

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR’S REPORT, ORIGINALLY ISSUED IN TURKISH, SEE NOTE  
I OF SECTION THREE**

## **PASHA YATIRIM BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH AUDIT REPORT  
AT 31 DECEMBER 2017**

**Convenience Translation of the Independent Auditors' Report  
Originally Issued in Turkish (See Note I in Section Three)**

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Pasha Yatırım Bankası A.Ş.:**

**Audit of Unconsolidated Financial Statements**

**Opinion**

We have audited the accompanying unconsolidated financial statements of Pasha Yatırım Bankası A.Ş. (the Bank), which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Pasha Yatırım Bankası A.Ş. as at 31 December 2017 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "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 and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

**Basis for Opinion**

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 opinion.

**Key Audit Matters**

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<b><i>Impairment of Loans and Receivables</i></b>	
Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related explanations relating to the impairment of loans and receivables have been disclosed in Section 5.	Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them.

### **Responsibilities of Management and Directors for the Unconsolidated Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### 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 1 January – 31 December 2017 are not in compliance with the TCC 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.

The engagement partner who supervised and concluded this independent auditor’s report is Yaşar Bivas.

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



12 February 2018  
İstanbul, Türkiye

**THE YEAR-END UNCONSOLIDATED FINANCIAL REPORT OF  
PASHA YATIRIM BANKASI A.Ş. AS OF 31 DECEMBER 2017**

Address of the Bank's Headquarters : A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7  
34398 Maslak İstanbul, Türkiye  
Telephone of the Bank : (0 212) 705 89 00  
Fax of the Bank : (0 212) 345 07 12  
Web site of the Bank : [www.pashabank.com.tr](http://www.pashabank.com.tr)  
E-mail for correspondence : [info@pashabank.com.tr](mailto:info@pashabank.com.tr)

The unconsolidated year-end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

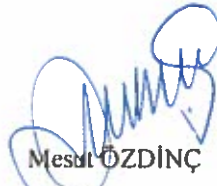
- **SECTION ONE** - GENERAL INFORMATION ABOUT THE BANK
- **SECTION TWO** - UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **SECTION THREE** - EXPLANATIONS ON ACCOUNTING POLICIES
- **SECTION FOUR** - INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT
- **SECTION FIVE** - EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- **SECTION SIX** - OTHER EXPLANATIONS AND NOTES
- **SECTION SEVEN** - EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in **thousands of Turkish Lira ("TL")**, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited and presented hereafter.



Jalal GASIMOV

Chairman of the Board of Directors



Mesut ÖZDİNCİ

Chairman of the Audit Committee



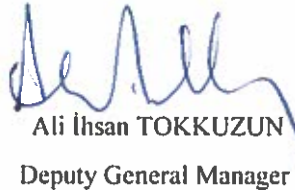
Kamala NURIYEVA

Member of the Audit Committee



H.Cenk EYNEHAN

General Manager



Ali İhsan TOKKUZUN

Deputy General Manager



Özgür İÇİN

Financial Planning, Strategy and  
Budget Dept. Manager

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

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Telephone Number : (0212) 705 89 40  
Fax Number : (0212) 345 07 12

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

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

**SECTION ONE**

**GENERAL INFORMATION**

**I. Bank's foundation date, start-up statute, history about the changes in this mentioned statute:**

Bank's commercial title	Pasha Yatırım Bankası A.Ş.
Reporting Period	1 January - 31 December 2017
Address of the Bank's Headquarters	A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7 34398 Maslak İstanbul, Türkiye
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	<a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a>
E-mail	<a href="mailto:info@pashabank.com.tr">info@pashabank.com.tr</a>

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17.06.1987 by the Council of Ministers pursuant to the Banking Law No. 3182 (repealed) and the Bank has been established under the title of Yatırım Bank A.Ş. headquartered in Istanbul under the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21.12.1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 12.25.1987 of the 1st Commercial Court of Istanbul, and it was registered with the Istanbul Trade Registry Office under the no. 240320 on the date of 25.12.1987 and published in the Turkish Trade Registry Gazette no. 1924 and dated 30 December 1987. Commencing its investment banking activities on the date of 1 March 1988, the Bank has been operating as of 31 December 2017 through its head office in Istanbul only and has no branches.

