are monitored weekly. Industry concentration is followed monthly.

Credit risk limits and breakdowns for daily transactions are followed daily. Risk concentrations of off-balance sheet risks are followed by remote and on-site inspections.

Credit worthiness of both commercial loans' and other receivables' debtors are being regularly monitored in accordance with the regulations. By utilizing risk rating models which were developed for these purposes, in case the debtors' risk level increases, credit lines are readjusted and additional collaterals are received if needed. The necessary documentation for utilized loans is taken in compliance with the related legislation.

In accordance with the Parent Bank's lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; such as cash collateral, bank guarantees, mortgages, pledges, bills and corporate guarantees.

There are control limits based on VaR over the positions of the the Parent Bank which are held as futures, option contracts and other similar contracts. The credit risks carried for such instruments are managed together with the risks arising from market fluctuations.

Indemnified non-cash loans are subject to the same risk weight with overdue loans.

The Parent Bank performs foreign trade finance and other interbank credit transactions through widespread correspondent network. Accordingly, the Bank assigns lines periodically to domestic banks, foreign banks and other financial institutions based on review of their credit worthiness.

As being an active participant in the international banking market and considered together with the other financial institutions' financial operations, the Bank is not exposed to significant credit risk.

Within the Bank's risk appetite policy, the following concentrations are measured. They are presented to the Asset and Liability Committee weekly and to the Risk Committee monthly.

As per Customer Group Concentration, Top 20 corporate debtor's / risk group's credit risk sum shall not exceed 35% of the Bank's total credit risk.

Within the industry concentration, the Bank has set its risk appetite as "reasonable", not to exceed 10% of total loans per sector except the industries listed below.

<u>Industry</u>	<u>Proportional Limit</u>
Construction	20%
Tourism	10%
Factoring	15%
Wholesale and Retail Business	15%

Within the framework of risk appetite policy, the sum of long-term loans which have a maturity more than 1 year, shall not exceed 45% of the bank's total loans. This ratio is monitored on a weekly basis at the Asset and Liability Committee and on a monthly basis at the Risk Committee.

The Bank's largest 100 and 200 cash loan customers compose 49% and 57% of the total cash loan portfolio, respectively (31 December 2016: 51% and 60%, respectively).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

II. Explanations on Consolidated credit risk (continued)

The Parent Bank's largest 100 and 200 non-cash loan customers compose 75% and 85% of the total non-cash loan portfolio, respectively (31 December 2016: 66% and 80%, respectively).

The Parent Bank's largest 100 and 200 cash and non-cash loan customers represent 46% and 56% of the total "on and off balance sheet" assets, respectively (31 December 2016: 48% and 58%, respectively).

The general provision for total credit risk amounts to TL 70,580 (31 December 2016: TL 121,287).

	Current Period Risk Amount *	Average Risk Amount**
Exposure Categories		
Conditional and Unconditional Exposures to Central Governments or Central Banks	2,559,571	2,469,760
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	2,445,146	2,802,123
Conditional and Unconditional Exposures to Corporates	10,592,691	8,548,960
Conditional and Unconditional Retail Exposures	4,146,170	3,568,310
Conditional and Unconditional Exposures Secured by Real Estate Property	1,962,827	2,260,820
Past Due Receivables	219,982	174,589
Receivables Defined in High Risk Category by BRSA	80,106	18,821
Exposures in the Form of Collective Investment Undertakings	24,631	33,054
Other Receivables	478,587	481,122
Total	22,509,711	20,357,559

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

(**) Represents the arithmetical average of quarterly reports.

	Prior Period Risk Amount *	Average Risk Amount**
Exposure Categories		
Conditional and Unconditional Exposures to Central Governments or Central Banks	2,212,890	1,892,045
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	1,734,622	1,466,398
Conditional and Unconditional Exposures to Corporates	6,435,193	6,088,537
Conditional and Unconditional Retail Exposures	2,797,473	1,851,967
Conditional and Unconditional Exposures Secured by Real Estate Property	2,572,066	2,593,991
Past Due Receivables	112,835	85,777
Receivables Defined in High Risk Category by BRSA	16,428	35,195
Exposures in the Form of Collective Investment Undertakings	44,943	24,613
Other Receivables	430,613	428,199
Total	16,357,063	14,466,722

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

(**) Represents the arithmetical average of quarterly reports.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

II. Explanations on Consolidated credit risk (continued)

1. Profile of significant exposures in major regions:

	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to administrative units and noncommercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	Collective investment undertakings	Other receivables	Total
Current Period *											
Domestic	4,183,915	--	1,200,733	9,737,093	3,115,960	1,824,008	219,982	79,213	24,631	478,587	20,864,122
EU Countries	--	--	1,199,546	111,276	24	--	--	--	--	--	1,310,846
OECD Countries **	--	--	8,436	--	--	--	--	--	--	--	8,436
Off-Shore Banking Region	--	--	--	--	--	--	--	--	--	--	--
USA, Canada	--	--	33,632	22,310	5	--	--	--	--	--	55,947
Other Countries	--	--	2,799	265,517	819	332	--	893	--	--	270,360
Associates, Subsidiaries and Joint – Ventures	--	--	--	--	--	--	--	--	--	--	--
Unallocated Assets/Liabilities***	--	--	--	--	--	--	--	--	--	--	--
Total	4,183,915	--	2,445,146	10,136,196	3,116,808	1,824,340	219,982	80,106	24,631	478,587	22,509,711

(*) 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 cannot be allocated on a consistent basis.

	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to administrative units and noncommercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	Collective investment undertakings	Other receivables	Total
Prior Period *											
Domestic	2,212,890	--	1,012,711	6,298,257	2,795,550	2,335,118	112,835	16,428	44,943	430,613	15,259,345
EU Countries	--	--	710,155	91,034	30	--	--	--	--	--	801,219
OECD Countries **	--	--	1,526	--	--	--	--	--	--	--	1,526
Off-Shore Banking Region	--	--	--	24,666	--	--	--	--	--	--	24,666
USA, Canada	--	--	8,960	--	--	--	--	--	--	--	8,960
Other Countries	--	--	1,270	21,235	1,893	236,948	--	--	--	--	261,347
Associates, Subsidiaries and Joint – Ventures	--	--	--	--	--	--	--	--	--	--	--
Unallocated Assets/Liabilities***	--	--	--	--	--	--	--	--	--	--	--
Total	2,212,890	--	1,734,622	6,435,193	2,797,473	2,572,066	112,835	16,428	44,943	430,613	16,357,063

(*) 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 cannot be allocated on a consistent basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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

II. Explanations on Consolidated credit risk (continued)

2. Risk profile by sectors or counterparties

Current Period	1	2	3	4	5	6	7	8	9	10	TP	YP	Total
Agricultural	117,566	--	--	117,875	200,397	108,999	3,345	676	--	--	500,838	48,020	548,858
Farming and													
Stockbreeding	100,431	--	--	96,774	187,264	106,681	3,023	676	--	--	451,509	43,340	494,849
Forestry	13,025	--	--	20,871	11,639	2,145	297	--	--	--	45,909	2,068	47,977
Fishing	4,110	--	--	230	1,494	173	25	--	--	--	3,420	2,612	6,032
Manufacturing	570,171	--	--	3,196,938	716,650	201,770	67,433	66,980	--	--	3,055,580	1,764,362	4,819,942
Mining and Quarrying	26,493	--	--	151,397	28,571	898	11,929	666	--	--	129,444	90,510	219,954
Production	531,293	--	--	2,501,582	675,930	199,093	55,424	66,308	--	--	2,390,084	1,639,546	4,029,630
Electricity, Gas and													
Water	12,385	--	--	543,959	12,149	1,779	80	6	--	--	536,052	34,306	570,358
Construction	96,965	--	--	2,125,170	941,880	694,718	61,665	7,861	--	--	2,327,418	1,600,841	3,928,259
Services	3,055,395	--	2,403,086	3,591,601	879,540	675,203	61,713	3,179	--	478,587	4,099,824	7,048,480	11,148,304
Wholesale and Retail													
Trade	380,841	--	--	712,093	544,733	129,295	43,336	2,201	--	--	1,475,387	337,112	1,812,499
Accommodation and													
Dining	122,386	--	--	835,172	82,445	426,001	9,007	66	--	--	331,078	1,143,999	1,475,077
Transportation and													
Telecom.	54,539	--	--	485,999	83,784	80,055	6,303	2	--	--	222,256	488,426	710,682
Financial Institutions	2,376,140	--	2,403,086	499,478	24,638	1,113	53	893	--	478,587	1,118,135	4,665,853	5,783,988
Real Estate and Rental													
Services	12,287	--	--	350,472	29,786	16,250	1,348	--	--	--	99,554	310,589	410,143
Self-Employment													
Services	7,020	--	--	696	7,193	809	145	4	--	--	15,867	--	15,867
Educational Services	31,281	--	--	292,746	19,865	8,984	1	4	--	--	272,323	80,558	352,881
Health and Social													
Services	70,901	--	--	414,945	87,096	12,696	1,520	9	--	--	565,224	21,943	587,167
Other*	343,818	--	42,060	1,104,612	378,341	143,650	25,826	1,410	24,631	--	1,305,779	758,569	2,064,348
Total*	4,183,915	--	2,445,146	10,136,196	3,116,808	1,824,340	219,982	80,106	24,631	478,587	11,289,439	11,220,272	22,509,711

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

1: Conditional and unconditional exposures to central governments or central banks

2: Conditional and unconditional exposures to administrative units and non-commercial enterprises

3: Conditional and unconditional exposures to banks and brokerage houses

4: Conditional and unconditional exposures to corporates

5: Conditional and unconditional retail exposures

6: Conditional and unconditional exposures secured by real estate property

7: Past due receivables

8: Receivables defined in high risk category by BRSA

9: Exposures in the form of collective investment undertakings

10: Other receivables

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II. Explanations on Consolidated credit risk (continued)

2. Risk profile by sectors or counterparties (continued)

Prior Period	1	2	3	4	5	6	7	8	9	10	TP	YP	Total
Agricultural	--	--	--	101,254	150,945	82,233	4,016	297	--	8,145	304,060	42,830	346,890
Farming and Stockbreeding	--	--	--	51,150	140,536	78,761	2,516	266	--	8,145	269,994	11,380	281,374
Forestry	--	--	--	27,150	7,968	3,472	1,480	31	--	--	31,340	8,761	40,101
Fishing	--	--	--	22,954	2,441	--	20	--	--	--	2,726	22,689	25,415
Manufacturing	--	--	--	2,195,057	779,074	374,822	45,512	1,646	--	--	2,401,503	994,608	3,396,111
Mining and Quarrying	--	--	--	256,045	30,209	2,281	2,582	12	--	--	259,774	31,355	291,129
Production	--	--	--	1,447,936	741,542	358,182	42,609	1,634	--	--	1,689,622	902,281	2,591,903
Electricity, Gas and Water	--	--	--	491,076	7,323	14,359	321	0	--	--	452,107	60,972	513,079
Construction	--	--	--	1,014,754	615,911	934,681	22,687	6,309	--	--	1,916,152	678,190	2,594,342
Services	2,029,148	--	1,718,447	2,503,476	868,370	914,539	29,654	4,603	--	418,962	3,082,308	5,404,891	8,487,199
Wholesale and Retail Trade	--	--	--	624,328	581,870	108,329	26,089	4,437	--	--	1,149,989	195,064	1,345,053
Accommodation and Dining	--	--	--	509,311	75,582	510,266	1,632	63	--	--	202,879	893,975	1,096,854
Transportation and Telecom.	--	--	--	359,590	63,423	65,316	1,365	99	--	--	140,163	349,630	489,793
Financial Institutions	2,029,148	--	1,718,447	604,007	24,029	184,162	237	0	--	416,979	1,265,664	3,711,345	4,977,009
Real Estate and Rental Services	--	--	--	271,911	17,279	16,378	286	--	--	--	58,355	247,499	305,854
Self-Employment Services	--	--	--	5,520	19,564	3,988	10	--	--	--	27,919	1,163	29,082
Educational Services	--	--	--	12,055	10,093	8,062	--	--	--	--	30,210	--	30,210
Health and Social Services	--	--	--	116,754	76,530	18,038	35	4	--	1,983	207,129	6,215	213,344
Other*	183,742	--	16,175	620,652	383,173	265,791	10,966	3,573	44,943	3,506	1,011,106	521,415	1,532,521
Total*	2,212,890	--	1,734,622	6,435,193	2,797,473	2,572,066	112,835	16,428	44,943	430,613	8,715,129	7,641,934	16,357,063

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

1: Conditional and unconditional exposures to central governments or central banks

2: Conditional and unconditional exposures to administrative units and non-commercial enterprises

3: Conditional and unconditional exposures to banks and brokerage houses

4: Conditional and unconditional exposures to corporates

5: Conditional and unconditional retail exposures

6: Conditional and unconditional exposures secured by real estate property

7: Past due receivables

8: Receivables defined in high risk category by BRSA

9: Exposures in the form of collective investment undertakings

10: Other receivables

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II. Explanations on Consolidated credit risk (Continued)

3. Analysis of maturity-bearing exposures according to remaining maturities

Exposure Categories / Current Period*	Term to Maturity				
	Up to 1 Month	1 -3 Months	3 -6 Months	6-12 Months	Over 1 year
Conditional and Unconditional Exposures to Central Governments or Central Banks	1,862,857	217	17,658	63,734	1,722,483
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--	--	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	1,259,636	34,110	116,045	97,710	937,637
Conditional and Unconditional Exposures to Other Corporates	--	--	--	--	--
Conditional and Unconditional Exposures to SME Corporates	--	--	--	--	--
Conditional and Unconditional Exposures to Corporates	866,231	1,169,998	1,588,526	1,876,363	4,624,538
Conditional and Unconditional Retail Exposures	355,316	336,654	666,311	635,202	1,055,694
Conditional and Unconditional Exposures Secured by Real Estate Property	79,927	63,318	101,055	147,239	1,431,291
Past Due Receivables	--	--	--	--	--
Receivables Defined in High Risk Category by BRSA	58,972	1,159	1,132	609	18,234
Exposures in the Form of Bonds Secured by Mortgages	--	--	--	--	--
Short term Exposures to Banks, Brokerage Houses and Corporates	--	--	--	--	--
Exposures in the Form of Collective Investment Undertakings	--	--	--	--	--
Other Receivables	18,936	--	--	--	--
Total**	4,501,875	1,605,456	2,490,727	2,820,857	9,789,877

* Items with determined maturities are classified according to remaining maturities

** Items without determined maturities are not included; TL 516,966 central bank receivables, TL 118,112 cash and equivalents, TL 24,677 credit card limits, TL 97,252 non-cash loan limits ve payment commitments, TL 299,299 other receivables, TL 219,982 overdue receivables, 24,631 investment funds.

Exposure Categories / Prior Period*	Term to Maturity				
	Up to 1 Month	1 -3 Months	3 -6 Months	6-12 Months	Over 1 year
Conditional and Unconditional Exposures to Central Governments or Central Banks	195,691	293	--	--	183,448
Conditional and Unconditional Exposures to Administrative Units and Non-Commercial Enterprises	--	--	--	--	--
Conditional and Unconditional Exposures to Banks and Brokerage Houses	990,083	395	14,344	10,297	719,503
Conditional and Unconditional Exposures to Other Corporates	--	--	--	--	--
Conditional and Unconditional Exposures to SME Corporates	--	--	--	--	--
Conditional and Unconditional Exposures to Corporates	1,002,099	822,184	948,675	1,203,388	2,409,140
Conditional and Unconditional Retail Exposures	346,345	291,501	593,929	792,285	731,373
Conditional and Unconditional Exposures Secured by Real Estate Property	63,132	136,519	117,678	248,498	1,998,677
Past Due Receivables	--	--	--	--	--
Receivables Defined in High Risk Category by BRSA	4,988	991	233	5,598	4,478
Exposures in the Form of Bonds Secured by Mortgages	--	--	--	--	--
Short term Exposures to Banks, Brokerage Houses and Corporates	--	--	--	--	--
Exposures in the Form of Collective Investment Undertakings	--	--	--	--	--
Other Receivables	5,636	4,568	--	3,402	--
Total**	2,607,974	1,256,451	1,674,859	2,263,468	6,046,619

* Items with determined maturities are classified according to remaining maturities

** Items without determined maturities are not included; TL 1,833,457 central bank receivables, TL 78,507 cash and equivalents, TL 20,295 credit card limits, TL 61,880 non-cash loan limits ve payment commitments, TL 278,107 other receivables, TL 112,835 overdue receivables, TL 77,668 non-cash loans, TL 44,943 investment funds.

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

II. Explanations on Consolidated credit risk (continued)

3. Analysis of maturity-bearing exposures according to remaining maturities (continued)

The Parent Bank uses long-term credit ratings announced by an international rating firm, The Islamic International Ratings Agency (IIRA). Such ratings are used in compliance with regulation on “The Licencing and Operations of the Rating Firms”. For the Bank's capital adequacy calculation, only the latest credit ratings are used that are currently accepted as valid by the issuing Credit Rating Agency.

Credit ratings are used only for the classification of receivables from banks and brokerage houses. The securities in the trading book have credit ratings. Therefore, no credit rating is used for issuer or issue.

Based on “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” Appendix 1, The Islamic International Ratings Agency (IIRA)’s credit ratings corresponds to credit grades below:

	BRSA Credit Quality Grades	IIRA Risk Rating
Long Term Credit Quality Grades	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below

4. Exposures by risk weights

Risk Weights Current Period	%0	%10	%20	%50	%75	%100	%150	%200	Deductions from Equity	Total
Exposures Before Credit Risk Mitigation	2,688,710	-	755,813	--	1,743,001	4,869,317	12,362,737	90,133	--	22,509,711
Exposures After Credit Risk Mitigation	4,585,051	-	279,435	450,827	2,915,947	3,115,787	11,072,531	90,133	--	22,509,711

Risk Weights Prior Period	%0	%10	%20	%50	%75	%100	%150	%200	Deductions from Equity	Total
Exposures Before Credit Risk Mitigation	589,315	--	719,149	2,787,752	3,675,567	8,559,690	25,590	--	--	16,357,063
Exposures After Credit Risk Mitigation	1,178,899	--	214,565	4,854,900	2,797,473	7,285,636	25,590	--	--	16,357,063

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II. Explanations on Consolidated credit risk (continued)

5. Information by major sectors and type of counterparties

As per the TAS and TFRS;

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

Current Period		Loans		
Major Sector / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments(*)	Provisions(**)
Agriculture	16,358	45,900	287	8,622
Farming and Stockbreeding	5,942	40,784	259	2,301
Forestry	9,358	5,108	30	5,290
Fishery	1,058	8	-	1,031
Manufacturing	103,548	48,598	297	43,377
Mining and Quarrying	46,310	16,225	92	13,105
Production	57,085	32,269	204	30,179
Electricity, Gas and Water	153	104	1	93
Construction	87,757	90,617	561	33,115
Services	138,152	304,356	2,031	48,453
Wholesale and Retail Trade	104,752	105,634	729	39,112
Accommodation and Dining	11,995	53,397	446	2,790
Transportation and Telecommunication	9,564	107,550	604	2,758
Financial Institutions	28	7,097	18	14
Real Estate and Rental Services	1,770	11,631	61	401
Self-Employment Services	794	3,607	34	472
Educational Services	5,116	1,780	17	1,311
Health and Social Services	4,133	13,660	113	1,595
Other	122,678	107,779	1,498	37,428
Total	468,493	597,250	4,676	170,995

(*) Shows the general provision amount for past due credits.

