

**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
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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:



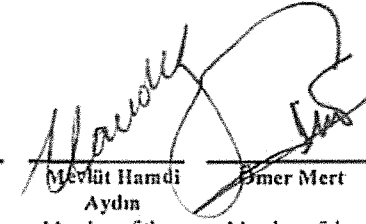
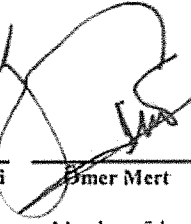


- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE PARENT BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL 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 Özhey Deputy General Manager |  Ayşe Akdaş Department Head Financial Control and Reporting Department Head |
|---|---|---|---|--|--|

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.

**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 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.

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

| Name Surname/ Commercial Title | Share Amount | Share Ratios | Paid in Capital | Unpaid |
|--------------------------------|-----------------|--------------|-----------------|--------|
| | (Nominal) | | (Nominal) | 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 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 | | - | - | - | - | - | - |
| 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 | 172,890 | - | 172,890 |
| 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 | 833,219 | 1,026,670 |
| 3.2.1.2. Forward Foreign Currency Sales | | 1,011,108 | 1,633,910 | 2,645,018 | 263,223 | 748,991 | 1,012,214 |
| 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 | 2,772,226 | 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 | | Equities | Paid-In Capital | Inflation Adjustments to Paid-In Capital (+) | Share Premium | Share Cancellation | Legal Reserves | from 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 in accordance with TAS 8 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 2.1 | The impact of Corrections of Errors | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 2.2 | Effects of the Change on Accounting Policy | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| III. | New Balance (Y11) | | 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 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 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 | | 91,646 | - | 55,299 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 14.1 | Cash | | 91,646 | - | 55,299 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 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 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XIX. | Current Period Net Profit / Loss | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 20.1 | Profit Distribution | | - | - | - | - | 4,079 | - | 77,504 | - | (81,518) | (65) | - | - | - | - | - | - | - | - | |
| 20.2 | Dividends Distributed | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 20.3 | Transfer to Reserves | | - | - | - | - | 4,079 | - | 77,504 | - | (81,518) | (81,518) | - | - | - | - | - | - | - | - | |
| 20.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Balances at the End of Period (01.01.2017-31.12.2017) | | | 941,161 | - | 128,678 | - | 7,790 | - | 120,579 | (3,003) | 114,996 | (239) | (20,254) | - | - | - | - | 1,289,708 | 53 | 1,289,761 | |
| CURRENT PERIOD 01.01.2017-31.12.2017 | | | | | | | | | | | | | | | | | | | | | |
| 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 | |
| II. | Changes in the Period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| III. | Increase / Decrease Related to Mergers | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| IV. | Valuation Differences of Securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 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 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVII. | Current Period Net Profit / Loss | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVIII. | Profit Distribution | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 18.1 | Dividend Distributed | | - | - | - | - | 5,745 | - | 109,170 | - | (114,996) | 81 | - | - | - | - | - | - | - | - | |
| 18.2 | Transfer to Reserves | | - | - | - | - | 5,745 | - | 109,170 | - | - | (114,996) | - | - | - | - | - | - | - | - | |
| 18.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Balances at the End of Period (01.01.2018-31.12.2018) | | | 941,161 | - | 128,678 | - | 13,535 | - | 229,749 | (4,636) | 167,128 | (186) | (10,859) | - | - | - | - | 1,464,613 | 54 | 1,464,673 | |

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 PRIVILAGED SHARES | - | - |
| 3.4 TO OWNERS OF PRIVILAGED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1 TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2 TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3 TO OWNERS OF PRIVILAGED SHARES | - | - |
| 4.4 TO OWNERS OF PRIVILAGED 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.

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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.

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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).

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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.

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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.

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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.

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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.

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 |

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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.

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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 | | | | 167,129 |
| 31 December 2017 | | | | |
| 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 |

| | 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 | 88,800 | 648,124 |
| Operating Profit | 9,778 | 185,574 | (34,332) | 161,020 |
| Taxation | | | | (46,023) |
| Net Profit/(Loss) for Prior Period | | | | 114,997 |
| 31 December 2016 | | | | |
| 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.

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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.) | XSI386178237 | * |
| 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 reimbursment of issuer or not according to BRSA rules | There is | There is |
| Optional reimbursment date, options of conditional reimbursment and reimbursment amount | 24/11/2022; \$ 300 million | 06/08/2018; \$ 10 million |
| Following reimbursment 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 | -- | -- |

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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).

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)

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).

| Exposure Categories | Current Period Risk Amount * | Average Risk Amount** |
|--|---------------------------------|--------------------------|
| 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.

| Exposure Categories | Prior Period Risk Amount * | Average Risk Amount** |
|--|-------------------------------|--------------------------|
| 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.