**II. Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to:**

With the decision taken by TAIB Bank B.S.C. (c) - previous parent of the Bank- regarding the sale of its shares in the Bank, a share purchase agreement was signed between the Aksoy Holding A.Ş. and previous parent of the Bank on 13 May 2013. Upon the Banking Regulation and Supervision Agency ("BRSA")'s approval dated 26 June 2013, Aksoy Holding A.Ş. acquired the 99.4689% of the shares of the Bank. With the decision taken in the extraordinary general assembly meeting of the Bank dated 31 July 2013 and numbered 32, share transfer transaction has been approved. The share transfer from previous parent of the Bank to Aksoy Holding A.Ş. has been completed as at 2 August 2013.

In the extraordinary general assembly meeting of the Bank dated 31 October 2013, it was decided to increase the paid-in capital of the Bank to from TL 37,000 to TL 39,000. The paid-in capital of the Bank was increased to 39,000 TL in accordance with the BRSA's approval as at 13 November 2013. In the extraordinary general assembly meeting of the Bank dated 21 November 2013, it was decided to increase the paid-in capital of the Bank to from TL 39,000 to TL 80,000. The paid-in capital of the Bank was increased to 80,000 TL in accordance with the BRSA's approval as at 29 November 2013.

PASHA Bank OJSC and Aksoy Holding A.Ş. has agreed on transferring the majority shares of the Bank to PASHA Bank OJSC. Acquisition of TL 28,795,121 of the Bank's capital by PASHA Bank OJSC and increase in the paid-in capital from TL 80,000 to TL 255,000 upon the acquisition, resulting as 79.9196% of the shares to be owned by PASHA Bank OJSC, were approved by the BRSA's decision dated 26 December 2014 and numbered 6137.

Paid-in capital increase from TL 80,000 to TL 255,000 by TL 175,000 cash, approval of the share transfer and changing the Bank's title as "Pasha Yatırım Bankası A.Ş." have been approved in the Extraordinary General Assembly of the Bank dated 27 January 2015.

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**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

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

**GENERAL INFORMATION (Continued)**

The change of Bank's title as "Pasha Yatırım Bankası A.Ş." and trade name as "PASHABank" has been registered on 2 March 2015 and announced on Turkish Trade Registry Gazette dated 6 March 2015 and numbered 8773.

Acquisition of remaining 51,000 shares of Aksoy Holding A.Ş. by PASHA Bank OJSC and increasing Pasha Bank OJSC shares from %79.9196 to %99.9196 has been approved by the BRSA's resolution dated 18 December 2015 and numbered 6583. The related BRSA resolution has been announced to the Bank by statement dated 23 December 2015 and numbered 18038.

The share transfer was accounted in the statutory accounting records with the Board of Directors decision dated 24 December 2015 and numbered 2015/110.

Partnership structure of the Bank as of 31 December 2017, is stated below:

Name Surname/Commercial Title	Capital	Share Rate
PASHA Bank OJSC	254,795	%99.9196
Other	205	%0.0804
<b>Total</b>	<b>255,000</b>	<b>%100</b>

**III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess:**

Title	Name	Education	Share Percentage
Chairman of the Board of Directors <sup>(2)</sup>	Jalal Gasimov	Postgraduate	-
Vice President of the Board of Directors <sup>(2)</sup>	Farid Mammadov	Postgraduate	-
Member of the Board of Directors	Taleh Kazimov	Postgraduate	-
Member of the Board of Directors	Shahin Mammadov	Postgraduate	-
Member of the Board of Directors/ Member of the Audit Committee <sup>(2)</sup>	Kamala Nuriyeva	Postgraduate	-
Independent Member of the Board of Directors/ Chairman of the Audit Committee	Mesut Özdiñ	Postgraduate	-
Independent Member of the Board of Directors	Adnan Aykol	Graduate	-
Independent Member of the Board of Directors <sup>(1)</sup>	Meriç Uluşahin	Graduate	-
Member of Board of Directors/General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-
Assistant General Manager	Ayşe Hale Yıldırım	Graduate	-
Assistant General Manager <sup>(3)</sup>	Uğur Koç	Graduate	-

(1) At Ordinary General Meeting regarding year 2016 held at 31 March 2017, Chairman of the Board of Directors Agha Ali Kamalov and Independent Member of Board of Directors N. Süreyya Serdengeçti are resigned from their duties, Farid Mammadov is assigned as Member of Board of Directors and Meriç Uluşahin is assigned as Independent Member of Board of Directors.