(**) Shows the specific provision amount for impaired loans.

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II. Explanations on Consolidated credit risk (continued)

5. Information by major sectors and type of counterparties (continued)

Prior Period	Loans			
Major Sector / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments(*)	Provisions(**)
Agriculture	8,563	11,640	232	2,371
Farming and Stockbreeding	3,349	4,237	84	648
Forestry	4,174	7,398	148	709
Fishery	1,040	5	-	1,014
Manufacturing	65,848	87,857	1,757	19,643
Mining and Quarrying	29,753	21,372	427	8,112
Production	29,977	66,200	1,324	10,307
Electricity, Gas and Water	6,118	285	6	1,224
Construction	44,121	46,890	938	26,625
Services	67,938	211,726	4,235	21,837
Wholesale and Retail Trade	54,813	70,188	1,403	18,436
Accommodation and Dining	2,445	112,310	2,246	665
Transportation and Telecommunication	3,058	9,195	184	1,482
Financial Institutions	314	958	19	79
Real Estate and Rental Services	444	8,695	174	146
Self-Employment Services	616	2,833	57	133
Educational Services	4,500	1,968	40	613
Health and Social Services	1,748	5,579	112	283
Other	26,169	58,332	1,166	13,694
Total	212,639	416,445	8,328	84,170

(*) Shows the general provision amount for past due credits.

(**) Shows the specific provision amount for impaired loans.

6. Information on movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments (*)	Closing Balance
Specific Provisions	84,170	184,444	(3,684)	(93,935)	170,995
General Provisions	121,287	--	(50,707)	--	70,580

(*)Write-off items and the sales from the NPL portfolio are disclosed.

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments (*)	Closing Balance
Specific Provisions	78,465	127,003	(5,071)	(116,227)	84,170
General Provisions	91,103	30,184	--	--	121,287

(*)Write-off items and the sales from the NPL portfolio are disclosed.

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II. Explanations on Consolidated credit risk (continued)

7. Exposures subject to countercyclical capital buffer

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	14,078,411	436,482	14,514,893
England	8,113	276,604	284,717
Russia	267,583	16	267,599
Malta	100,890	-	100,890
Holland	6,950	10,740	17,690
United States of America	13,737	-	13,737
Germany	826	9,070	9,896
Switzerland	879	1,196	2,075
Others	4,288	435	4,723
Total	14,481,677	734,543	15,216,220

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	11,447,161	272,141	11,719,302
Russia	174,328	--	174,328
Malta	90,037	--	90,037
Marshall Islands	24,666	--	24,666
Iraq	296	--	296
England	3,622	146,050	149,672
Germany	1,347	1,800	3,147
France	4	1,439	1,443
Switzerland	395	2,201	2,596
North Cyprus	--	377	377
Others	17,387	--	17,387
Total	11,759,243	424,008	12,183,251

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II. Explanations on Consolidated credit risk (continued)

8. Information on collaterals, impairment, rating and maturity related to loans granted to individuals and corporates

Details of collaterals of standard and close monitoring loans granted to individuals and corporates are as follows:

Cash loans granted to individuals and corporates	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
Secured Loans:	13,748,310	9,977,477	941,037	918,186
Secured by Cash Collateral	11,316	85,000	--	--
Secured by Mortgages	3,216,496	3,100,686	518,603	508,187
Secured by Treasury Guarantees or Securities Issued by Public Sector	--	--	--	--
Guarantees Issued by Financial Institutions	--	--	--	--
Other Collaterals (being on the pledges, corporate and personal guarantees, promissory notes)	10,520,498	6,791,791	422,434	409,999
Non-Secured Loans	79,747	405,818	21,565	11,323
Total	13,828,057	10,383,294	962,602	929,509

Details of collaterals of non-cash loans granted to individuals and corporates are as follows:

Non-cash loans granted to individuals and corporates	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
Secured Loans:	1,984,510	841,698	18,602	24,797
Secured by Cash Collateral	3,771	--	--	--
Secured by Mortgages	36,291	59,280	3,122	5,886
Secured by Treasury Guarantees or Securities Issued by Public Sector	--	--	--	--
Guarantees Issued by Financial Institutions	--	--	--	--
Other Collaterals (being on the pledges, corporate and personal guarantees, promissory notes)	1,944,448	782,418	15,480	18,911
Non-Secured Loans	27,882	30,531	--	--
Total	2,012,392	872,229	18,602	24,797

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III. Explanations on consolidated currency risk

Position limit on currency risk is determined in line with net general position standard ratio on foreign currency. The Bank does not take foreign exchange and parity risk; transactions are usually hedged. Measurable and manageable risks are taken within legal limits.

As of 31 December 2017, the Group's net short position is TL 92,480 (31 December 2016: TL 125,488 net short position) resulting from short position on the balance sheet amounting to TL 1,050,041 (31 December 2016: TL 376,413 long position) and long position on the off-balance amounting to TL 957,561 (31 December 2015: TL 501,901 short position). The Group uses "Standard Method" in legal reporting to measure the foreign exchange risk.

The announced foreign exchange buying rates of the Bank at 31 December 2017 and the previous five working days in full TL are as follows:

US Dollar purchase rate as at the balance sheet date	TL 3.7719
Euro purchase rate as at the balance sheet date	TL 4.5155

Date	USD	EUR
26 December 2017	3.8087	4.5205
27 December 2017	3.8029	4.5116
28 December 2017	3.8197	4.5385
29 December 2017	3.8104	4.5478
31 December 2017	3.7719	4.5155

The USD Dollar FX buying rate is TL3,8459 and EUR FX buying rate is TL 4,5535 according to simple arithmetic average on December 2017.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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III. Explanations on consolidated currency risk (continued)

Current Period	EUR	USD	Other	Total
Assets				
Cash and Balances with the Central Bank of Turkey	271,672	1,578,269	361,714	2,211,655
Banks	184,382	83,076	4,423	271,881
Financial Assets at Fair Value through Profit/Loss (*)	411	4,579	--	4,990
Interbank Money Market Placements	361,244	15,090	--	376,334
Financial Assets Available for Sale	88,939	492,468	--	581,407
Loans (**)	3,915,540	1,227,118	111,354	5,254,012
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	--	--	--	--
Investments Held to Maturity	--	--	--	--
Derivative Financial Assets Held for Hedging Purposes	--	--	--	--
Tangible Assets	--	--	--	--
Intangible Assets	--	--	--	--
Other Assets (***)	1,596	1,021	--	2,617
Total Assets	4,823,784	3,401,621	477,491	8,702,896
Liabilities				
Banks Deposits	130,045	364,645	25,247	519,937
Foreign Currency Deposits	724,805	4,622,156	29,287	5,376,248
Interbank Money Market Received	73,396	402,981	--	476,377
Funds Borrowed from Other Financial Institutions	1,028,911	1,068,608	4,841	2,102,360
Sundry Creditors	18,779	74,741	--	93,520
Marketable Securities Issued	--	--	--	--
Derivative Financial Liabilities Held for Hedging Purposes	--	--	--	--
Other Liabilities(****)	25,250	1,159,245	--	1,184,495
Total Liabilities	2,001,186	7,692,376	59,375	9,752,937
Net Balance Sheet Position	2,822,598	(4,290,755)	418,116	(1,050,041)
Net Off-Balance Sheet Position	(2,895,496)	4,249,171	(396,114)	957,561
Financial Derivative Assets(*****)	4,356,736	8,723,477	172,731	13,252,944
Financial Derivative Liabilities(*****)	7,252,232	4,474,306	568,845	12,295,383
Non-Cash Loans (*****)	409,758	861,425	--	1,271,183
Prior Period				
Total Assets	2,769,187	3,549,207	376,254	6,694,648
Total Liabilities	1,785,647	4,490,878	41,710	6,318,235
Net Balance Sheet Position	983,540	(941,671)	334,544	376,413
Net Off-Balance Sheet Position	(1,015,278)	810,480	(297,103)	(501,901)
Financial Derivative Assets(*****)	2,245,247	3,495,902	86,823	5,827,972
Financial Derivative Liabilities(*****)	3,260,525	2,685,422	383,926	6,329,873
Non-Cash Loans (*****)	139,807	316,902	145	456,854

(*) The balance does not include accruals of trading derivative financial assets amounting to TL 6,477.

(**) The balance includes foreign currency indexed loans and accruals amounting to TL 393,457.

(***) The balance does not include TL 18,659 of prepaid expenses.

(****) The balance does not include accruals of trading derivative financial liabilities amounting to TL 7,143.

(*****) In the current period, foreign currency purchase commitments within the financial derivative assets amounted to TL 488,310 (31 December 2016: TL 182,784), foreign currency sale commitments within the derivative financial liabilities amounted to TL 411,183 (31 December 2016: TL 143,268).

(*****) There is no effect on the net off-balance sheet position.

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III. Explanations on consolidated currency risk (continued)

The following table demonstrates prospective increase and decrease in equities and profit/loss as of 31 December 2017 and 2016 (excluding tax effect) on condition that 10% decrease of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, are constant.

	Current Period		Prior Period	
	Profit/Loss	Equity	Profit/Loss	Equity
USD	(4,101)	(57)	(12,041)	(1,078)
EURO	(7,568)	278	(3,174)	68
Other FC	2,200	--	3,744	--
Total (Net)	(9,469)	221	(11,471)	(1,010)

IV. Explanations on consolidated interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items are evaluated weekly by considering market developments in the Asset-Liability Committee.

Standard method and Asset-Liability risk measurement methods are used to measure the Bank's interest rate risk.

Measurements by employing the standard method are carried out monthly by using maturity ladder. Bank applies interest rate shock analysis to interest rate sensitive assets and liabilities considering historic economic crisis. Change in the net present value of the net assets of the Bank are monitored within the limits set by the Board of Directors.

“Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)”:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,759,977	--	--	--	--	727,279	2,487,256
Banks							
Financial Assets at Fair Value Through Profit or Loss	238,557	2	--	--	--	81,457	320,016
Interbank Money Market Placements	98,620	26,213	95,483	520,559	3,002	--	743,877
Financial Assets Available-for-Sale	376,334	--	--	--	--	--	376,334
Loans	--	4,860	179,757	522,484	57,335	1,727	766,163
Investment Securities Held-to-Maturity	1,770,612	3,826,951	3,024,129	5,317,896	851,071	297,498	15,088,157
Other Assets (*)	--	--	--	--	--	--	--
Total Assets	4,244,100	3,858,026	3,309,742	6,368,468	911,408	1,419,924	20,111,668
Liabilities							
Bank Deposits	464,105	3,219	--	--	--	134,145	601,469
Other Deposits	7,009,999	3,061,759	763,994	27,149	--	803,535	11,666,436
Interbank Money Market Received	169,882	309,998	--	--	--	--	479,880
Sundry Creditors	--	--	--	--	--	312,532	312,532
Marketable Securities Issued	346,570	423,478	485,018	--	--	--	1,255,066
Funds Borrowed from Other Financial Institutions	242,040	1,243,539	635,733	2,837	--	--	2,124,149
Other Liabilities(**)	93,299	62,015	104,261	1,647,371	1,571	1,763,619	3,672,136
Total Liabilities	8,325,895	5,104,008	1,989,006	1,677,357	1,571	3,013,831	20,111,668

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IV. Explanations on consolidated interest rate risk (continued)

Balance Sheet Long Position	--	--	1,320,736	4,691,111	909,837	--	6,921,684
Balance Sheet Short Position	(4,081,795)	(1,245,982)	--	--	--	(1,593,907)	(6,921,684)
Off-Balance Sheet Long Position	--	--	--	25,000	--	19,573,772	19,598,772
Off-Balance Sheet Short Position	--	--	--	(25,000)	--	(19,596,665)	(19,621,665)
Total Position	(4,081,795)	(1,245,982)	1,320,736	4,691,111	909,837	(1,616,800)	(22,893)

(*) Non-interest bearing column includes TL 4,897 investments in associates, TL 191,962 tangible assets, TL 5,948 intangible assets, TL 9,831 tax assets, TL 23,795 non-current assets held for sale and TL 75,530 other assets.

(**) Non-interest bearing column includes TL 1,464,612 shareholders' equity, TL 103,202 other liabilities, TL 469 finance lease liabilities, TL 153,080 provisions and TL 42,256 tax liabilities.

“Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)”:

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,352,802	--	--	--	--	585,132	1,937,934
Banks	33,815	--	--	--	--	24,565	58,380
Financial Assets at Fair Value Through Profit or Loss	21,971	1,174	1,014	1,194	2,905	469,427	497,685
Interbank Money Market Placements	274,702	--	--	--	--	--	274,702
Financial Assets Available-for-Sale	--	293	24,940	751,929	109,044	1,020	887,226
Loans	1,869,120	3,805,040	1,991,266	2,772,280	875,097	128,469	11,441,272
Investment Securities Held-to-Maturity	--	--	--	--	--	--	--
Other Assets (*)	--	--	--	--	--	291,673	291,673
Total Assets	3,552,410	3,806,507	2,017,220	3,525,403	987,046	1,500,286	15,388,872
Liabilities							
Bank Deposits							
Other Deposits	347,019	20,072	--	--	--	114,714	481,805
Interbank Money Market Received	5,589,025	2,134,088	891,984	17,244	--	502,592	9,134,933
Sundry Creditors	517,259	166,569	--	--	--	--	683,828
Marketable Securities Issued							
Funds Borrowed from Other Financial Institutions	--	--	--	--	--	145,780	145,780
Bank Deposits	183,558	424,661	383,756	--	--	--	991,975
Bank Deposits	56,928	903,970	609,851	2,534	--	--	1,573,283
Other Liabilities(**)	--	8,737	--	--	351,920	2,016,611	2,377,268
Total Liabilities	6,693,789	3,658,097	1,888,591	19,778	351,920	2,779,697	15,388,872
Balance Sheet Long Position	--	148,410	131,629	3,505,625	635,126	--	4,420,790
Balance Sheet Short Position	(3,141,379)	--	--	--	--	(1,279,411)	(4,420,790)
Off-Balance Sheet Long Position	--	--	--	25,000	--	9,921,939	9,946,939
Off-Balance Sheet Short Position	--	--	--	(25,000)	--	(9,874,479)	(9,899,479)
Total Position	(3,141,379)	148,410	131,629	3,505,625	635,126	(1,231,951)	47,460

(*) Non-interest bearing column includes TL 186,205 tangible assets, TL 3,979 intangible assets, TL 307 tax assets, TL 3,817 non-current assets held for sale and TL 97,365 other assets

(**) Non-interest bearing column includes TL 1,289,769 shareholders' equity, TL 126,155 other liabilities, TL 85 finance lease liabilities, TL 178,668 provisions and TL 38,474 tax liabilities.

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IV. Explanations on consolidated interest rate risk (continued)

Average interest rates applied to financial instruments

Current Period End	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	--	1.25	--	4.00
Banks	0.02	1.50	--	12.75
Financial Assets at Fair Value Through Profit/ Loss	2.00	5.29	--	14.70
Interbank Money Market Placements	0.05	1.65	--	--
Financial Assets Available-for-Sale	3.43	4.42	--	10.15
Loans	5.97	6.65	--	16.96
Investment Securities Held-to-Maturity	--	--	--	--
Liabilities				
Bank Deposits	--	1.65	--	12.52
Other Deposits	1.59	3.99	--	14.38
Interbank Money Market Received	0.24	2.50	--	11.63
Sundry Creditors	--	--	--	--
Marketable Securities Issued	--	7.75	--	14.00
Funds Borrowed from Other Financial Institutions	1.95	2.87	--	6.63

Prior Period End	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	--	0.75	--	3.31
Banks	0.03	0.55	--	--
Financial Assets at Fair Value Through Profit/Loss	3.19	4.69	--	10.67
Interbank Money Market Placements	0.01	--	--	10.40
Financial Assets Available-for-Sale	3.43	4.51	--	9.40
Loans	5.97	6.23	--	15.23
Investment Securities Held-to-Maturity	--	--	--	--
Liabilities				
Bank Deposits	--	0.84	--	9.06
Other Deposits	1.60	3.46	--	11.40
Interbank Money Market Received	0.53	2.27	--	8.00
Sundry Creditors	--	--	--	--
Marketable Securities Issued	--	9.25	--	10.77
Funds Borrowed from Other Financial Institutions	1.89	2.53	--	6.55

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IV. Explanations on consolidated interest rate risk (continued)**Interest rate risk on banking book**

As per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published by the BRSA in 23 August 2011, the Bank analyses and reports to the Bank’s senior management the interest rate sensitivity of equity on a monthly basis by applying positive and negative shocks to the interest sensitive on balance sheet and off-balance sheet positions which are distributed into groups based on their cash flows.

Interest rate sensitivity of equity as of 31 December 2017:

Current Period	Shock Applied (+/- x bps)	Gains/ Losses	Gains/ Equity - Losses/Equity
TRY	500	(234,042)	%(8.69)
TRY	-400	215,506	%8.01
USD Dollar	200	59,703	%2.22
USD Dollar	-200	(66,610)	%(2.47)
EURO	200	(113,460)	%(4.21)
EURO	-200	125,825	%4.67
Total (For Positive Shocks)		(287,799)	%(10.69)
Total (For Negative Shocks)		274,721	%10.20

Prior Period	Shock Applied (+/- x bps)	Gains/ Losses	Gains/ Equity - Losses/Equity
TRY	500	(204,228)	%(11.45)
TRY	-400	195,267	%10.95
USD Dollar	200	(15,789)	%(0.89)
USD Dollar	-200	12,210	%0.68
EURO	200	(77,262)	%(4.33)
EURO	-200	48	%0.00
Total (For Positive Shocks)		(297,279)	%(16.67)
Total (For Negative Shocks)		207,525	%11.63

V. Explanations on consolidated position risk of equity securities resulted from banking book

The Bank has no position risk of equity shares as of 31 December 2017 (31 December 2016: None).

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VI. Explanations on consolidated liquidity risk

The Board of Directors reviews the liquidity and funding risk management policy weekly or in case of necessity. Liquidity risk is managed by Asset and Liability Committee (ALCO) in line with risk management policy as short and long term liquidity risk.

Liquidity Risk is managed by ALCO in order to take the necessary measures in a timely and correct manner against possible liquidity shortages by Group. Treasury department manages cash inflows and outflows in line with strategies determined by ALCO. As deemed necessary by the ALCO members, liquidity meetings are performed for the purposes of close monitoring. Treasury department manages short term liquidity by adhering to the ALCO strategy and ensuring compliance with legal liquidity limits and stress testing.