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)

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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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 (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

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

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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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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: | | | | |
| 3 | Stable deposits | 6,839,933 | 2,924,789 | 658,507 | 292,479 |
| 4 | Less stable deposits | 537,717 | -- | 25,486 | -- |
| 5 | Unsecured wholesale funding, of which: | 6,302,217 | 2,924,789 | 633,021 | 292,479 |
| 6 | Operational deposits | 5,473,096 | 3,004,980 | 3,029,773 | 1,657,149 |
| 7 | Non-operational deposits | -- | -- | -- | -- |
| 8 | Unsecured funding | 3,609,484 | 1,954,320 | 1,443,794 | 781,728 |
| 9 | Secured wholesale funding | 1,863,612 | 1,050,660 | 1,585,980 | 875,421 |
| 10 | Other cash outflows of which: | | | 221,196 | 221,196 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 2,538,173 | 1,170,439 | 535,086 | 336,021 |
| 12 | Outflows related to restructured financial instruments | 297,303 | 262,503 | 297,303 | 262,504 |
| 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 | 2,240,870 | 907,935 | 237,784 | 73,518 |
| 15 | Other irrevocable or conditionally revocable offbalance sheet obligations | -- | -- | -- | -- |
| 16 | Total Cash Outflows | 20,539 | 6 | 20,539 | 6 |
| Cash Inflows | | | | | |
| 17 | Secured receivables | | | - | |
| 18 | Unsecured receivables | 128,670 | 40,290 | 24,893 | 24,893 |
| 19 | Other cash inflows | 1,707,408 | 281,147 | 1,573,663 | 466,306 |
| 20 | Total Cash Inflows | 94,176 | 69,111 | 85,094 | 57,758 |
| | | 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: | 5,822,217 | 2,336,467 | 368,166 | 141,711 |
| 3 | Stable deposits | 4,281,117 | 1,838,709 | 214,056 | 91,935 |
| 4 | Less stable deposits | 1,541,100 | 497,758 | 154,110 | 49,776 |
| 5 | Unsecured wholesale funding, of which: | 3,273,924 | 1,452,496 | 1,963,525 | 867,813 |
| 6 | Operational deposits | - | - | - | - |
| 7 | Non-operational deposits | 2,154,537 | 946,043 | 861,815 | 378,417 |
| 8 | Unsecured funding | 1,119,387 | 506,453 | 1,101,710 | 489,395 |
| 9 | Secured wholesale funding | | | 423,489 | 423,489 |
| 10 | Other cash outflows of which: | 1,373,571 | 532,901 | 256,376 | 171,913 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 125,003 | 117,321 | 125,003 | 117,321 |
| 12 | Outflows related to restructured financial instruments | - | - | - | - |
| 13 | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | 1,248,568 | 415,581 | 131,373 | 54,592 |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | - | - | - | - |
| 15 | Other irrevocable or conditionally revocable offbalance sheet obligations | 25,897 | 8 | 25,897 | 8 |
| 16 | Total Cash Outflows | | | 3,037,453 | 1,604,934 |
| Cash Inflows | | | | | |
| 17 | Secured receivables | - | - | 54,535 | 54,535 |
| 18 | Unsecured receivables | 1,638,947 | 272,869 | 1,075,831 | 224,293 |
| 19 | Other cash inflows | 40,101 | 32,356 | 40,101 | 32,355 |
| 20 | Total Cash Inflows | 21,566 | 13,789 | 1,170,467 | 311,183 |
| 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 |

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

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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 | 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.

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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(**) | Securitisati on 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 | 58,380 | 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.

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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" | 20,095,428 | 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.

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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 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.

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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.

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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.

| 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 | 2,559,571 | -- | 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% |

*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 | 3,951,058 | -- | -- | -- | 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

(***) 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 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 * Current Period | Amount | Financial Collaterals | Other/Physical Collaterals** | Guarantees 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 * 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 | 1,734,622 | 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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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”.

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

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 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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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.

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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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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 | -- | -- | -- | -- |

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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.

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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.

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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.

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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.

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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 | -- | -- | -- |

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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 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.

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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 |

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

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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 |

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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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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 | | | | | Cumulative Deposit | Total |
|---------------------------|-----------------|----------------|----------------|----------------|---------------|-----------------|--------------------|----------------|
| | | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | 1 Year and Over | | |
| 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 |

FİBABANKA A.Ş. AND IT'S SUBSIDIARY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 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 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 |

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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.

**NOTES TO THE CONSOLIDATED 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 Equivalent 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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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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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
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(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 |

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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.