(2) Jalal Gasimov is assigned as Chairman of the Board of Directors, Farid Mammadov is assigned as Vice President of the Board of Directors with the Board decision dated 31 March 2017, numbered 2017/25.

(3) Uğur Koç is assigned as Assistant General Manager in charge of Information Technologies and Security, Change and Project Management, Credit Underwriting and Intelligence at 18 September 2017 in accordance with Board decision dated 15 September 2017, numbered 2017/72.

The shares of the above individuals in the Bank are insignificant.

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

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

**GENERAL INFORMATION (Continued)**

**IV. Explanation on shareholders having control shares:**

Explanation on shareholders having control shares of the Bank as of 31 December 2017, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
PASHA Holding Ltd.	152,877	%59.95	152,877	-
Ador Ltd.	76,439	%29.98	76,439	-
Arif Pashayev	25,480	%9.99	25,480	-

**V. Information on the Bank's service type and field of operations:**

The Bank operates as an investment bank and as of 31 December 2017 the Bank has 45 employees (31 December 2016: 39).

**VI. Existing or Potential, Actual or Legal obstacles on Immediate Equity Transfer Between the Bank and its subsidiaries or Repayment of the Debt:**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2017**

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

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

	ASSETS	Note (Section Five-I)	Current Period 31 December 2017			Prior Period 31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	9,787	67,786	77,573	14,804	19,632	34,436
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(2)	4,943	-	4,943	-	281	281
2.1	Trading Financial Assets		4,943	-	4,943	-	281	281
2.1.1	Government Debt Securities		-	-	-	-	-	-
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		-	-	-	-	281	281
2.1.4	Other Marketable Securities		4,943	-	4,943	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	(3)	29	73,587	73,616	19,028	10,116	29,144
<b>IV.</b>	<b>MONEY MARKETS</b>		-	-	-	15,133	-	15,133
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	15,133	-	15,133
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(4)	14,019	7,289	21,308	13,864	6,674	20,538
5.1	Share Certificates		-	-	-	-	-	-
5.2	Government Debt Securities		5,080	-	5,080	6,196	-	6,196
5.3	Other Marketable Securities		8,939	7,289	16,228	7,668	6,674	14,342
<b>VI.</b>	<b>LOANS</b>	(5)	485,173	193,926	679,099	311,290	92,580	403,870
6.1	Loans		485,173	193,926	679,099	311,290	92,580	403,870
6.1.1	Loans to Bank's Risk Group		-	555	555	-	-	-
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		485,173	193,371	678,544	311,290	92,580	403,870
6.2	Loans under Follow-up		-	-	-	-	-	-
6.3	Specific Provisions (-)		-	-	-	-	-	-
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII.</b>	<b>HELD-TO-MATURITY SECURITIES (Net)</b>	(6)	-	-	-	-	-	-
8.1	Government Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
<b>X.</b>	<b>SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>JOINT VENTURES (Net)</b>	(9)	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	(10)	16,931	17,018	33,949	-	-	-
12.1	Financial Lease Receivables		22,076	17,472	39,548	-	-	-
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		(5,145)	(454)	(5,599)	-	-	-
<b>XIII.</b>	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(11)	-	-	-	-	-	-
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	(12)	655	-	655	681	-	681
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(13)	869	-	869	981	-	981
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		869	-	869	981	-	981
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVII.</b>	<b>TAX ASSET</b>		902	-	902	689	-	689
17.1	Current Tax Asset		2	-	2	-	-	-
17.2	Deferred Tax Asset	(15)	900	-	900	689	-	689
<b>XVIII.</b>	<b>ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	-	-	-
18.1	Held for Resale		-	-	-	-	-	-
18.2	Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	(17)	3,883	48	3,931	4,559	45	4,604
	<b>TOTAL ASSETS</b>		537,191	359,654	896,845	381,029	129,328	510,357