In the context of TL and foreign currencies liquidity management, the Parent Bank monitors the cash flows weekly and action plan is made based on ALCO decisions. The funding balance is directly monitored and compensated by making the risk-return-cost evaluation.

For long-term liquidity "Maturity Mismatch Report" is prepared and presented to ALCO on a weekly basis. The Bank, resulting from the general structure of Turkish banking sector, has a liquidity gap at the 2 year maturity period. The Bank intends to eliminate liquidity mismatch shifting focus to long-term funding alternatives. Such decisions of the risk of incompatibility are taken by ALCO. The Bank diversifies its funding sources among customer deposits, domestic and foreign borrowings, bills and bonds issued, taking into consideration the maturity match between its assets and liabilities and keeps liquid assets in order to fully meet the liquidity requirements that may emerge in case of market volatility.

Information on the use of stress testing

Department of Risk Management implements stress testing according to Liquidity and Funding Risk Policy approved by the Board of Directors on a weekly basis. These stress tests are based on the scenarios of the deposit outflow, funds obtained from bonds issued will outflow, banks limits will not be used during a 14-day period, the results are included in the presentation of ALCO on a weekly basis and in the Presentation of Risk Committee on a monthly basis. In this way, the Bank's funding structure is closely monitored and actions are taken on behalf of existing risk management.

Alternative funding sources are identified in case of need. ALCO members are responsible for short-term liquidity shocks to take actions. In the case of a crisis or if deemed necessary, ALCO summon a meeting and take possible action plans immediately. These action plans are approved by the Board of Directors under the İSEDES. The Bank reviews resources that are available in any emergency situation constantly and takes into consideration the results of the above-mentioned stress testing and scenario analysis by the early warning system.

According to BRSA's "Legislation on Measurement and Assessment of Liquidity Adequacy of the Banks"; published in the Official Gazette numbered 28948, dated 21 March 2014; liquidity ratio is required to be 60% for foreign currency assets/liabilities and 80% for total assets/liabilities in the calculation of the banks' weekly and monthly reporting effective from 1 January 2017.

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VI. Explanations on consolidated liquidity risk (continued)

Current Period		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)			2,623,588	2,262,538
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	6,839,933	2,924,789	658,507	292,479
3	Stable deposits	537,717	--	25,486	--
4	Less stable deposits	6,302,217	2,924,789	633,021	292,479
5	Unsecured wholesale funding, of which:	5,473,096	3,004,980	3,029,773	1,657,149
6	Operational deposits	--	--	--	--
7	Non-operational deposits	3,609,484	1,954,320	1,443,794	781,728
8	Unsecured funding	1,863,612	1,050,660	1,585,980	875,421
9	Secured wholesale funding			221,196	221,196
10	Other cash outflows of which:	2,538,173	1,170,439	535,086	336,021
11	Outflows related to derivative exposures and other collateral requirements	297,303	262,503	297,303	262,504
12	Outflows related to restructured financial instruments	--	--	--	--
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	2,240,870	907,935	237,784	73,518
14	Other revocable off-balance sheet commitments and contractual obligations	--	--	--	--
15	Other irrevocable or conditionally revocable offbalance sheet obligations	20,539	6	20,539	6
16	Total Cash Outflows			4,465,101	2,506,851
Cash Inflows					
17	Secured receivables	128,670	40,290	24,893	24,893
18	Unsecured receivables	1,707,408	281,147	1,573,663	466,306
19	Other cash inflows	94,176	69,111	85,094	57,758
20	Total Cash Inflows	1,930,254	390,548	1,683,650	548,958
				Upper Limit Applied Values	
21	Total HQLA			2,623,588	2,262,538
22	Total Net Cash Outflows			2,782,618	1,957,893
23	Liquidity Coverage Ratio (%)			94.28	115.56

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

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VI. Explanations on consolidated liquidity risk (continued)

Prior Period		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)			1,683,399	1,512,782
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	5,822,217	2,336,467	368,166	141,711
4	Less stable deposits	4,281,117	1,838,709	214,056	91,935
5	Unsecured wholesale funding, of which:	1,541,100	497,758	154,110	49,776
6	Operational deposits	3,273,924	1,452,496	1,963,525	867,813
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	2,154,537	946,043	861,815	378,417
9	Secured wholesale funding	1,119,387	506,453	1,101,710	489,395
10	Other cash outflows of which:			423,489	423,489
11	Outflows related to derivative exposures and other collateral requirements	1,373,571	532,901	256,376	171,913
12	Outflows related to restructured financial instruments	125,003	117,321	125,003	117,321
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	1,248,568	415,581	131,373	54,592
15	Other irrevocable or conditionally revocable offbalance sheet obligations	-	-	-	-
16	Total Cash Outflows	25,897	8	25,897	8
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	-	-	54,535	54,535
19	Other cash inflows	1,638,947	272,869	1,075,831	224,293
20	Total Cash Inflows	40,101	32,356	40,101	32,355
Upper Limit Applied Values					
21	Total HQLA			1,638,399	1,512,782
22	Total Net Cash Outflows			1,866,986	1,293,751
23	Liquidity Coverage Ratio (%)			87.76	116.93

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

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VI. Explanations on consolidated liquidity risk (continued)

Current Period	TL+FC	FC
31 October 2017	101.68%	128.97%
30 November 2017	92.67%	84.53%
31 December 2017	89.54%	160.33%

Current Period	TL+FC	FC
31 October 2016	79.55%	105.59%
30 November 2016	90.57%	103.27%
31 December 2016	94.29%	154.69%

The Bank implements the calculation in accordance with the Regulation of Liquidity Coverage Ratio Calculation of Banks dated 21 March 2014 and numbered 28948 published in the Official Gazette. As per the related regulation high quality liquid assets are mainly securities portfolio, cash assets and reserve requirements. The important factors affecting the results of the liquidity coverage ratio are the changes in the remaining maturities of the items and changes in the amounts of deposits and money market transactions, the remaining maturities of which are less than 30 days. Deposits form a significant portion of the Bank's sources of funds, on the other hand bonds issued, money market borrowings, funds provided from abroad are other important sources of funding.

The Bank calculates cash flow and margin likely to transactions arising from derivative transactions in accordance with the Regulation on Banks' Liquidity Coverage Ratio dated 21 March 2014 and numbered 28948 published in Official Gazette as taking 24-month average into account.

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VI. Explanations on liquidity risk (continued)

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	5 Years and Over	Unallocated	Total
Assets								
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	628,694	1,858,562	--	--	--	--	--	2,487,256
Banks	81,457	238,557	2	--	--	--	--	320,016
Financial Assets at Fair Value Through Profit or Loss	--	80,614	26,183	95,282	538,796	3,002	--	743,877
Interbank Money Market Placements	--	376,334	--	--	--	--	--	376,334
Financial Assets Available-for-Sale	1,727	--	4,860	177,940	522,484	59,152	--	766,163
Loans	--	1,660,339	2,015,567	5,746,428	4,963,581	404,744	297,498	15,088,157
Investment Securities Held-to- Maturity	--	--	--	--	--	--	--	--
Other Assets(*)	--	--	--	10,373	7,529	--	311,963	329,865
Total Assets	711,878	4,214,406	2,046,612	6,030,023	6,032,390	466,898	609,461	20,111,668
Liabilities								
Bank Deposits	134,145	464,105	3,219	--	--	--	--	601,469
Other Deposits	803,535	7,009,999	3,061,759	763,994	27,149	--	--	11,666,436
Funds Borrowed from Other Financial Institutions	--	59,927	210,266	1,310,123	479,892	63,941	--	2,124,149
Interbank Money Market	--	169,882	309,998	--	--	--	--	479,880
Marketable Securities Issued	--	346,570	423,478	485,018	--	--	--	1,255,066
Sundry Creditors	--	312,532	--	--	--	--	--	312,532
Other Liabilities(**)	--	198,088	70,586	112,632	538,020	1,133,305	1,619,505	3,672,136
Total Liabilities	937,680	8,561,103	4,079,306	2,671,767	1,045,061	1,197,246	1,619,505	20,111,668
Net Liquidity Gap	(225,802)	(4,346,697)	(2,032,694)	3,358,256	4,987,329	(730,348)	(1,010,044)	--
Net Off-Balance Sheet Position	--	(48,287)	(5,426)	3,819	30,781	(1,531)	--	(20,644)
Derivative Financial Assets	--	6,049,366	3,193,912	4,726,102	4,774,285	37,720	--	18,781,385
Derivative Financial Liabilities	--	6,097,653	3,199,338	4,722,283	4,743,504	39,251	--	18,802,029
Non-Cash Loans	--	174,789	355,796	768,245	189,571	542,592	--	2,030,993
Prior Period								
Total Assets	373,897	3,690,006	1,575,068	4,420,080	4,322,835	586,844	420,142	15,388,872
Total Liabilities	617,306	6,955,317	2,927,080	2,134,568	852,775	432,119	1,469,707	15,388,872
Net Liquidity Gap	(243,409)	(3,265,311)	(1,352,012)	2,285,512	3,470,060	154,725	(1,049,565)	--
Net Off-Balance Sheet Position	--	15,785	(3,025)	19,021	16,005	--	--	47,786
Derivative Financial Assets	--	2,622,167	1,018,933	2,321,449	3,776,784	--	--	9,739,333
Derivative Financial Liabilities	--	2,606,382	1,021,958	2,302,428	3,760,779	--	--	9,691,547
Non-Cash Loans	--	49,172	158,169	321,197	95,139	273,349	--	897,026

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies and prepaid expenses are included in this column.

(**) Shareholders' equity and provisions are classified as other liabilities under unallocated column

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VI. Explanations on liquidity risk (continued)

Contractual maturity analysis of liabilities according to remaining maturities

31 December 2017	Carrying Values	Gross Nominal Outflows	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposit	601,469	601,712	134,145	464,255	3,312	--	--	--
Other Deposit	11,666,434	11,797,526	803,535	7,034,113	3,104,501	823,508	31,869	--
Money Market Funds	479,880	480,893	--	169,989	310,904	--	--	--
Securities Issued	1,255,066	1,287,720	--	348,760	432,100	506,860	--	--
Funds Borrowed	2,084,851	2,146,784	--	56,125	208,881	1,352,416	502,626	26,736
Subordinated Loans	1,194,561	2,083,766	--	--	45,747	45,788	366,046	1,626,185
Total	17,282,261	18,398,401	937,680	8,073,242	4,105,445	2,728,572	900,541	1,652,921

31 December 2016	Carrying Values	Gross Nominal Outflows	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposit	481,805	482,035	114,714	347,062	20,259	--	--	--
Other Deposit	9,134,930	9,239,187	502,589	5,606,205	2,159,993	950,717	19,683	--
Money Market Funds	683,828	684,961	--	517,655	167,306	--	--	--
Securities Issued	991,975	1,015,580	--	184,700	432,430	398,450	--	--
Funds Borrowed	1,536,663	1,604,138	--	13,782	148,990	857,847	538,987	44,532
Subordinated Loans	397,278	752,983	--	--	17,868	18,164	143,990	572,961
Total	13,226,479	13,778,884	617,303	6,669,404	2,946,846	2,225,178	702,660	617,493

According to the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks published in the Official Gazette numbered 29450 on 19 August 2015 and dated 19/08/2015, total amount of assets and risk in the consolidated financial statements prepared in accordance with Turkish Accounting Standards shown below;

		Current Period*	Prior Period**
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	46,647,375	27,193,355
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	--	--
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(19,594,616)	(8,176,420)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	--	--
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	--	--
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	--	--
7	Total risk amount	27,052,759	19,016,935

(*)Consolidated financial statements prepared in compliance with the Article 6 of the communiqué 5 "Preparation of Consolidated Financial Statements.

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

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VII. Explanations on consolidated leverage level

The table of leverage level calculated in accordance with the Regulation on Assessment and Calculation of Banks' Leverage Level published in the Official Gazette numbered 28812 and dated 5/11/2013 shown below;

	Balance sheet assets	Current Period(*)	Prior Period(*)
1	Balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	20,674,614	15,529,445
2	(Assets deducted in determining Tier 1 capital)	(33,211)	(34,434)
3	Total balance sheet risks (sum of lines 1 and 2)	20,641,403	15,495,011
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	791,132	331,031
5	Potential credit risk associated with all derivative financial instruments and credit derivatives	331,754	185,286
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,122,886	516,317
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (except for on-balance sheet)	569,650	811,748
8	Risks from brokerage activities related exposures	--	--
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	569,650	811,748
	Off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	4,718,820	2,193,861
11	(Adjustments for conversion to credit equivalent amounts)	--	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	4,718,820	2,193,861
	Capital and total risks		
13	Tier 1 capital	1,427,291	1,265,679
14	Total risks (sum of lines 3, 6, 9 and 12)	27,052,759	19,016,937
	Leverage ratio		
15	Leverage ratio	5.29	6.67

(*) Represents three-month average amounts.

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VIII. Explanations on presentation of financial assets and liabilities at their fair values

Valuation methods of the financial instruments valued with their fair value are shown below.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	16,550,670	12,661,580	16,636,606	12,725,984
Interbank Money Market Placements	376,334	274,702	376,334	274,702
Banks	320,016	58,380	320,016	58,380
Financial Assets Available-for-Sale	766,163	887,226	766,163	887,226
Investments Held-to-Maturity	--	--	--	--
Loans	15,088,157	11,441,272	15,174,093	11,505,676
Financial Liabilities	17,114,915	12,688,434	17,114,915	12,688,434
Bank Deposits	601,469	481,805	601,469	481,805
Other Deposits	11,666,436	9,134,933	11,666,436	9,134,933
Funds Borrowed from Other Financial Institutions	3,279,412	1,933,941	3,279,412	1,933,941
Marketable Securities Issued	1,255,066	991,975	1,255,066	991,975
Sundry Creditors	312,532	145,780	312,532	145,780

Fair values of financial assets available-for-sale are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

	Level 1 TL		Level 2 TL		Level 3 TL	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets						
Financial Assets at Fair Value through Profit and Loss	55,376	82,681	688,501	415,004	--	--
Financial Assets Available for Sale	764,436	886,207	1,727	1,019	--	--
Total	819,812	968,888	690,228	416,023	--	--
Financial Liabilities						
Financial Liabilities at Fair Value through Profit and Loss	--	--	749,590	383,459	--	--
Total	--	--	749,590	383,459	--	--

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

IX. Explanations on transactions carried out on behalf of customers and fiduciary activities

None.

X. Explanations on consolidated securitisation positions

The Bank does not have any securitization positions as of balance sheet date.

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XI. Explanations on risk management objectives and policies

Bank's risk management approach:

The Bank does not apply any netting on balance sheet and off-balance sheet. Guarantees and derivatives are not used as credit mitigation techniques; but only financial collaterals consisting of cash blockages are used.

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, the Asset-Liability Committee and the Risk Management Department which have been composed in order to manage systemic risks that the Bank is exposed to. The Board of Directors is the owner of the Bank'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 Bank 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 Bank's future cash flows, the level and the quality of related activities.

As part of the Risk Management System, the Asset and Liability Committee presentation is prepared on a weekly basis and the Risk Committee and the Board of Directors presentations are prepared on a monthly basis. The presentations mainly consist of the Bank's financial statements, profit and loss analysis, credit risk, market risk, liquidity risk, concentration risk, interest rate risk due to banking book, and operational risk as well as the risk that the Bank is currently exposed to or possible risks.

The Board of Directors of the Bank delegated the authorization related to the hedge accounting to The Asset and Liability Committee with the condition of providing regular information. At the same time the Bank has organized credit policies and risk mitigation policies due to credit risk. All processes of the Bank are controlled by the Bank's Internal Control Department's control matrices regularly and are subject to supervision by the Internal Audit Department at the same time.

The Bank uses credit rating models and/or decision trees and rating systems using financial and non-financial data for loan customers as a risk measurement system. Market risk measures are calculated within the scope of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks and using only internal model and market data for intra-bank use. In addition to these, risks are measured and reported with regular stress tests. Three stress tests (base, negative, extremely negative) are performed on a yearly basis, stress tests are performed on a monthly basis for market risk and counter party credit risk, stress tests are performed on a weekly basis for interest rate risk and liquidity risk by Risk Management Department of Bank and then they are shared with senior management in the ALCO and the Risk Committee meetings.

Periodic reports about liquidity risk, interest risk, securities portfolio, credit risk, customer concentration, sectoral concentration, collateral structure and capital adequacy are reported to the Board of Directors and senior management.

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XI. Explanations on risk management objectives and policies (continued)

Notes and explanations in this section have been prepared in accordance with the “Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Bank uses the standard approach for the calculation of capital adequacy, the following tables those have to be disclosed in accordance with the Communiqué on an annual basis were not presented by the Bank as of 31 December 2017:

- RWA flow statements of credit risk exposures under IRB (Internal Ratings Based)
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an Internal Model Approach (IMA)
- Qualitative disclosures related to IRB models
- IRB - Credit risk exposures by portfolio and PD range
- IRB – Effect on RWA of credit derivatives used as CRM techniques
- IRB – Backtesting of probability of default (PD) per portfolio
- IRB (specialised lending and equities under the simple risk weight method)
- CCR exposures by portfolio and PD scale
- Quantitative disclosures related to IRB models
- Internal Models Approach values for trading portfolios

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XI. Explanations on risk management objectives and policies (continued)

Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period (31 December 2017)	Prior Period (31 December 2016)	Current Period (31 December 2017)
1	Credit risk (excluding counterparty credit risk) (CCR)	14,457,046	11,714,299	1,156,564
2	Of which standardised approach (SA)	14,457,046	11,714,299	1,156,564
3	Of which internal rating-based (IRB) approach	--	--	--
4	Counterparty credit risk	1,003,732	662,570	80,299
5	Of which standardised approach for counterparty credit risk (SA-CCR)	1,003,732	662,570	80,299
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	24,631	44,943	1,970
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	323,000	153,788	25,840
17	Of which standardised approach (SA)	323,000	153,788	25,840
18	Of which internal model approaches (IMM)	--	--	--
19	Operational risk	889,626	654,905	71,170
20	Of which basic indicator approach	889,626	654,905	71,170
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)	16,698,035	13,230,505	1,335,843

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

XI. Information on risk management objectives and policies (continued)

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

	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(**)	Securitisation exposures	Subject to market risk (***)	Not subject to capital requirements or subject to deduction from capital
Current Period (*)						
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	2,487,256	2,487,256	--	--	--	--
Financial Assets Held for Trading	743,877	34,511	685,927	--	743,877	--
Financial Assets at Fair Value Through Profit or Loss	600,156	600,156	--	--	--	--
Banks	320,016	320,016	--	--	--	--
Interbank Money Markets Placements	376,334	376,334	--	--	--	--
Financial Assets at Fair Value Through Profit or Loss (net)	766,163	766,163	579,403	--	--	--
Loans	14,488,001	14,487,966	--	--	--	35
Factoring Receivables	--	--	--	--	--	--
Investment Held-to-Maturity (net)	--	--	--	--	--	--
Investment in Associates (net)	4,897	4,897	--	--	--	--
Investment in Subsidiaries (net)	--	--	--	--	--	--
Investment in Joint-Ventures (net)	--	--	--	--	--	--
Lease Receivables	--	--	--	--	--	--
Derivative Financial Assets Held for Risk	17,902	--	17,902	--	--	--
Tangible Assets (net)	191,962	181,705	--	--	--	10,257
Intangible Assets (net)	5,948	--	--	--	--	5,948
Investment Property (net)	--	--	--	--	--	--
Tax Asset	9,831	9,831	--	--	--	--
Assets Held for Sale and Assets of Discontinued Operations (net)	23,795	23,795	--	--	--	--
Other Assets	75,530	75,530	--	--	--	--
Total Assets	20,111,668	19,368,160	1,283,232	--	743,877	16,240
Liabilities						
Deposits	12,267,905	--	--	--	--	12,267,905
Derivative Financial Liabilities Held for Trading	749,590	--	--	--	749,590	749,590
Funds Borrowed	2,084,851	--	--	--	--	2,084,851
Interbank Money Markets	479,880	--	476,378	--	3,502	479,880
Securities Issued	1,255,066	--	--	--	--	1,255,066
Funds	--	--	--	--	--	--
Miscellaneous Payables	312,532	--	--	--	--	312,532
Other External Fundings Payable	103,202	--	--	--	--	103,202
Factoring Payables	--	--	--	--	--	--
Lease Payables	469	--	--	--	--	469
Derivative Financial Liabilities Held for Risk Management	3,664	--	--	--	--	--
Provisions	153,080	--	--	--	--	153,080
Tax Liability	42,256	--	--	--	--	42,256
Liabilities for Assets Held for Sale and Assets of Discontinued Operations (net)	--	--	--	--	--	--
Subordinated Debts	1,194,561	--	--	--	--	1,194,561
Shareholders' Equity	1,464,612	--	--	--	--	1,464,612
Total Liabilities	20,111,668	--	476,378	--	753,092	20,108,004

(*)Refers to the Bank's unconsolidated financial statements.

(**) Disclosed based on gross amounts of the securities.

(***)Disclosed based on gross position amounts subject to general market risk and specific risk.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

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

XI. Information on risk management objectives and policies (continued)

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

Prior Period (*)	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(**)	Securitisati on exposures	Subject to market risk (***)	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	1,937,934	1,937,934	--	--	--	--
Financial Assets Held for Trading	497,685	60,198	424,307	--	437,487	--
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--	--	--
Banks	58,380	58,380	--	--	--	--
Interbank Money Markets Placements	274,702	274,702	--	--	--	--
Financial Assets at Fair Value Through Profit or Loss (net)	887,226	887,226	851,289	--	--	--
Loans	11,441,272	11,441,080	--	--	--	192
Factoring Receivables	--	--	--	--	--	--
Investment Held-to-Maturity (net)	--	--	--	--	--	--
Investment in Associates (net)	--	--	--	--	--	--
Investment in Subsidiaries (net)	--	--	--	--	--	--
Investment in Joint-Ventures (net)	--	--	--	--	--	--
Lease Receivables	--	--	--	--	--	--
Derivative Financial Assets Held for Risk	--	--	--	--	--	--
Tangible Assets (net)	186,205	186,205	--	--	--	--
Intangible Assets (net)	3,979	--	--	--	--	3,979
Investment Property (net)	--	--	--	--	--	--
Tax Asset	307	268	--	--	--	39
Assets Held for Sale and Assets of Discontinued Operations (net)	3,817	3,817	--	--	--	--
Other Assets	97,365	86,397	--	--	--	10,968
Total Assets	15,388,872	14,936,207	1,275,596	--	437,487	15,178
Liabilities						
Deposits	9,616,738	--	--	--	--	9,616,738
Derivative Financial Liabilities Held for Trading	383,459	--	--	--	382,392	383,459
Funds Borrowed	1,536,663	--	--	--	--	1,536,663
Interbank Money Markets	683,828	--	674,136	--	9,515	683,828
Securities Issued	991,975	--	--	--	--	991,975
Funds	--	--	--	--	--	--
Miscellaneous Payables	145,780	--	--	--	--	145,780
Other External Fundings Payable	126,156	--	--	--	--	126,155
Factoring Payables	--	--	--	--	--	--
Lease Payables	85	--	--	--	--	85
Derivative Financial Liabilities Held for Risk Management	--	--	--	--	--	--
Provisions	178,668	--	--	--	--	178,668
Tax Liability	38,481	--	--	--	--	38,474
Liabilities for Assets Held for Sale and Assets of Discontinued Operations (net)	--	--	--	--	--	--
Subordinated Debts	397,278	--	--	--	--	397,278
Shareholders' Equity	1,289,761	--	--	--	--	1,289,769
Total Liabilities	15,388,872	--	674,136	--	391,907	15,388,872

(*)Refers to the Bank's unconsolidated financial statements.

(**) Disclosed based on gross amounts of the securities.

(***)Disclosed based on gross position amounts subject to general market risk and specific risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

XI. Information on risk management objectives and policies (continued)

The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		Total	Credit risk	Subject to the securitization	Counterparty credit risk	Market risk(*)
	Current Period					
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	20,095,428	19,368,160	--	1,283,232	743,877
2	Carrying value of liabilities that are subjected to counterparty credit risk as per TAS	--	--	--	476,378	753,092
3	Total Net Amount	20,095,428	19,368,160	--	806,854	(9,215)
4	Off-balance sheet amounts(**)	23,013,143	4,335,157	--	18,677,986	18,677,986
5	Valuation differences	--	--	--	--	--
6	Differences due to different netting rules	--	--	--	(18)	(18,345,771)
7	Differences due to consideration of provisions	--	--	--	--	--
8	Differences resulted from the BRSA's applications	--	--	--	(18,366,104)	--
9	Differences due to risk mitigation	--	--	--	476,378	--
10	Risk Amounts	43,108,571	23,703,317	--	1,595,096	323,000

(*)Risk amounts include financial instruments in trading accounts as per to the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and market risk due to calculated capital requirement for currency risk.

(**)Off-balance sheet amounts subject to capital adequacy ratio calculation.

		Total	Credit risk	Subject to the securitization	Counterparty credit risk	Market risk(*)
	Prior Period					
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	15,373,694	14,936,207	--	1,275,596	437,487
2	Carrying value of liabilities that are subjected to counterparty credit risk as per TAS	--	--	--	674,136	391,907
3	Total Net Amount	15,373,694	14,936,207	--	601,460	45,580
4	Off-balance sheet amounts(**)	11,447,133	1,764,414	--	9,682,719	9,682,719
5	Valuation differences	--	--	--	--	--
6	Differences due to different netting rules	--	--	--	(9,386)	(9,574,511)
7	Differences due to consideration of provisions	--	--	--	--	--
8	Differences resulted from the BRSA's applications	--	--	--	(9,477,788)	--
9	Differences due to risk mitigation	--	--	--	674,136	--
10	Risk Amounts	26,820,827	16,700,621	--	1,471,141	153,788

(*)Risk amounts include financial instruments in trading accounts as per to the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and market risk due to calculated capital requirement for currency risk.

(**)Off-balance sheet amounts subject to capital adequacy ratio calculation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Explanation on the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

Disclosures regarding differences between amounts valued according to TAS and risk exposures

The differences between the amounts assessed under TAS and the amounts after risk reduction in transactions subject to counterparty credit risk stem from the addition of potential risk amounts to the renewal costs of derivative transactions subject to the CPR and the volatility adjustments for repo / reverse repo transactions. Funds provided to differences arising from risk reduction are also included by opening separate line for them.

Valuations of securities subject to market risk in accordance with TAS represent the fair value of held for trading financial instruments. On the other hand, the values in the risk amount line represents the amount subject to market risk based on the capital requirements calculated for the losses arising due factors such as interest rate risk of the market risk, equity price risk, currency risk in accordance with the "Regulation for Measurement and Evaluation of Banks' Capital Adequacy Ratio".

If financial instruments that are accounted for at their fair values are traded in an active market, the valuation is based on that market price. The TL borrowing instruments in the held for trading securities portfolio comprise of government securities. These securities are evaluated at the weighted average trading price in the Istanbul Stock Exchange. For TL securities that are not traded, the market price is calculated based on the CBRT prices. For the FX securities in the same portfolio, the average of purchase and sale quotations in the market are considered as the market price. Derivative financial instruments are evaluated using the discounted cash flow model using market data. Input data used in evaluations using market value and/or valuation methods are periodically checked for validity and independence.

Information on Credit Risk

General Qualitative Information on Credit Risk:

The Bank's credit risk management policies are established in line with the strategy approved by the Board of Directors in accordance with the related regulations and are based on prudence, sustainability and the customers' credit worthiness principles.

The limits are set in accordance with the Risk Policies by the Board of Directors based on the Bank's risk appetite. In accordance with the determined risk limits, the authorizations and sub-authorizations are done by the Credit Policies which is in line with the determined limits. Special attention is given to ensure that the limits are in line with market expectations and the Bank's strategies.

Credit rating models and decision trees are used in the credit underwriting processes in accordance with the risk appetite, credit policies set by the Bank and the targets of the Bank. The grading of all customers except for individual credit customers by the Bank is essential. The individual loan portfolio is managed via an automated decision trees.

Customer selection is carried out in accordance with policies and strategies of the Bank and is based on the ability to pay on time and the cash flows expected to be received from its operations independent from guarantees, sureties and pledged assets. When needed; it is mandatory for the Bank to obtain appropriate collateral in line with the source of the payment for the repayment of the credit from the customers to ensure that their obligations arising from the credit are met on time and in full. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risks. In this context, a minimum collateral margin is determined by taking into account the collateral quality and the collection expectations given default and it is ensured that the appropriate collateral is obtained based on the credit type. Before a credit relationship is established with a customer, an analysis and intelligence collection are carried out in order to measure the creditworthiness of the customers. Before the credit decisions; the customer is examined and evaluated with an analysis for factors that have affected its past, present and future performances and any other factors (financial and non-financial data) that may affect its past, present and future performances.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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General Qualitative Information on Credit Risk (continued):

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all corporate, commercial and SME credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, maturity, customer and internal rating to avoid the risk of concentration.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. Credit risk is managed on the basis of portfolios, risk / return balance and asset quality of the Bank, and the credit risk is governed by the principles contained in the policy documents. In addition, credit-based evaluation, underwriting and follow-up are carried out by the units in the Loans group within the framework of the relevant processes. Loans proposals are evaluated by the credit units of the Headquarters, if necessary, within the framework of the level of authority based on the determined amount and finalized the loan proposal by the Credit Committee and the Board of Directors.

The units carry out their risk management activities in accordance with the risk appetite and capacity of the Bank through the use of risk measurement and management tools within the policies established by the Board of Directors. In this context, the organizational structure for credit risk management and control functions is detailed as follows the units included in the scope of Credit Risk Management are Corporate and Commercial Loans, Individual and SME Loans Allocation, Credit Monitoring and Collection Department and Credit Analysis Department. Decisions on credit policies are taken by the Credit Committee. Allocated credit limits and usages, exceeded limits, assessments of large risks and overdue loans are regularly reported to the senior management.

In the course of credit risk management, the Risk Management Department conducts monitoring and reporting of internal concentration limits. It is ensured that the policies related to the concentration risk management are prepared and processed within the policies of allocation, monitoring, limit monitoring and management. Regular reporting on the cost of the loan and the development of the following loans is made. In addition, stress test and scenario analysis studies related to the loan portfolio are carried out within the scope of ICAAP.

The evaluation of the internal systems established to cover all branches and units and the maintenance of the continuity of functioning, competence and efficiency are among the highest priorities of the Bank's Board of Directors. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are; Internal Audit, Internal Control and Risk Management activities are carried out by the Audit Committee.

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General Qualitative Information on Credit Risk (continued):

Credit Quality of Assets

Current Period		Gross carrying values in accordance with Turkish Accounting Standards (TAS) in financial statements prepared		Allowances/ amortisation and impairments	Net value (a+b+c)
		Defaulted	Non-defaulted		
1	Loans	468,493	14,790,659	170,995	15,088,157
2	Debt securities	--	819,812	--	819,812
3	Off-balance sheet exposures	4,135	4,330,126	1,677	4,332,584
4	Total	472,628	19,940,597	172,672	20,240,553

Prior Period		Gross carrying values in accordance with Turkish Accounting Standards (TAS) in financial statements prepared		Allowances/ amortisation and impairments	Net value (a+b+c)
		Defaulted	Non-defaulted		
1	Loans	212,639	11,312,803	84,170	11,441,272
2	Debt securities	--	968,888	--	968,888
3	Off-balance sheet exposures	2,900	1,762,554	1,311	1,764,143
4	Total	215,539	14,044,245	85,481	14,174,303

Changes in stock of default loans and debt securities

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	212,639	147,230
2	Loans and debt securities defaulted since the last reporting period	426,021	219,140
3	Receivables back to non-defaulted status	--	--
4	Amounts written off(*)	93,935	111,963
5	Other changes (**)	76,232	41,768
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	468,493	212,639

(*) Sales of non-performing loan portfolios are disclosed.

(**) Other changes include collections during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	Current Period	Prior Period
Loans and Other Receivables		
Domestic	14,411,839	10,938,052
European Union (EU) Countries	100,840	90,015
OECD Countries	--	--
Off-Shore Banking Regions	--	--
USA, Canada	11,317	--
Other Countries	266,663	284,736
Total	14,790,659	11,312,803

Sectoral Breakdown:

	Current Period	Prior Period
Loans and Other Receivables		
Agriculture	553,037	345,743
Farming and Stockbreeding	414,750	233,513
Forestry	132,337	91,726
Fishery	5,950	20,504
Manufacturing	3,037,887	2,596,352
Mining and Quarrying	726,698	824,816
Production	1,763,479	1,271,125
Electricity, Gas and Water	547,710	500,411
Construction	2,619,255	1,913,735
Services	7,012,967	5,314,809
Wholesale and Retail Trade	2,442,467	1,762,636
Accommodation and Dining	1,409,774	1,095,717
Transportation and Telecommunication	719,631	536,239
Financial Institutions	357,013	617,167
Real Estate and Rental Services	404,058	306,542
Self-Employment Services	406,111	543,196
Educational Services	538,367	79,444
Health and Social Services	735,546	373,868
Others	1,567,513	1,142,164
Total	14,790,659	11,312,803

Breakdown by outstanding maturity:

	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Total
Current Period	1,660,339	2,015,567	5,746,428	4,963,581	404,744	14,790,659
Prior Period	1,703,514	1,562,411	4,358,997	3,214,614	473,267	11,312,803

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Exposures provisioned against by major regions and sectors and write-offs:

Current Period	Non-performing loans	Specific Provisions	Write-offs
Domestic	468,493	170,995	93,935
European Union (EU) Countries	--	--	--
OECD Countries	--	--	--
Off-Shore Banking Regions	--	--	--
USA, Canada	--	--	--
Other Countries	--	--	--
Total	468,493	170,995	93,935

Prior Period	Non-performing loans	Specific Provisions	Write-offs
Domestic	212,639	84,170	111,963
European Union (EU) Countries	--	--	--
OECD Countries	--	--	--
Off-Shore Banking Regions	--	--	--
USA, Canada	--	--	--
Other Countries	--	--	--
Total	212,639	84,170	111,963

Current Period	Non-performing loans	Specific Provisions	Write-offs(*)
Agriculture	16,358	8,622	2,072
Farming and Stockbreeding	5,942	2,301	1,155
Forestry	9,358	5,290	863
Fishery	1,058	1,031	54
Manufacturing	103,548	43,377	28,504
Mining and Quarrying	46,310	13,105	14,848
Production	57,085	30,179	5,579
Electricity, Gas and Water	153	93	8,077
Construction	87,757	33,115	11,672
Services	138,152	48,453	39,331
Wholesale and Retail Trade	104,752	39,112	33,399
Accommodation and Dining	11,995	2,790	1,988
Transportation and Telecommunication	9,564	2,758	106
Financial Institutions	28	14	2,489
Real Estate and Rental Services	1,770	401	243
Self-Employment Services	794	472	318
Educational Services	5,116	1,311	335
Health and Social Services	4,133	1,595	453
Others	122,678	37,428	12,356
Total	468,493	170,995	93,935

* Amounts other than collections from asset management companies through loan sales are shown under the column "Write-offs".

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Exposures provisioned against by major regions and sectors and write-offs (continued):

Prior Period	Non-performing loans	Specific Provisions	Write-offs(*)
Agriculture	8,563	2,371	8,183
Farming and Stockbreeding	3,349	648	3,084
Forestry	4,174	709	3,816
Fishery	1,040	1,014	1,283
Manufacturing	65,848	19,643	35,332
Mining and Quarrying	29,753	8,112	14,891
Production	29,977	10,307	20,336
Electricity, Gas and Water	6,118	1,224	105
Construction	44,121	26,625	7,901
Services	67,938	21,837	42,473
Wholesale and Retail Trade	54,813	18,436	38,890
Accommodation and Dining	2,445	665	737
Transportation and Telecommunication	3,058	1,482	166
Financial Institutions	314	79	12
Real Estate and Rental Services	444	146	37
Self-Employment Services	616	133	310
Educational Services	4,500	613	526
Health and Social Services	1,748	283	1,795
Others	26,169	13,694	18,074
Total	212,639	84,170	111,963

* Amounts other than collections from asset management companies through loan sales are shown under the column "Write-offs".

Aging analysis:

Days past due	Current Period	Prior Period
0-30	14,497,297	11,043,542
31-60	158,059	83,151
61-90	135,303	186,110
90+	468,493	212,639
Total	15,259,152	11,525,442

Breakdown of restructured receivables based on whether or not provisions are allocated:

Current Period	Performing loans	Loans under follow-up	Non-performing loans
Provisioned	--	--	287
Not provisioned (*)	12,728	537,992	--
Total	12,728	537,992	287

(*) General provisions are allocated for those loans.

Prior Period	Performing loans	Loans under follow-up	Non-performing loans
Provisioned	--	--	88
Not provisioned (*)	11,555	491,960	--
Total	11,555	491,960	88

(*) General provisions are allocated for those loans.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Credit risk mitigation techniques-Overview

Current Period		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	11,624,385	3,463,772	1,839,428	1,624,344	1,624,344	--	--
2	Debt securities	819,812	--	--	--	--	--	--
3	Total	12,444,197	3,463,772	1,839,428	1,624,344	1,624,344	--	--
4	Of which defaulted	254,902	42,596	42,596	--	--	--	--

Prior Period		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	8,801,565	2,639,707	2,639,707	--	--	--	--
2	Debt securities	968,888	--	--	--	--	--	--
3	Total	9,770,453	2,639,707	2,639,707	--	--	--	--
4	Of which defaulted	102,781	25,688	25,688	--	--	--	--

Credit risk exposure and credit risk mitigation techniques

Current Period		Exposures before CCF and CRM		Exposures 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	Exposures to sovereigns and their central banks	2,559,571	--	4,183,915	--	116,429	2.8%
2	Exposures to regional and local governments	--	--	--	--	--	0.0%
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	0.0%
4	Exposures to multilateral development banks	--	--	--	--	--	0.0%
5	Exposures to international organizations	--	--	--	--	--	0.0%
6	Exposures to banks and brokerage houses	2,422,476	39,652	2,422,476	22,670	901,705	36.9%
7	Exposures to corporates	9,441,066	1,629,510	8,984,571	1,151,625	10,121,108	99.9%
8	Retail exposures	3,864,150	717,758	2,834,788	282,020	2,336,840	75.0%
9	Exposures secured by residential property	551,336	10,405	531,845	5,041	243,848	45.4%
10	Exposures secured by commercial property	1,387,945	27,975	1,268,949	18,505	811,226	63.0%
11	Past-due items	219,982	--	219,982	--	238,353	108.4%
12	Exposures in high-risk categories	78,877	2,458	78,877	1,229	84,999	106.1%
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	0.0%
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	0.0%
15	Exposures in the form of collective investment undertakings	24,631	--	24,631	--	24,631*	100.0%
16	Other exposures	403,896	1,907,399	403,896	74,691	337,081	70.4%
17	Equity share investments	--	--	--	--	--	0.0%
18	Total	20,953,930	4,335,157	20,953,930	1,555,781	15,216,220	67.6%

*Content management methodology is used to calculate the risk-weighted amount of investments in the form of collective investment undertakings, final value obtained by using the content methodology.

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Credit risk exposure and credit risk mitigation techniques

Prior Period		Exposures before CCF and CRM		Exposures 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	Exposures to sovereigns and their central banks	2,043,169	--	2,043,169	--	880,701	43.1%
2	Exposures to regional and local governments	--	--	--	--	--	0.0%
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	0.0%
4	Exposures to multilateral development banks	--	--	--	--	--	0.0%
5	Exposures to international organizations	--	--	--	--	--	0.0%
6	Exposures to banks and brokerage houses	1,033,437	39,194	1,033,437	19,618	521,775	49.5%
7	Exposures to corporates	6,156,944	547,932	6,156,944	278,248	6,350,192	98.7%
8	Retail exposures	2,590,572	504,918	2,590,572	206,902	2,098,106	75.0%
9	Exposures secured by residential property	649,037	6,572	649,037	3,286	228,313	35.0%
10	Exposures secured by commercial property	1,905,670	28,146	1,905,670	14,073	1,212,331	63.2%
11	Past-due items	112,834	--	112,834	--	112,330	99.6%
12	Exposures in high-risk categories	15,633	1,590	15,633	795	17,767	108.2%
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	0.0%
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	0.0%
15	Exposures in the form of collective investment undertakings	59,922	--	59,922	--	44,943*	75.0%
16	Other exposures	368,704	636,067	368,704	61,909	292,785	68%
17	Equity share investments	--	--	--	--	--	0.0%
18	Total	14,935,922	1,764,419	14,935,922	584,831	11,759,243	75.8%

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Exposures by asset classes and risk weights

	Risk Class/ Risk Weight (Current Period)	%0	%10	%20	%35(*)	%50	%50	%75	%100	%150	%200	Total risk amount(**)
1	Exposures to sovereigns and their central banks	3,951,058	--	--	--	232,857	--	--	--	--	--	4,183,915
2	Exposures to regional and local government	--	--	--	--	--	--	--	--	--	--	--
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organizations	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to banks and brokerage houses	476,378	--	279,435	--	1,687,029	--	--	2,304	--	--	2,445,146
7	Exposures to corporates	15,088	--	--	--	--	--	--	10,121,108	--	--	10,136,196
8	Retail exposures	1,021	--	--	--	--	--	3,115,787	--	--	--	3,116,808
9	Exposures secured by residential property	--	--	--	450,827	--	--	--	86,059	--	--	536,886
10	Exposures secured by commercial property	--	--	--	--	--	952,456	--	334,998	--	--	1,287,454
11	Past-due items	--	--	--	--	42,447	--	--	98,346	79,189	--	219,982
12	Exposures in high-risk categories	--	--	--	--	1,158	--	--	68,004	10,944	--	80,106
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	--	--	--	--	--	--
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	--	--	--	--	--	--
15	Exposures in the form of collective investment undertakings	--	--	--	--	--	--	--	24,631	--	--	24,631
16	Equity share investments	--	--	--	--	--	--	--	--	--	--	--
17	Other exposures	141,506	--	--	--	--	--	--	337,081	--	--	478,587
18	Total	4,585,051	--	279,435	450,827	1,963,491	952,456	3,115,787	11,072,531	90,133	--	22,509,711

(*) Collateralized by real estate mortgages

(**) After CCF and CRM

(***)Content management methodology is used to calculate the risk-weighted amount of investments in the form of collective investment undertakings, final value obtained by using the content methodology.

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Exposures by asset classes and risk weights

	Risk Class/ Risk Weight (Prior Period)	%0	%10	%20	%35(*)	%50	%50	%75	%100	%150	%200	Total risk amount(**)
1	Exposures to sovereigns and their central banks	281,766	--	--	--	1,761,403	--	--	--	--	--	2,043,169
2	Exposures to regional and local government	--	--	--	--	--	--	--	--	--	--	--
3	Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organizations	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to banks and brokerage houses	--	--	37,582	--	1,002,429	--	--	13,044	--	--	1,053,055
7	Exposures to corporates	85,000	--	--	--	--	--	--	6,350,192	--	--	6,435,192
8	Retail exposures	--	--	--	--	--	--	2,797,474	--	--	--	2,797,474
9	Exposures secured by residential property	--	--	--	652,323	--	--	--	--	--	--	652,323
10	Exposures secured by commercial property	--	--	--	--	--	1,414,825	--	504,918	--	--	1,919,743
11	Past-due items	--	--	--	--	22,078	--	--	69,686	21,070	--	112,834
12	Exposures in high-risk categories	--	--	--	--	1,841	--	--	10,067	4,520	--	16,428
13	Exposures in the form of bonds secured by mortgages	--	--	--	--	--	--	--	--	--	--	--
14	Short term exposures to banks, brokerage houses and corporates	--	--	--	--	--	--	--	--	--	--	--
15	Exposures in the form of collective investment undertakings	14,979	--	--	--	--	--	--	44,943	--	--	59,922
16	Equity share investments	--	--	--	--	--	--	--	--	--	--	--
17	Other exposures	137,828	--	--	--	--	--	--	292,785	--	--	430,613
18	Total	519,573	--	37,582	652,323	2,787,751	1,414,825	2,797,474	7,285,635	25,590	--	15,520,753

(*) Collateralized by real estate mortgages

(**) After CCF and CRM

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Information on consolidated credit risk mitigation techniques

The Bank does not apply any netting on balance sheet and off-balance sheet. Guarantees and derivatives are not used as credit mitigation technique; only financial collaterals consisting of cash blockages are used.

Applications related to the valuation and management of collaterals are defined as follows: Appraisals for the mortgages that are received as collaterals are only performed by the firms that have been approved by the BRSA and licensed by the Capital Markets Board ("CMB"). Appraisal reports for the real estate that are received as collaterals for commercial loans, are renewed each year as long as the risk continues. As a rule, each year a different appraisal firm is preferred. Management of the appraisal process is carried out by the Credits Department. Vehicle pledges are followed through their insurance values. Regular investigations are performed for the cheques and bills that are received as collaterals and in case of any negative finding the Bank seeks to replace the collateral.

The Bank's collaterals are mainly composed of cheques, notes, mortgages, guarantees, vehicle pledges and deposit pledges. The Bank's credit risk concentration mainly consists of corporate receivables and are followed by receivables that are collateralized with mortgage, SME receivables and retail receivables, respectively.

Exposure Categories *				Guarantees
Current Period	Amount	Financial Collaterals	Other/Physical Collaterals**	and Credit Derivatives
Receivables from Central Governments	4,183,915	--	--	1,624,344
Receivables, Coins, Purchased Cheques from Regional or Local Governments and CBT Banks	--	--	--	--
Receivables from Administrative Units and Non-Commercial Enterprises	--	--	--	--
Receivables from Multilateral Development Banks	--	--	--	--
Receivables from International Organisations	--	--	--	--
Receivables from Banks and Brokerage Houses	2,445,146	476,378	--	--
Corporate Receivables	10,136,196	15,088	--	--
Retail Receivables	3,116,808	1,021	--	--
Receivables that are Collateralized by Residential Property	1,824,340	--	1,403,283	--
Past due Receivables	219,982	--	42,723	--
Receivables Defined in High Risk Category by BRSA	80,106	--	--	--
Securities Collateralised by Mortgages	--	--	--	--
Short-term Receivables from Banks, Brokerage Houses and Corporates	--	--	--	--
Investments Similar to Collective Investment Funds	24,631	--	--	--
Other Receivables	478,587	--	--	--
Total	22,509,711	492,487	1,446,006	1,624,344

(*) Non-cash risks presented above are subject to credit conversion.

(**) Other / Physical Collaterals are shown with full amounts which are possible to be used, in line with the Regulation on Measurement and Assessment of Capital Adequacy of Banks and Credit Risk Mitigation Techniques.

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Information on consolidated credit risk mitigation techniques (continued)

Exposure Categories *				Guarantees
Prior Period	Amount	Financial Collaterals	Other/Physical Collaterals**	and Credit Derivatives
Receivables from Central Governments	2,212,890	169,924	--	--
Receivables, Coins, Purchased Cheques from Regional or Local Governments and CBT Banks	--	--	--	--
Receivables from Administrative Units and Non-Commercial Enterprises	--	--	--	--
Receivables from Multilateral Development Banks	--	--	--	--
Receivables from International Organisations	--	--	--	--
Receivables from Banks and Brokerage Houses	1,734,622	504,584	--	--
Corporate Receivables	6,435,193	85,000	--	--
Retail Receivables	2,797,473	--	--	--
Receivables that are Collateralized by Residential Property	2,572,066	--	4,153,674	--
Past due Receivables	112,835	--	57,278	--
Receivables Defined in High Risk Category by BRSA	16,428	--	8,455	--
Securities Collateralised by Mortgages	--	--	--	--
Short-term Receivables from Banks, Brokerage Houses and Corporates	--	--	--	--
Investments Similar to Collective Investment Funds	44,943	--	--	--
Other Receivables	430,613	--	--	--
Total	16,357,063	759,508	4,219,407	--

(*) Non-cash risks presented above are subject to credit conversion.

(**) Other / Physical Collaterals are shown with full amounts which are possible to be used, in line with the Regulation on Measurement and Assessment of Capital Adequacy of Banks and Credit Risk Mitigation Techniques.

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Counterparty credit risk (CCR) approach analysis

Current Period		Replacement Cost	Potential Credit Exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	703,811	311,882	--	1.4	1,015,693	713,938
2	Internal Model Method (for derivative instruments, 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)	--	--	--	--	579,403	20,605
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	703,811	311,882	--	--	1,595,096	734,543

Prior Period		Replacement Cost	Potential Credit Exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	414,720	204,931	--	1,4	619,651	424,008
2	Internal Model Method (for derivative instruments, 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)	--	--	--	--	851,289	35,396
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	--	--	--	--	203	--
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	--	--	--	--	--	--
6	Total	414,720	204,931	--	--	1,471,143	459,404

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Capital requirement for credit valuation adjustment (CVA)

Current Period		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	1,015,693	269,189
4	Total subject to the CVA capital obligation	1,015,693	269,189

Prior Period		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	619,649	203,166
4	Total subject to the CVA capital obligation	619,649	203,166

CCR exposures by risk class and risk weights – standardised approach

Current Period	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Exposures to sovereigns and their central banks	--	--	--	--	--	--	--	--	--
Exposures to regional and local governments	--	--	--	--	--	--	--	--	--
Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--
Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--
Exposures to international organizations	--	--	--	--	--	--	--	--	--
Exposures to banks and brokerage houses	476,378	--	150,628	522,483	--	16	--	--	1,149,505
Exposures to corporates	--	--	--	--	--	438,928	--	--	438,928
Retail exposures	1,021	--	--	--	5,642	--	--	--	6,663
Exposures secured by residential property	--	--	--	--	--	--	--	--	--
Past-due items	--	--	--	--	--	--	--	--	--
Exposures in high-risk categories	--	--	--	--	--	--	--	--	--
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	--	--	--	--	--	--	--	--	--
Equity share investments	--	--	--	--	--	--	--	--	--
Other Exposures	--	--	--	--	--	--	--	--	--
Other Assets	--	--	--	--	--	--	--	--	--
Total	477,399	--	150,628	522,483	5,642	438,944	--	--	1,595,096

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CCR exposures by risk class and risk weights – standardised approach (continued)

Prior Period									
	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Exposures to sovereigns and their central banks	169,924	--	--	--	--	--	--	--	169,924
Exposures to regional and local governments	--	--	--	--	--	--	--	--	--
Exposures to administrative bodies and non-commercial entities	--	--	--	--	--	--	--	--	--
Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--
Exposures to international organizations	--	--	--	--	--	--	--	--	--
Exposures to banks and brokerage houses	504,583	--	246,580	273,925	--	378	--	--	1,025,466
Exposures to corporates	--	--	--	--	--	265,523	--	--	265,523
Retail exposures	595	--	--	--	9,633	--	--	--	10,228
Exposures secured by residential property	--	--	--	--	--	--	--	--	--
Past-due items	--	--	--	--	--	--	--	--	--
Exposures in high-risk categories	--	--	--	--	--	--	--	--	--
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	--	--	--	--	--	--	--	--	--
Equity share investments	--	--	--	--	--	--	--	--	--
Other Exposures	--	--	--	--	--	--	--	--	--
Other Assets	--	--	--	--	--	--	--	--	--
Total	675,102	--	246,580	273,925	9,633	265,901	--	--	1,471,141

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Collaterals for CCR

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral Received		Collateral given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	--	--	--	--	--	--
Cash-foreign currency	1,021	--	--	--	476,378	--
Domestic sovereign debts	--	--	--	--	--	--
Other sovereign debts	--	--	--	--	--	--
Government agency debts	--	--	--	--	--	--
Corporate debts	--	--	--	--	--	579,403
Equity securities	--	--	--	--	--	--
Other collateral	--	--	--	--	--	--
Total	1,021	--	--	--	476,378	579,403

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral Received		Collateral given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	--	--	--	--	179,244	--
Cash-foreign currency	595	--	--	--	504,584	--
Domestic sovereign debts	--	--	--	--	--	179,302
Other sovereign debts	--	--	--	--	--	--
Government agency debts	--	--	--	--	--	--
Corporate debts	--	--	--	--	--	681,567
Equity securities	--	--	--	--	--	--
Other collateral	--	--	--	--	--	--
Total	595	--	--	--	683,828	860,869

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Explanations on consolidated market risk

Whether the Group within the financial risk management objectives hedges itself against market risk, the precautions taken by the Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk

In order to hedge against the market risk within the context of the risk management objectives, the Group sets its activities related with market risk management in accordance with “Regulations on Banks’ Internal Control and Risk Management Systems” published in the Official Gazette no. 29057 dated 11 July 2014 and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 29511 dated 23 October 2015.

Being exposed to market risk, Bank’s Board of Directors have defined risk management strategies and policies about risk managements in line with application and recommendation of group and have led to follow-up strategies periodically. The limits of risks are identified and these limits are revised periodically. Board of Directors ensures that risk management group and executive managers should identify, measure, control and manage the Bank’s risk.

Market risk arising from trading transactions is limited through the risk appetite policy approved by Board of Directors as “low”and measured by taking into consideration BRSA’s standart methodology. Additionally Financial Control Department reports the market value and realized profit/loss of trading portfolio.The Risk Management and Asset Liability Committee continously monitor compliance of trading transactions with the risk appetite policy. Measurements can be done with online connection with treasury front office in real time. Market risk occurred between mismatches of asset-liability maturity is also monitored through GAP report.

Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Risk measurement methods such as cash flow projection and GAP analysis are also applied.

Capital to be kept for general market risk and specific risk are calculated by using a standard method in accordance with “Measurement and Assessment of Bank Capital Adequacy Regulation” and are reported monthly.

In the calculation of the value at credit risk for the derivative financial instruments, the receivables from counterparties are multiplied by the rates stated in the Article 21 and Appendix-2 of “the Regulation on Measurement and Assessment of Capital Adequacy of Banks”, reduced as per the “Regulation on Credit Risk Mitigation Techniques” following included in the relevant exposure category and weighted for a second time. The risk amount related to the Bank's derivative financial instruments are calculated using the “Fair Value Method”.

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Market risk under standardised approach

RWA		Current Period	Prior Period
	Outright products		
1	Interest rate risk (general and specific)	296,137	119,763
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	23,563	25,750
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	3,300	8,275
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	323,000	153,788

1. Quantitative information on counterparty risk

The counterparty risk amount is calculated in accordance with fair value measurement methodology stated in Appendix 2 and section 3 of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The replacement costs of the contracts with positive value are obtained by evaluating the contracts according to their fair value. The potential credit risk amount is calculated by multiplying contract or transaction amounts with certain ratios determined in accordance with days to maturity and contract type. The total of replacement cost and potential credit risk make up counterparty risk amount. Counterparty credit risk mitigation considers only cash collaterals.

Current Period	Value	Risk Weights					Total RWA
		0%	20%	50%	75%	100%	
Interest-Rate Contracts (*)	--	--	--	--	--	--	--
Foreign-Exchange-Rate Contracts (**)	311,882	656	32,510	143,673	3,169	131,874	212,589
Commodity Contracts	--	--	--	--	--	--	--
Equity-Shares Related Contracts	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Gross Positive Fair Values	703,811	365	15,093	378,810	2,473	307,070	501,349
Netting Benefits	--	--	--	--	--	--	--
Net Current Exposure Amount	--	--	--	--	--	--	--
Collaterals Received	1,021	--	--	--	--	--	--
Net Derivative Position (***)	1,015,693	1,021	47,603	522,483	5,642	438,944	713,938

(*) Repo transactions

(**) Includes option, swap and forward contracts.

(***) Consists of foreign exchange rate and interest rate contracts and gross values of positive fair value amounts.

Prior Period	Value	Risk Weights					Total RWA
		0%	20%	50%	75%	100%	
Interest-Rate Contracts (*)	203	203	--	--	--	--	--
Foreign-Exchange-Rate Contracts (**)	204,929	456	33,376	67,983	3,563	99,551	142,890
Commodity Contracts	--	--	--	--	--	--	--
Equity-Shares Related Contracts	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Gross Positive Fair Values	414,720	137	36,220	205,943	6,070	166,350	281,118
Netting Benefits	--	--	--	--	--	--	--
Net Current Exposure Amount	--	--	--	--	--	--	--
Collaterals Received	595	--	--	--	--	--	--
Net Derivative Position (***)	619,852	796	69,596	273,926	9,633	265,901	424,008

(*) Repo transactions

(**) Includes option, swap and forward contracts.

(***) Consists of foreign exchange rate and interest rate contracts and gross values of positive fair value amounts.

Explanations on consolidated operational risk

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The value at operational risk is calculated according to the “basic indicator approach”. Value at operational risk amount is calculated by using the last 3 years’ (2016, 2015, 2014 gross income, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” issued on Official Gazette dated September 6, 2014 numbered 29111, “Calculation of Operational Risk”. 15% of gross income which is TL 71,170 (31 December 2016:TL 52,392) represents also the minimum capital requirement to recover the risk amount.

	31.12.2014	31.12.2015	31.12.2016	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Current Period						
Gross Income	356,345	444,760	622,298	474,467	15	71,170
Value at Operational Risk (Total*12.5)						889,626

	31.12.2013	31.12.2014	31.12.2015	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Prior Period						
Gross Income	248,954	355,738	443,155	349,282	15	52,392
Value at Operational Risk (Total*12.5)						654,905

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

1. Information on cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL /Foreign Currency	28,792	89,320	28,535	49,972
Balances with the Central Bank of Turkey	246,809	2,122,335	109,442	1,749,985
Other	--	--	--	--
Total	275,601	2,211,655	137,977	1,799,957

1.1 Information related to the account of the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	240,425	270,157	109,442	160,363
Unrestricted Time Deposits	6,384	--	--	25,969
Restricted Time Deposits	--	1,852,178	--	1,563,653
Total	246,809	2,122,335	109,442	1,749,985

According to the communiqué No: 2005/1 on “Reserve Deposits” of CBRT, the banks operating in Turkey are required to keep reserve deposit at the rates varying from 4% - 10.50% for TL liabilities depending on maturities of liabilities at the rates 4% - 24% and denominated mainly in EUR and USD for FC liabilities. According to the Central Bank of Turkey’s press announcement No. 2014-72 dated 21 October 2014, the Reserve Deposits as from November of 2014 are paid interest on the portion held in Turkish Lira and according to the Central Bank of Turkey’s press announcement No. 2015-35 dated 2 May 2015, the Reserve Deposits as from May of 2015 are paid interest on the portion held in USD.

2. Information on financial assets at fair value through profit or loss

2.1 Information on financial assets at fair value through profit and loss given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	18,295	--	7,055	--
Other	--	--	--	--
Total	18,295	--	7,055	--

Trading securities given as collateral represent those collaterals given to the Central Bank of Turkey, and Istanbul Clearing and Custody Bank (Takasbank) for interbank money market, foreign exchange market and other transactions, as of balance sheets dates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.2 *Financial assets at fair value through profit and loss subject to repurchase agreements*

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	--	--	9,581	--
Total	--	--	9,581	--

2.3 *Positive differences relating to derivative financial assets held-for-trading*

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	53,648	--	15,877	--
Swap Transactions	414,489	--	272,383	--
Futures Transactions	--	--	--	--
Options	213,887	6,477	126,479	265
Other	--	--	--	--
Total	682,024	6,477	414,739	265

3. Information on Banks

3.1 *Information on banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	46,264	193,540	830	33,815
Foreign	1,871	78,341	598	23,137
Foreign head-offices and branches	--	--	--	--
Total	48,135	271,881	1,428	56,952

3.2 *Due from foreign banks*

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	7,135	9,880	32,629	2,669
USA and Canada	33,632	8,960	--	--
OECD Countries (*)	1,236	1,174	2,527	--
Off-Shore Banking Regions	--	--	--	--
Other	3,053	1,052	--	--
Total	45,056	21,066	35,156	2,669

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Information on financial assets available-for-sale

4.1 Financial assets subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	167,674	579,405	169,880	681,568
Other	--	--	--	--
Total	167,674	579,405	169,880	681,568

4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt instruments	774,052	902,795
Quoted on Stock Exchange	774,052	902,795
Unquoted on Stock Exchange	--	--
Share certificates	1,727	1,019
Quoted on Stock Exchange	1,727	1,019
Unquoted on Stock Exchange	--	--
Impairment provision (-)	9,616	16,588
Total	766,163	887,226

5. Information on loans

5.1 Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans to Shareholders	--	--	--	--
Loans to Employees	4,872	--	3,630	--
Total	4,872	--	3,630	--

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

5.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loan and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loan and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	13,828,057	12,728	--	962,602	409,217	128,775
Working Capital Loans	--	--	--	--	--	--
Export Loans	274,982	--	--	2,253	--	--
Import Loans	--	--	--	--	--	--
Loans to Financial Sector	346,974	--	--	1,421	751	--
Consumer Loans	785,665	5	--	69,179	4,763	2,022
Credit Cards	105,261	--	--	10,382	--	--
Others	12,315,175	12,723	--	879,367	403,703	126,753
Specialization Loans	--	--	--	--	--	--
Other Receivables	--	--	--	--	--	--
Total	13,828,057	12,728	--	962,602	409,217	128,775

	Current Period		Prior Period	
	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Number of Extensions	12,728	409,217	9,356	474,112
1 or 2 times	12,728	406,481	9,356	470,413
3, 4 or 5 times	--	2,736	--	3,699
Over 5 times	--	--	--	--

	Current Period		Prior Period	
	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extension Periods	12,728	409,217	9,356	474,112
0-6 months	359	31,093	2,012	32,121
6 -12 months	--	31,187	843	38,737
1 – 2 years	--	114,262	470	124,864
2 – 5 years	5,916	122,345	4,095	168,291
5 years and over	6,453	110,330	1,936	110,099

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued)

The overdue analysis of close monitoring loans

<i>Current Period</i>	Commercial Loans	Consumer Loans	Total
1-30 days	144,593	9,031	153,624
31-60 days	133,293	24,766	158,059
61-90 days	117,932	17,371	135,303
Total	395,818	51,168	446,986

<i>Prior Period</i>	Commercial Loans	Consumer Loans	Total
1-30 days	141,691	5,493	147,184
31-60 days	63,683	19,468	83,151
61-90 days	173,908	12,202	186,110
Total	379,282	37,163	416,445

Maturity analysis of cash loans

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	<i>Loans and Other Receivables</i>	<i>Loans and Receivables with Revised Contract Terms</i>	<i>Loans and Other Receivables</i>	<i>Loans and Receivables with Revised Contract Terms</i>
Current Period				
Short-term Loans and Other Receivables	5,336,129	--	147,095	40,755
Loans	5,336,129	--	147,095	40,755
Specialization Loans	--	--	--	--
Other Loans	--	--	--	--
Medium and Long-term Loans and Other Receivables	8,491,928	12,728	815,507	497,237
Loans	8,491,928	12,728	815,507	497,237
Specialization Loans	--	--	--	--
Other Loans	--	--	--	--

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.3

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

	Short-Term	Medium or Long Term	Total
Consumer Loans-TL	194,252	597,412	791,664
Real Estate Loans	102	370,417	370,519
Vehicle Loans	--	4,667	4,667
General Purpose Loans	194,150	222,328	416,478
Other	--	--	--
Consumer Loans-Indexed to FC	--	49,145	49,145
Real Estate Loans	--	47,859	47,859
Vehicle Loans	--	--	--
General Purpose Loans	--	1,286	1,286
Other	--	--	--
Consumer Loans-FC	--	1,099	1,099
Real Estate Loans	--	1,099	1,099
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Individual Credit Cards-TL	6,847	--	6,847
With Installment	1,025	--	1,025
Without Installment	5,822	--	5,822
Individual Credit Cards-FC	37	--	37
With Installment	--	--	--
Without Installment	37	--	37
Loans Given to Employees-TL	263	3,540	3,803
Real Estate Loans	--	875	875
Vehicle Loans	--	--	--
General Purpose Loans	263	2,665	2,928
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real Estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	--	--	--
Real Estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Personnel Credit Cards – TL	1,066	--	1,066
With Installment	291	--	291
Without Installment	775	--	775
Personnel Credit Cards – FC	3	--	3
With Installment	--	--	--
Without Installment	3	--	3
Overdraft Loans-TL (Real Persons)	9,132	--	9,132
Overdraft Loans-FC (Real Persons)	--	--	--
Total	211,600	651,196	862,796

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5.4 Information on commercial loans with instalments and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans – TL	908,755	3,746,867	4,655,622
Real Estate Loans	--	6,445	6,445
Vehicle Loans	3,707	64,620	68,327
General Purpose Loans	905,048	3,675,802	4,580,850
Other	--	--	--
Installment Commercial Loans – Indexed to FC	8,319	191,911	200,230
Real Estate Loans	--	407	407
Vehicle Loans	--	18,971	18,971
General Purpose Loans	8,319	172,533	180,852
Other	--	--	--
Installment Commercial Loans - FC	--	--	--
Real Estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Corporate Credit Cards – TL	107,591	--	107,591
With Installment	22,515	--	22,515
Without Installment	85,076	--	85,076
Corporate Credit Cards – FC	99	--	99
With Installment	--	--	--
Without Installment	99	--	99
Overdraft Loans-TL (Legal Entities)	76,541	--	76,541
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	1,101,305	3,938,778	5,040,083

5.5 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	--	--
Private Sector	14,709,659	11,312,803
Total	14,709,659	11,312,803

5.6 Allocation of Domestic and Foreign Loans

	Current Period	Prior Period
Domestic Loans	14,411,839	10,938,052
Foreign Loans	378,820	374,751
Total	14,790,659	11,312,803

5.7 Loans granted to subsidiaries and associates

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.8 Specific provisions provided against loans

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	26,022	9,430
Loans and Receivables with Doubtful Collectability	44,497	23,399
Uncollectible Loans and Receivables	100,476	51,341
Total	170,995	84,170

5.9 Information on non-performing loans (Net)**5.9.1 Information on loans and other receivables included in non-performing loans which are restructured or rescheduled**

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period	187	80	20
(Gross Amounts before Specific Provisions)	--	--	--
Restructured Loans and Other Receivables	187	80	20
Rescheduled Loans and Other Receivables	--	--	--
Prior Period	--	--	88
(Gross Amounts before Specific Provisions)	--	--	--
Restructured Loans and Other Receivables	--	--	88
Rescheduled Loans and Other Receivables	--	--	--

5.9.2 Movement on non-performing loans

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balances at the end of the Prior Period	71,154	62,682	78,803
Additions (+)	417,736	5,186	3,099
Transfers from Other Categories of Non-Performing Loans (+)	--	271,834	168,010
Transfers to Other Categories of Non-Performing Loans (-)	271,841	168,004	--
Collections (-)	39,847	16,806	19,578
Write-offs (*) (-)	1	29,484	64,450
Corporate and Commercial Loans	--	26,895	52,676
Retail Loans	--	420	7,709
Credit Cards	1	2,169	4,065
Other	--	--	--
Balances at End of the Period	177,201	125,408	165,884
Specific Provisions (-)	26,022	44,497	100,476
Net Balance on Balance Sheet	151,179	80,911	65,408

(*) Amounts of TL 27,407 and TL 66,528 loans have been written off by being assigned and sold to the asset management companies in June 2017 and October 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.9.3 Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance as of the Period End	16,634	8,047	34,217
Specific Provisions (-)	1,239	2,794	16,851
Net Balance on Balance Sheet	15,395	5,253	17,366
Prior Period			
Balance as of the Period End	348	4,057	24,401
Specific Provisions (-)	70	2,029	7,352
Net Balance on Balance Sheet	278	2,028	17,049

5.9.4 Information regarding gross and net amounts of non-performing loans with respect to debtor groups

	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)	151,179	80,911	65,408
Loans Granted to Real Persons and Legal Entities (Gross)	177,201	125,408	165,884
Specific Provisions (-)	26,022	44,497	100,476
Loans Granted to Real Persons and Legal Entities (Net)	151,179	80,911	65,408
Banks (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net)	61,724	39,283	27,462
Loans Granted to Real Persons and Legal Entities (Gross)	71,154	62,682	78,803
Specific Provisions (-)	9,430	23,399	51,341
Loans Granted to Real Persons and Legal Entities (Net)	61,724	39,283	27,462
Banks (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific Provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--

5.10 Liquidation policy for uncollectible loans and other receivables

The Bank allocates 100% provision for uncollectible loans. If the Bank has collateral, non-performing loans and other receivables are collected through liquidation of these collaterals. In the absence of collateral, the Bank performs periodical market intelligence and tries to determine the assets acquired subsequently by the debtor and applies to the legal follow-up process.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.11 Explanations related to write-off policy

Impaired loans are written-off by the Board of Directors' decision when the necessary conditions are met as to their impairment in accordance with the related regulations.

6. Information on held-to-maturity investments

None.

7. Information on associates

The Bank has TL 4,897 investment in an associate as of 31 December 2017 (31 December 2016:None).

Company Name	Address (City / Country)	Bank's Share– If different voting rights (%)	Bank's Risk Group Share (%)
Kredi Garanti Fonu A.Ş.	Ankara	1.54%	1.54%

8. Information on subsidiaries

The Bank has TL 5,445 investment in a subsidiary as of 31 December 2017 (31 December 2016: TL 5,445)

Company Name	Address (City / Country)	Bank's Share– If different voting rights (%)	Bank's Risk Group Share (%)	Consolidation Method
Fiba Portföy Yönetimi A.Ş.	İstanbul	99.0%	99.0%	Full Consolidation

Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Company's Fair Value
5,745	5,468	9	643	--	127	82	5,468

(*)Total fixed assets consist tangible and intangible assets.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Information on subsidiaries (continued)***Information on capital adequacy of significant subsidiaries***

Current Period	Fiba Portföy Yönetimi A.Ş.
TIER I CAPITAL	5,468
Paid-In Capital	5,5
Inflation Adjustment Of Paid-In Capital	--
Share Premium	--
Reserves	--
Net Profit and Retained Earnings	127
Net loss and Retained Earnings	-159
Improvement costs for operating leasing	--
Intangible Assets	--
Consolidation Goodwill (Net) (-)	--
TIER II CAPITAL	--
CAPITAL	5,468
DEDUCTIBLE FROM CAPITAL	--
NET USABLE EQUITY	5,468

The Parent Bank has no capital requirements arising from subsidiaries included in the Consolidated Capital Adequacy Standard Ratio.

8.1 *Information on subsidiaries that are not included in consolidation*

None.

8.2 *Movement of consolidated investment in subsidiaries*

	Current Period	Prior Period
Balance at Beginning of Period	5,445	5,445
Movements during the Period		
Additions and Capital Increases	--	--
Bonus Shares Received	--	--
Dividends from the Current Year Profit	--	--
Sales/Liquidations	--	--
Reclassification of shares	--	--
Increase / (Decrease) in Market Values	--	--
Currency Differences on Foreign Subsidiaries	--	--
Reversal of Impairment Loses/ Impairment Losses (-)	--	--
Balance at the End of Period	5,445	5,445
Capital Commitments	--	--
Share of Percentage at the end of Period (%)	99	99

(*)Fiba Portföy Yönetimi A.Ş. was established on 26 September 2013 with 99% participation of Fibabanka A.Ş.

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8.2 Movement of consolidated investment in subsidiaries (continued)

Valuation of Investments in subsidiaries under consolidation

	Current Period	Prior Period
Valuation with Cost value	5,445	5,445
Valuation with Fair value	--	--

Sectoral distrubition of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	--	--
Insurance Companies	--	--
Factoring Companies	--	--
Leasing Companies	--	--
Finance Companies	--	--
Other Subsidiaries	5,445	5,445

Quoted consolidated investments in subsidiaries

None.

Information related to subsidiaries within the scope of consolidation disposed in the current period

None.

Information related to subsidiaries within the scope of consolidation purchased in the current period

None.

9. Information on entities under common control (Joint Ventures)

None.

10. Information on consolidated lease receivables

None.

11. Information on consolidated derivative financial assets held for hedging purposes

	Current Period		Prior Period	
Derivative financial assets held for hedging	TL	FC	TL	FC
Fair Value Hedge	17,902	--	--	--
Cash Flow Hedge	--	--	--	--
Foreign Net Investment Hedge	--	--	--	--
Total	17,902	--	--	--

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

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12. Information on tangible assets

Current Period	Buildings	Vehicles	Other Tangible Assets*	Total
Cost				
Beginning Balance, 1 January 2017	171,403	79	66,034	237,516
Additions	160	--	13,561	13,721
Disposals	--	--	3,837	3,837
Ending Balance, 31 December 2016	171,563	79	75,758	247,400
Accumulated Depreciation				
Beginning Balance, 1 January 2017	(6,078)	(22)	(45,211)	(51,311)
Depreciation	(1,693)	(16)	(9,335)	(11,052)
Disposals	3,088	--	3,837	6,295
Ending Balance, 31 December 2017	(4,683)	(38)	(50,685)	(55,438)
Net Book Value, 31 December 2017	166,880	41	25,073	191,962

* Other tangible fixed assets consist of leasehold improvements, safe boxes, office machinery, furniture and other movables.

Prior Period	Buildings	Vehicles	Other Tangible Assets*	Total
Cost				
Beginning Balance, 1 January 2016	171,365	59	60,461	231,885
Additions	38	38	6,667	6,743
Disposals	--	--	1,112	1,112
Ending Balance, 31 December 2015	171,403	97	66,016	237,516
Accumulated Depreciation				
Beginning Balance, 1 January 2016	(2,640)	(12)	(37,539)	(40,191)
Depreciation	(3,438)	(22)	(8,773)	(12,233)
Disposals	--	--	1,113	1,113
Ending Balance, 31 December 2016	(6,078)	(34)	(45,199)	(51,311)
Net Book Value, 31 December 2016	165,325	63	20,817	186,205

* Other tangible fixed assets consist of leasehold improvements, safe boxes, office machinery, furniture and other movables.

12.1 Disclosure for impairment losses or releases individually material for financial statements

12.1.1 Conditions for allocating/releasing any impairment:

None.

12.1.2 Amount of impairment losses provided or released in financial statements during current period:

None.

12.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually

None.

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13. Information on intangible assets**13.1 Useful lives and amortisation rates**

The useful life of an asset is determined by taking the asset's expected economic life, technical, technological or other kinds of obsolescence, and maintenance costs into account. The amortization rates used are in accordance with the useful lives of the underlying assets. The useful lives are determined as defined by TAS 38 "Intangible Assets".

The Group's intangible assets consist of software programs and rights, and their useful lives range between 3 to 10 years.

13.2 Amortisation methods

Depreciation is calculated by the straight line method over the estimated amount of depreciation over the period of the asset with respect to the assets that are less than the asset period as of the balance sheet date.

13.3 Balances at beginning and end of the current period

	Current Period		Prior Period	
	Gross book	Accumulated value	Gross book	Accumulated value
		Amortisation		Amortisation
Intangible Assets (*)	55,343	49,395	50,396	46,417

(*)Includes the software and other intangible assets

13.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Cost		
Beginning Balance, 1 January	50,396	48,192
Additions	5,012	2,221
Disposal	(65)	(17)
Ending Balance, 31 December	55,343	50,396
Accumulated Depreciation Beginning Balance, 1 January	(46,417)	(42,828)
Amortisation Expense for Current Period (-)	(3,043)	(3,606)
Disposal	65	17
Ending Balance, 31 December	(49,395)	(46,417)
Net Book Value, 31 December	5,948	3,979

13.5 Details for any individually material intangible assets

None.

13.6 Intangible assets capitalised under government incentives at fair values

None.

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13.7 *Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates*

None.

13.8 *Net book value of intangible asset that are restricted in usage or pledged*

None.

13.9 *Commitments to acquire intangible assets*

None.

13.10 *Disclosure on revalued intangible assets*

None.

13.11 *Research and development costs expensed during current period*

None.

13.12. *Goodwill*

None.

14. *Information on investment properties*

None.

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15. Information on deferred tax asset

15.1 Amount of deferred tax asset recognized in the balance sheet in respect of deductible temporary differences, unused tax losses and unused tax credits

As of 31 December 2017, the deferred tax assets amounting to TL 9,504 is calculated by netting of deductible temporary differences and taxable temporary differences (31 December 2016: TL 1,335 deferred tax liability).

Deferred tax asset consists of deferred tax asset and liability items recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. The deferred tax assets and liabilities are presented as net in the accompanying financial statements.

Current Period		
	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Financial Assets Valuation	18,621	3,830
Unearned Commission Income/Prepaid Commission Expenses	13,633	3,000
Retirement Pay and Unused Vacation Provision	21,392	4,332
Tangible Assets Base Differences	(9,885)	(1,977)
Other	1,321	319
Deferred Tax Asset/(Liability)	45,082	9,504

Prior Period		
	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Financial Assets Valuation	(25,566)	(5,113)
Unearned Commission Income/ Prepaid Commission Expenses	1,572	315
Retirement Pay and Unused Vacation Provision	17,842	3,569
Tangible Assets Base Differences	(3,367)	(673)
Carry Forward Tax Losses	97	19
Other	2,741	548
Deferred Tax Asset/(Liability)	(6,681)	(1,335)

The movement of the current year and prior year deferred tax assets is shown below:

	Current Period	Prior Period
Deferred Tax Asset, 1 January	(1,335)	1,713
Deferred Tax Income / (Expense)	12,770	(5,822)
Deferred Tax Recognized Directly Under Equity	(1,931)	2,773
Others	0	0
Deferred Tax Asset/(Liability) , December 31	9,504	(1,335)

As of 31 December 2017, the bank has no carry forward tax losses.

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15.2 *Amount and expiry date of deductible temporary differences, unused tax losses, unused tax credits for which no deferred tax asset is recognized in prior periods in the balance sheet*

None. (As of 31 December 2016, the Group has TL 19 deferred tax assets calculated over TL 97 of carry forward tax losses. TL 27 and TL 70 of the carry forward tax losses can be deducted till 2019 and 2020 respectively.)

15.3 *Deferred tax asset resulting from the cancellation of the provision for impairment losses related to the deferred taxes*

None.

16. Information on assets held for sale and non-current assets related to discontinued operations

As of 31 December 2017, the Bank has TL 23,795 assets held for sale (31 December 2016: TL 3,817).

17. Information on other assets

Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

17.1 *Information on prepaid expenses, tax and similar items*

As of 31 December 2017, total prepaid expenses are TL 30,026 (31 December 2016: TL 24,075).

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II. Explanations and disclosures on consolidated balance sheet related to liabilities

1. Information on deposits

1.1 Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	74,866	--	409,940	2,067,120	617,183	184,848	150,372	--	3,504,329
Foreign Currency Deposits	339,684	--	682,479	3,935,109	205,144	67,655	141,318	--	5,371,389
Residents in Turkey	326,480	--	615,344	3,917,385	203,702	66,362	51,847	--	5,181,120
Residents Abroad	13,204	--	67,135	17,724	1,442	1,293	89,471	--	190,269
Public Sector Deposits	43,974	--	--	--	--	--	--	--	43,974
Commercial Deposits	338,631	--	84,534	1,443,834	202,249	207,845	349,379	--	2,626,472
Other Ins. Deposits	1,524	--	6,081	63,930	30,265	25	13,589	--	115,414
Precious Metal Deposits	4,858	--	--	--	--	--	--	--	4,858
Interbank Deposits	134,144	--	387,573	72,246	7,506	--	--	--	601,469
Central Bank of Turkey	--	--	--	--	--	--	--	--	--
Domestic Banks	126	--	369,537	--	7,506	--	--	--	377,169
Foreign Banks	17,375	--	18,036	72,246	--	--	--	--	107,657
Special Finan.Inst.	116,643	--	--	--	--	--	--	--	116,643
Other	--	--	--	--	--	--	--	--	--
Total	937,681	--	1,570,607	7,582,239	1,062,347	460,373	654,658	--	12,267,905

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	56,397	--	482,578	2,032,327	325,157	354,068	95,077	--	3,345,604
Foreign Currency Deposits	265,625	--	90,370	2,599,456	252,024	126,933	95,198	--	3,429,606
Residents in Turkey	257,644	--	85,315	2,588,713	247,014	121,569	14,544	--	3,314,799
Residents Abroad	7,981	--	5,055	10,743	5,010	5,364	80,654	--	114,807
Public Sector Deposits	1	--	--	10	--	--	--	--	11
Commercial Deposits	172,149	--	311,657	1,217,012	169,403	173,250	220,118	--	2,263,589
Other Ins. Deposits	1,505	--	1,522	55,280	18,590	12,299	15	--	89,211
Precious Metal Deposits	6,912	--	--	--	--	--	--	--	6,912
Interbank Deposits	114,714	--	332,421	34,670	--	--	--	--	481,805
Central Bank of Turkey	--	--	--	--	--	--	--	--	--
Domestic Banks	12	--	314,090	20,072	--	--	--	--	334,174
Foreign Banks	17,263	--	18,331	14,598	--	--	--	--	97,439
Special Finan.Inst.	97,439	--	--	--	--	--	--	--	97,439
Other	--	--	--	--	--	--	--	--	--
Total	617,303	--	1,218,548	5,938,755	765,174	666,550	410,408	--	9,616,738

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1.2 Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance

	Under the Guarantee of Deposit Insurance		Exceeding the limit of Deposit Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	1,151,935	937,362	2,336,011	2,380,080
Foreign Currency Saving Deposits	304,051	188,315	2,457,726	2,163,704
Other Deposits in the Form of Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Insurance of Foreign Authorities	--	--	--	--
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	--	--	--	--
Total	1,455,986	1,125,677	4,793,737	4,543,784

1.3 Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

1.4 Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and Accounts in Branches Abroad	--	--
Deposits of Ultimate Shareholders and Their Close Families	33,853	47,498
Deposits of Chairman and Members of the Board of Directors and their Close Families	13,094	8,032
Deposits Obtained through Illegal Acts Defined in the 282nd Article of the 5237 Numbered Turkish Criminal Code dated 26 September 2004.	--	--
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	--	--

2. Information on derivative financial liabilities held for trading

2.1 Information on negative differences relating to derivative financial liabilities held for trading

	Current Period		Prior Period	
Trading Purpose Derivative Financial Liabilities	TL	FC	TL	FC
Forward Transactions	43,928	--	16,986	--
Swap Transactions	484,580	--	239,985	--
Futures Transactions	--	--	--	--
Options	213,939	7,143	126,226	262
Other	--	--	--	--
Total	742,447	7,143	383,197	262

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3. Information on banks and other financial institutions

3.1 Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	--	--	--	--
From Domestic Banks and Institutions	21,789	176,532	17,220	65,573
From Foreign Banks, Institutions and Funds	--	1,886,530	--	1,453,870
Total	21,789	2,063,062	17,220	1,519,443

3.2 Maturity analysis of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	20,868	177,567	17,220	45,031
Medium and Long Term	921	1,885,495	--	1,474,412
Total	21,789	2,063,062	17,220	1,519,443

3.3 Additional explanation related to the concentrations of the Bank's major liabilities

In the scope of normal banking operations, the Bank funds itself through the funds provided in the form of deposits, bank borrowings and bond issuance.

4. Informations related with issued instruments

Current Period	TL		FC	
	Short Term	Medium and Long Term	Short Term	Medium and Long Term
Nominal	1,287,720	--	--	--
Book Value	1,255,066	--	--	--

Prior Period	TL		FC	
	Short Term	Medium and Long Term	Short Term	Medium and Long Term
Nominal	1,015,580	--	--	--
Book Value	991,975	--	--	--

5. Sundry Creditors and Other Liabilities

Sundry creditors and other liabilities of balance sheet do not exceed 10% of the balance sheet total.

6. Criteria used in the determination of lease instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

6.1 Changes in agreements and further commitments arising

None.

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6.2 Obligations under financial lease

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	150	125	89	85
Between 1-4 Years	376	344	--	--
Total	526	469	89	85

6.3 Information on operational leases and footnotes

The Bank has operational lease agreements for some of its branches. If the rental payments are made in advance, the paid amount is accounted under prepaid expenses in "Other Assets", in the following months, the rental expenses belonging to those months are recorded in profit/loss accounts.

The Bank does not incur any liability as a result of any changes in operational lease agreements. The Bank does not have any obligation from operational lease agreements.

6.4 Information on "Sale-and-lease back" agreements

None.

7. Information on derivative financial liabilities for hedging purposes

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative financial liability held for hedging				
Fair Value Hedge	3,664	--	--	--
Cash Flow Hedge	--	--	--	--
Foreign Net Investment Hedge	--	--	--	--
Total	3,664	--	--	--

8. Information on provisions**8.1 Information on general provisions**

	Current Period	Prior Period
Loans and Receivables in Group 1	55,112	95,988
- Additional Provision for Loan and Receivables with Extended Maturities	--	--
Loans and Receivables in Group 2	8,593	18,047
- Additional Provision for Loan and Receivables with Extended Maturities	--	--
Non-Cash Loans	6,875	7,252
Others	--	--
Total	70,580	121,287

8.2 Foreign exchange losses on the foreign currency indexed loans and finance lease receivables

The foreign exchange losses on the foreign currency indexed loans as of 31 December 2017, amounting to TL 359 (31 December 2016: TL 1) are netted off from the loans on the balance sheet.

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8.3 *The specific provisions provided for unindemnified non cash loans*

As of 31 December 2017, the specific provision provided for unindemnified non cash loans is TL 1,677 (31 December 2016: TL 1,311).

8.4 *Explanation on other provisions*

8.4.1 *Provisions for probable losses*

	Current Period	Prior Period
Provisions for probable losses	55,500	36,000

8.4.2 *The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total provisions*

None.

8.4.3 *Explanations on reserves for employee benefits*

As of 31 December 2017, reserves for employee benefits amounting to TL 21,393 (31 December 2016: TL 16,993) comprise of TL 11,497 reserve for employee termination benefits (31 December 2016: TL 8,292), TL 2,835 unused vacation pay liability (31 December 2016: TL 2,755) and TL 7,061 personnel premium accrual (31 December 2016: TL 5,946).

9. *Explanations on Tax Liability*

9.1 *Explanations on current tax liability*

9.1.1 *Explanations on tax provision*

As of 31 December 2017, the Group's current tax liability is TL 42,256 (31 December 2016: TL 37,107). The Bank's corporate taxes payable is TL 5,897 after deducting the taxes paid during the period.(31 December 2016:TL 6,714).

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9.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	5,897	6,714
Taxation on securities	16,662	11,912
Property tax	374	391
Banking and Insurance Transaction Tax (BITT)	11,501	9,236
Taxes on foreign exchange transactions	--	--
Value added taxes payable	324	186
Income tax ceased from wages	3,458	2,670
Other	369	349
Total	38,585	31,458

9.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums- Employee	1,561	2,433
Social Security Premiums- Employer	1,784	2,711
Bank Social aid Pension Fund Premium- Employee	--	--
Bank Social Aid Pension Fund Premium- Employer	--	--
Pension Fund Membership Fees and Provisions- Employee	--	--
Pension Fund Membership Fees and Provisions- Employer	--	--
Unemployment Insurance- Employee	108	168
Unemployment Insurance- Employer	217	337
Other	--	--
Total	3,670	5,649

9.2 Explanations on deferred tax liabilities

There are no deferred tax liabilities of Group as of December 31, 2017 (31 December 2016: 1,374).

10. Information on liabilities regarding assets held for sale and discontinued operations

None.

11. Explanations on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Domestic Other Institutions	--	--	--	360,657
Foreign Banks	--	39,298	--	36,621
Foreign Other Institutions	--	1,155,263	--	--
Total	--	1,194,561	--	397,278

FİBABANKA A.Ş. AND IT'S SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Information on shareholders' equity**12.1 *Paid-in capital***

	Current Period	Prior Period
Common Stock	941,161	941,161
Preferred Stock	--	--

12.2 *Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital ceiling:*

Registered share capital system is not applied.

12.3 *Information on share capital increases and their sources; other information on increased capital shares in current period*

None.

12.4 *Information on share capital increases from revaluation funds*

None.

12.5 *Information on capital commitments the purpose and the sources until the end of the fiscal year and the subsequent interim period:*

The capital is totally paid in and there are no capital commitments.

12.6 *Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Bank's equity:*

None.

12.7 *Information on privileges given to stocks representing the capital*

The Bank does not have any preferred shares.

12.8 *Common stock issue premiums, shares and equity instruments*

Number of shares issued with premiums and the related share premiums are presented below:

	Current Period	Prior Period
Number of Shares (Thousand)	26,230,098	26,230,098
Number of Privileged Shares	--	--
Share Premium	128,678	128,678
Share Cancellation Profits	--	--
Other Equity Instruments	--	--

Explanations on capital increase are included in Note II.12.3.

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12.9 Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates, and Entities Under Common Control (Joint Ventures)	--	--	--	--
Security Valuation Difference	(13,113)	2,214	(10,151)	(10,103)
Exchange Difference	--	--	--	--
Total	(13,113)	2,214	(10,151)	(10,103)

12.10 Information on revaluation reserve

None.

12.11 Bonus shares of Subsidiaries, Associates and Joint Ventures

None.

12.12 Information on legal reserves

	Current Period	Prior Period
1st Legal Reserves	13,535	7,790
2nd Legal Reserves	--	--
Special Reserves	--	--

12.13 Information on extraordinary reserves

	Current Period	Prior Period
Reserves allocated by the General Assembly	229,749	120,579
Retained Earnings	--	--
Accumulated Losses	--	--
Foreign Currency Capital Exchange Differences	--	--

13. Information on minority shares

	Current Period	Prior Period
Balance at the beginning of the period	53	52
Minority interest of subsidiaries' net profit	1	1
Prior period dividend payment	--	--
Minority interest increase/(decrease) due to dales	--	--
Other	--	--
Balance at the end of the period	54	53

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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III. Explanations and disclosures related to consolidated off-balance sheet contingencies and commitments

1. Information on off-balance sheet commitments

1.1 Nature and amount of irrevocable loan commitments

	Current Period	Prior Period
Asset Sale and Purchase Commitments	1,637,022	415,538
Credit Card Limit Commitments	123,381	101,475
Credit Card and Bank Trans. Promo. Guarantee.	-	1
Commitments for Credit Allocation with the Guarantee of Usage	323,365	171,368
Export Commitments	5,070	4,230
Commitment for Cheques	211,200	172,800
Other Irrevocable Commitments	3,229	3,016
Total	2,303,267	868,428

1.2 Possible losses and commitments related to off-balance sheet items, including the ones listed below

1.2.1 Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits

	Current Period	Prior Period
Letters of Guarantee TL	759,390	439,122
Letters of Guarantee FC	294,942	166,786
Letters of Credit	555,123	224,067
Bills of Exchange and Acceptances	421,539	67,051
Total	2,030,994	897,026

1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Revocable Letters of Guarantee	46,899	34,534
Irrevocable Letters of Guarantee	889,934	497,262
Letters of Guarantee Given in Advance	60,718	47,727
Letters of Guarantee Given to Customs	13,536	14,741
Other Letters of Guarantee	43,245	11,644
Total	1,054,332	605,908

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given against Cash Loans	25,171	5,503
With Original Maturity of 1 Year or Less Than 1 Year	23,486	--
With Original Maturity of More Than 1 Year	1,685	5,503
Other Non-Cash Loans	2,005,823	891,523
Total	2,030,994	897,026

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3. Information on sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	4,020	0.53	49,380	3.88	2,946	0.67	28,855	6.32
Farming and Stockbreeding	1,419	0.19	13,809	1.09	1,182	0.27	746	0.16
Forestry	2,601	0.34	35,571	2.80	1,234	0.28	23,472	5.14
Fishing	--	--	--	--	530	0.12	4,637	1.01
Manufacturing	86,821	11.43	813,995	64.03	82,472	18.74	280,615	61.42
Mining and Quarrying	9,773	1.29	23,677	1.86	9,623	2.19	12,825	2.81
Production	48,479	6.38	786,348	61.86	48,537	11.03	267,234	58.49
Electricity, Gas and Water	28,569	3.76	3,970	0.31	24,312	5.52	556	0.12
Construction	313,081	41.21	68,818	5.41	156,980	35.66	30,847	6.75
Services	272,323	35.84	196,198	15.43	136,258	30.96	105,227	23.03
Wholesale and Retail Trade	95,352	12.55	106,297	8.36	56,426	12.82	55,700	12.19
Accommodation and Dining	16,382	2.16	9,903	0.78	4,972	1.13	3,206	0.70
Transportation and Telecommunication	17,997	2.37	33,059	2.60	21,946	4.99	7,924	1.73
Financial institutions	92,570	12.18	19,422	1.53	27,354	6.21	15,427	3.38
Real Estate and Rental Services	1,669	0.22	10,386	0.82	749	0.17	9,267	2.03
Self-Employment Services	10,921	1.44	52	0.00	2,111	0.48	42	0.01
Educational Services	5,304	0.70	9,879	0.78	5,386	1.22	193	0.04
Health and Social services	32,128	4.23	7,200	0.57	17,314	3.93	13,468	2.95
Other	83,565	11.00	142,793	11.23	61,516	13.98	11,310	2.48
Total	759,810	100.00	1,271,184	100.00	440,172	100.00	456,854	100.00

4. Information on the first and second group of non-cash loans

	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	745,526	287,157	13,864	7,785
Bills of Exchange and Bank Acceptances	420	421,119	--	--
Letters of Credit	--	555,123	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Related Guarantees	--	--	--	--
Other Guarantees and Sureties	--	--	--	--
Non-Cash Loans	745,946	1,263,399	13,864	7,785

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5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	36,388,695	19,380,880
<i>Forward Transactions</i>	5,295,185	2,038,884
<i>Swap Transactions</i>	17,908,039	11,826,812
<i>Futures Transactions</i>	--	--
<i>Option Transactions</i>	13,185,471	5,515,184
Interest Related Derivative Transactions (II)	50,000	50,000
<i>Forward Rate Transactions</i>	--	--
<i>Interest Rate Swap Transactions</i>	50,000	50,000
<i>Interest Option Transactions</i>	--	--
<i>Futures Interest Transactions</i>	--	--
Other Trading Derivative Transactions (III)	153,464	--
A. Total Derivative Transactions Held for Trading (I+II+III)	36,592,159	19,430,880
Types of hedging transactions		
Fair Value Hedges		
Cash Flow Hedges	991,256	--
Net Investment Hedges	--	--
B. Total Derivative Transactions Held for Hedging Purposes	991,256	--
Total Derivative Transactions (A+B)	37,583,415	19,430,880

6. Credit derivatives and risk exposures on credit derivatives

None.

7. Explanations on contingent liabilities and assets

The Group provided provision of TL 1,114 for the legal cases pending against the Group where the cash out flows are highly probable (31 December 2016: TL 1,055).

8. Custodian and intermediary services

The Group provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

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IV. Explanations and disclosures related to the consolidated income statement

1. Interest income

1.1 Information on interest on loans (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans	1,432,537	261,750	1,040,208	194,526
Short Term Loans	788,538	22,640	655,265	23,464
Medium and Long Term Loans	643,999	239,110	384,943	171,062
Interest on Non-Performing Loans	2,844	--	3,022	--
Premiums received from Resource Utilization Support Fund	--	--	--	--
Total	1,435,381	261,750	1,043,230	194,526

(*)Includes fees and commissions obtained from cash loans as well.

1.2 Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	27,707	--	--	5
Domestic Banks	47,492	636	7,561	269
Foreign Banks	--	306	--	124
Branches and Head Office Abroad	--	--	--	--
Total	75,199	942	7,561	398

1.3 Interest received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,641	218	1,205	208
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Financial Assets Available-for-Sale	16,914	30,678	9,299	23,258
Investment Securities Held-to-Maturity	--	--	--	--
Total	18,555	30,896	10,504	23,466

1.4 Information on interest income received from associates and subsidiaries

None.

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2. Interest expense

2.1 Information on interest on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1,148	32,952	1,049	25,287
The Central Bank of Turkey	--	--	--	--
Domestic Banks	1,140	5,348	1,049	3,606
Foreign Banks	8	27,604	--	21,681
Branches and Head Office Abroad	--	--	--	--
Other Institutions	--	86,114	--	39,546
Total	1,148	119,066	1,049	64,833

(*) Includes also the fee and commission expenses on borrowings.

2.2 Information on interest expenses to associates and subsidiaries

None.

2.3 Information on interest expenses to securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	142,885	--	87,706	--

2.4 Distribution of interest expense on deposits based on maturity of deposits

Account Description	Demand Deposits	Time Deposits						Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	Cumulative Deposit	
Turkish Lira								
Bank Deposits	--	9,944	--	--	--	--	--	9,944
Saving Deposits	--	51,443	285,721	42,188	31,313	11,603	--	422,268
Public Sector Deposits	--	--	1	--	--	--	--	1
Commercial Deposits	--	17,876	206,709	28,136	37,129	41,690	--	331,540
Other	--	521	11,307	2,754	1,117	63	--	15,762
7 Days Notice	--	--	--	--	--	--	--	--
Total	--	79,784	503,738	73,078	69,559	53,356	--	779,515
Foreign Currency								
Foreign Currency Deposits	--	14,073	113,044	5,445	2,529	4,316	--	139,407
Bank Deposits	--	7,958	--	--	--	--	--	7,958
7 Days Notice	--	--	--	--	--	--	--	--
Precious Metal Deposits	--	--	--	--	--	--	--	--
Total	--	22,031	113,044	5,445	2,529	4,316	--	147,365
Grand Total	--	101,815	616,782	78,523	72,088	57,672	--	926,880

3. Information on dividend income

None.

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4. Information on net trading income / loss

	Current Period	Prior Period
Income	1,681,187	1,110,549
Gains on Capital Market Operations	7,148	8,073
Gains on Derivative Financial Instruments	965,152	523,158
Foreign Exchange Gains	708,887	579,318
Loss (-)	1,678,362	1,054,574
Losses on Capital Market Operations	2,606	1,339
Losses on Derivative Financial Instruments	945,814	464,094
Foreign Exchange Losses	729,942	589,141
Net Trading Income / (Loss)	2,825	55,975

5. Information on other operating income

Other operating income mainly consists of reversal of provisions, profit from sale of assets, commissions on cheques and notes and costs recharged.

6. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables:	184,444	127,003
<i>III. Group Loans and Receivables</i>	20,012	6,937
<i>IV. Group Loans and Receivables</i>	41,722	31,777
<i>V. Group Loans and Receivables</i>	122,710	88,289
General Loan Loss Provisions	--	30,184
Free Provision for Probable Risks	19,500	36,000
Impairment Losses on Securities:	--	--
<i>Financial Assets at Fair Value Through Profit or Loss</i>	--	--
<i>Financial Assets Available-for-Sale</i>	--	--
Impairment Losses on Associates, Subsidiaries, Joint Ventures and		
Investment Securities Held to Maturity:	--	--
<i>Associates</i>	--	--
<i>Subsidiaries</i>	--	--
<i>Joint Ventures</i>	--	--
<i>Investments Held to Maturity</i>	--	--
Other	9,088	--
Total	213,032	193,187

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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7. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	201,560	151,561
Provision for Employee Termination Benefits	1,165	1,545
Provision for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	--
Depreciation Charges of Tangible Assets	11,049	12,228
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	3,043	3,606
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	83	23
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	93,500	76,314
<i>Operational Leases Expenses</i>	<i>35,355</i>	<i>29,697</i>
<i>Repair and Maintenance Expenses</i>	<i>2,323</i>	<i>1,633</i>
<i>Advertisement Expenses</i>	<i>10,830</i>	<i>6,506</i>
<i>Other Expenses(*)</i>	<i>44,992</i>	<i>38,478</i>
Losses on Sale of Assets	299	14
Other	53,822	48,626
Total	364,521	293,917

8. Information on profit/loss before tax from continued and discontinued operations

The Group's profit/loss before tax is from its continued operations. The Group has no discontinued operations.

	Current Period	Prior Period
Interest Income	1,847,427	1,289,571
Interest Expenses (-)	1,205,070	779,047
Net Fee and Commission income	45,492	27,463
Trading Profit/Loss (Net)	--	55,997
Other Operating Income(*)	2,825	54,140
Provision for Impairment in Loans and Other Receivables	86,861	193,187
Other Operating Expenses (-)	213,032	293,917
Profit/(loss) Before Tax	200,545	161,020

(*)While the Bank were making provisions over the rates, mentioned in "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation"), general provision, amounting to TL 50,507, has been cancelled in the current period when the Bank has decided to use the minimu provisioning rates as defined in the aforementioned Communiqué as of December 31, 2017.

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9. Explanations on tax provision for resumed operations and discontinued operations**9.1 Current period taxation benefit or charge and deferred tax benefit or charge**

For the period ended as of 31 December 2017, current tax charge of the Group is TL 46,186 (31 December 2016: TL 40,201 charge) and the deferred tax income of the Group is TL 12,770 (1 January -31 December 2016: TL 5,822 charge).

	Current Period	Prior Period
Deferred Tax Income/ (Expense)	12,770	(5,822)
Provision of Deferred Tax	--	--
Net Deferred Tax Expense	12,770	(5,822)

9.2 Deferred tax benefit / (charge) arising from origination or reversal of temporary differences

Deferred Tax Benefit / (Charge) Arising from Origination or Reversal of Temporary Differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	17,679	1,781
Arising from Reversal of Deductible Temporary Differences (-)	(779)	(1,439)
Arising from Origination of Taxable Temporary Differences (-)	(6,074)	(6,857)
Arising from Reversal of Taxable Temporary Differences (+)	1,994	693
Arising from Origination of Financial Losses (+)	--	--
Arising from Reversal of Financial Losses (-)	--	--
Arising from Origination of Tax Deductions and Exemptions (+)	--	--
Arising from Reversal of Tax Deductions and Exemptions (-)	--	--
Total	12,770	(5,822)
Provision	--	--
Net Deferred Tax Benefit / (Charge)	12,770	(5,822)

9.3 Deferred tax benefit / (charge) arising from temporary differences, tax losses or unused tax credits

Sources of Deferred Tax Benefit/Charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	16,900	342
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(4,130)	(6,164)
Arising from Origination (+)/ Reversal (-) of Tax Losses	--	--
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	12,770	(5,822)
Allowance	--	--
Net Deferred Tax Benefit / (Charge)	12,770	(5,822)

10. Information on profit/loss from continued and discontinued operations

	Current Period	Prior Period
Profit/(Loss) Before Tax from Continuing Operations	200,545	161,020
Tax Benefit/(Charge) on Continuing Operations	(33,416)	(46,023)
Net Profit/(Loss) from Continuing Operations	167,129	114,997

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. Information on net profit/loss for the period

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 the complete understanding of the Bank's performance for the period*

In the current and prior periods, the Group's income from ordinary banking transactions is interest income from loans and marketable securities and other banking service income. Main expenses are interest expense on deposits and similar debt items which are funding resources of loans and marketable securities.

11.2 *Changes in estimations made by the Bank with respect to the financial statement items do not have a material effect on profit/loss.*

11.3 *There is TL 1 (31 December 2016: TL 1 profit) profit attributable to the minority shares in shareholders' equity.*

12. If “other” lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of “other” items

In the current period, “other” items recognised in “fees and commissions received” majorly comprised of commissions such as limit allocation and revision commissions, valuation commissions, insurance commissions, contracted merchant commissions, credit card commissions and account maintenance fees.

In the current period, “other” items recognised in “fees and commissions paid” majorly comprised of commissions to correspondent banks, credit card commissions and commissions on issuance of securities.

V. Explanations and disclosures related to statements of changes in consolidated shareholders' equity

1. Information on inflation adjustment difference of shareholders' equity

Per the circular issued by the BRSA on 28 April 2005 and the decision of BRSA No: 1623 on 21 April 2005, the inflation accounting applied in banking system has been decided to be ceased as at 1 January 2005.

In accordance with the circular, TL 17,416 inflation adjustments to paid-in-capital until 31 December 2005 have been transferred to “Other Capital Reserves” account which was formerly recognized in “Inflation Adjustment to Paid-in-Capital” account. Mentioned inflation adjustment was used in the capital increase from TL 426,650 to TL 550,000 together with TL 9,502 profit from the disposal of real estate and TL 96,432 cash contribution of Fiba Holding A.Ş. in accordance with the Board of Directors decision dated 25 February 2013. Legal procedures were completed on 29 May 2013 and capital increase was accounted for in the financial statements.

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V. Explanations and disclosures related to statements of changes in consolidated shareholders' equity (continued)

2. Information on profit distribution

The decision relating to distribution of 2017 profit will be made at the General Assembly.

At the General Assembly meeting held on 27 March 2017, 2016 profit of the Bank was decided to be distributed as follows:

Profit or Loss	114,915
A-1st Legal Reserves	5,745
B-Extraordinary Reserves	109,170

3. Information on foreign exchange difference

None.

4. Information on available for sale financial assets

Mark to market gains and losses on available for sale securities are not reflected to profit and loss but recognized in equity under "Securities Valuation Reserve" account until such securities are sold, redeemed, disposed of or impaired.

VI. Explanations and disclosures related to the consolidated statement of cash flows

1. Information on cash and cash equivalents

Cash and cash equivalents components and accounting policies defining these components:

Cash, foreign currency, money in transfer, purchased bank cheques and deposits in all banks including Central Bank of Turkey are defined as "Cash", interbank money market placements with original maturity less than 3 months and investments on smarketable securities are defined as "Cash equivalents".

a) Cash and cash equivalents at the beginning of the period:

	1 January 2017	1 January 2016
Cash	78,507	43,549
Banks and Other Financial Institutions	351,485	158,163
Money Market Placements	274,702	--
Total Cash and Cash Equivalent Assets	704,694	201,712

b) Cash and cash equivalents at the end of the period:

	31 December 2017	31 December 2016
Cash	118,112	78,507
Banks and Other Financial Institutions	801,826	351,485
Money Market Placements	376,334	274,702
Total Cash and Cash Equivalents Assets	1,296,272	704,694

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VI. Explanations and disclosures related to the consolidated statement of cash flows (continued)

2. Information on cash and cash equivalent assets of the Bank that is not available for free use due to legal restrictions or other reasons

In the current period, demand deposits of TL 35,156 which is blocked at foreign banks as the guarantee of derivative transactions and required reserves at the Central Bank of Turkish Republic are not included in cash and cash equivalents (31 December 2016: TL 2,669).

3. Information on other item in cash flow statement and the effect of the exchange rate change on cash and cash equivalents

“Other items” amounting to TL (48,114) in “operating profit before changes in operating assets and liabilities” consists of other operating expenses and realized derivative losses (31 December 2016: TL (27,307)).

“Net increase/decrease in other liabilities” amounting to TL 49,796 in “Changes in operating assets and liabilities” consists of changes in sundry creditors, taxes and due payables, other liabilities (31 December 2016: TL 235,528).

“Net increase/decrease in other assets” amounting to TL 6,319 in “Changes in operating assets and liabilities” consists of changes in sundry receivables, other receivables (31 December 2016: TL 216).

“Other” amounting to TL (5,013) in “Net cash flows from investment activities” consists of purchases of intangible asset (31 December 2016: TL (1,952)).

“The effect of exchange rate changes on cash and cash equivalents” is the amount arising from conversion of the cash and cash equivalents denominated in foreign currencies with the average of the exchange rates effective at the beginning and at the end of the related periods and is TL 5,432 for the current period (1 January- 31 December 2016: TL 45,352).

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VII. Explanations and disclosures on the risk group of the Parent Bank

1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

1.1 Current Period

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables (**)						
Balance at the Beginning of the Period	--	--	--	22	126,939	30,871
Balance at the End of the Period	--	--	--	22	11,556	48,284
Interest and Commission Income Received	--	--	--	--	3,553	114

(*) Described in article 49 of the Banking Act No: 5411.

(**) Includes all transactions described as loans in article 48 of the Banking Act No: 5411.

Prior Period

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables (**)						
Balance at the Beginning of the Period	--	--	--	20	5,720	17,242
Balance at the End of the Period	--	--	--	22	126,939	30,871
Interest and Commission Income Received	--	--	--	--	1,134	407

(*) Described in article 49 of the Banking Act No: 5411.

(**) Includes all transactions described as loans in article 48 of the Banking Act No: 5411.

1.2 Information on deposits of the Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	--	--	15,552	89,173	595,924	496,534
Balance at the End of the Period	--	--	300,055	15,552	409,341	595,924
Deposit Interest Expense	--	--	20,434	6,094	44,072	28,398

(*) Described in article 49 of the Banking Act No: 5411.

1.3 Information on funds obtained from the Parent Bank's risk group

As of 31 December 2017, the amount of funds obtained from Bank's risk group is TL 171,583 and that fund amount has obtained from IFC and EBRD in the form of borrowings, (31 December 2016: TL 523,313; that fund amount includes TL 162,656 from IFC and EBRD in the form of borrowings and TL 360,657 funds provided from repurchase agreements).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017

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1.4 *Information on forward and option agreements and similar agreements made with Parent Bank's risk group*

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss:						
Balance at the Beginning of the Period	--	--	--	--	863,016	344,668
Balance at the End of the Period	--	--	--	--	899,553	863,016
Total Income/Loss	--	--	--	--	(23,856)	(1,367)
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/Loss	--	--	--	--	--	--

(*) As described in the Article 49 of Banking Act no.5411.

2. Information on transactions with the Parent Bank's risk group

2.1 *Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties*

The terms of related party transactions are equivalent to those that prevail in arm's length transactions only if such terms can be substantiated regarding the limits exposed by the Banking Act. Adopted Bank policy is that assets and liabilities will not be dominated by the risk group and the balances with the risk group will have a reasonable share in the total balance sheet.

2.2 *In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other*

As of 31 December 2017, the ratio of the loans and other receivables used by the entities of risk group to total loans and receivables is 0,07% (31 December 2016: 1,10%) and the ratio of the deposits of entities of risk group to total deposits is 5.78% (31 December 2016: 6,36%). Ratio of funds obtained from entities of risk group to total funds borrowed is 5.2% (31 December 2016:27.1%). 5,2% of which is due to Fiba Group, 4,6% to IFC and 0,6% EBRD.

In current period benefits; such as salaries and bonuses; provided to the key management is TL 14,126 (1 January - 31 December 2016: TL 9,328).

2.3 *Total of similar type of transactions together, unless a separate disclosure is required to present the effect of the transactions on financial statements*

None.

2.4 *Transactions accounted for under equity method*

None.

2.5 *Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agency contracts, finance lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts*

None.

FİBABANKA A.Ş. AND IT'S SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2017**

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

VIII. Explanations on the Parent Bank's domestic, foreign, off-shore branches or investments in associates and foreign representative offices**1. Information related to the Parent Bank's domestic and foreign branch and representatives**

	Number	Number of Employees			
Domestic Branch	80	1,633			
			Country of Incorporations		
Foreign Representation Office			1-		
			2-		
			3-		
				Total Assets	Statutory Share Capital
Foreign Branch			1-		
			2-		
			3-		
Off-shore Banking Region Branches			1-		
			2-		
			3-		

Domestic Consolidated Subsidiaries

	Number of Employees	Assets	Legal Capital
Fiba Portföy Yönetimi A.Ş.	8	5,745	5,500

IX. Events after balance sheet date

The Bank has completed its Regulation S Only Eurobond issue abroad with US Dollar and having a maturity of 5 years on 24/01/2018. Securities, having a total nominal value of USD 300 million and a maturity of January 25, 2023 and 6% of fixed interest rate with a bi-annual interest payment, have been issued.

As of February 8, 2018, the Bank has obtained necessary permissions to establish an affiliated company in order to provide consultancy services on innovation, creation of new business fields and technologies, investing to financial technology companies, mobile payment, income-expense tracking and money transfer as a result of its application to BRSA.

X. Other disclosures on activities of the Bank**Summary information of Bank's risk ratings by international rating agencies**

Fitch Ratings	
Long term FC and TL Rating	BB-
Short term FC and TL Rating	B
Viability Rating	BB-
Support Rating	5
Long term National Scale Rating	A+ (tur)
Senior Unsecured Debt Rating	BB-
Subordinated Debt Rating	B+
Outlook	Stable

SECTION SIX

OTHER EXPLANATIONS ON THE OPERATIONS OF THE PARENT BANK

None.

SECTION SEVEN

EXPLANATIONS ON AUDITORS' REPORT

I. Explanations on the auditors' report

The Bank's publicly available financial statements and footnotes have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Ernst&Young Global Limited) and the independent auditors' report is presented in front of the financial statements as of February 27, 2018.

II. Other footnotes and explanations prepared by the independent auditors

None.