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2017**

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

**I. STATEMENT OF FINANCIAL POSITION (Continued)**

	LIABILITIES	Note (Section Five-II)	Current Period 31 December 2017			Prior Period 31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>(1)</b>	-	-	-	-	-	-
1.1	Deposits of Bank's Risk Group		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
<b>II.</b>	<b>TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(2)</b>	<b>380</b>	<b>692</b>	<b>1,072</b>	<b>1,603</b>	-	<b>1,603</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>39,590</b>	<b>301,797</b>	<b>341,387</b>	<b>46,374</b>	<b>145,523</b>	<b>191,897</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKETS</b>		<b>62,729</b>	-	<b>62,729</b>	<b>15,963</b>	-	<b>15,963</b>
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		54,672	-	54,672	11,306	-	11,306
4.3	Funds Provided Under Repurchase Agreements	(4)	8,057	-	8,057	4,657	-	4,657
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>87,329</b>	<b>94,412</b>	<b>181,741</b>	<b>37,239</b>	-	<b>37,239</b>
5.1	Bills		87,329	-	87,329	37,239	-	37,239
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	94,412	94,412	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>6,106</b>	<b>13,881</b>	<b>19,987</b>	<b>3,901</b>	<b>16</b>	<b>3,917</b>
6.1	Borrower Funds	(6)	6,106	13,881	19,987	3,901	16	3,917
6.2	Other		-	-	-	-	-	-
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>178</b>	-	<b>178</b>	<b>29</b>	<b>1,425</b>	<b>1,454</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>	<b>(7)</b>	<b>7,370</b>	<b>9,590</b>	<b>16,960</b>	<b>5,092</b>	<b>20</b>	<b>5,112</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>(8)</b>	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(9)</b>	-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>(10)</b>	<b>9,660</b>	-	<b>9,660</b>	<b>6,435</b>	-	<b>6,435</b>
12.1	General Loan Loss Provision		7,393	-	7,393	4,471	-	4,471
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		475	-	475	352	-	352
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		1,792	-	1,792	1,612	-	1,612
<b>XIII.</b>	<b>TAX LIABILITY</b>	<b>(11)</b>	<b>2,524</b>	-	<b>2,524</b>	<b>2,079</b>	-	<b>2,079</b>
13.1	Current Tax Liability		2,524	-	2,524	2,079	-	2,079
13.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XIV.</b>	<b>PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS</b>	<b>(12)</b>	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>(13)</b>	-	-	-	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(14)</b>	<b>260,606</b>	<b>1</b>	<b>260,607</b>	<b>244,658</b>	-	<b>244,658</b>
16.1	Paid-in Capital		255,000	-	255,000	255,000	-	255,000
16.2	Capital Reserves	(49)	(49)	1	(48)	11	-	11
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(49)	1	(48)	11	-	11
16.2.4	Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Reserves (Effective portion)		-	-	-	-	-	-
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		-	-	-	-	-	-
16.3	Profit Reserves		324	-	324	324	-	324
16.3.1	Legal Reserves		29	-	29	29	-	29
16.3.2	Status Reserves		295	-	295	295	-	295
16.3.3	Extraordinary Reserves		-	-	-	-	-	-
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		5,331	-	5,331	(10,677)	-	(10,677)
16.4.1	Prior Years' Income/ (Loss)		(10,677)	-	(10,677)	(24,682)	-	(24,682)
16.4.2	Current Year Income/ (Loss)		16,008	-	16,008	14,005	-	14,005
	<b>TOTAL LIABILITIES</b>		<b>476,472</b>	<b>420,373</b>	<b>896,845</b>	<b>363,373</b>	<b>146,984</b>	<b>510,357</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS  
AT 31 DECEMBER 2017**

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

**II. OFF-BALANCE SHEET**

	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five-III)	Current Period			Prior Period		
			31 December 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>260,679</b>	<b>214,595</b>	<b>475,274</b>	<b>154,327</b>	<b>92,856</b>	<b>247,183</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>205,473</b>	<b>160,454</b>	<b>365,927</b>	<b>130,451</b>	<b>67,459</b>	<b>197,910</b>
1.1.	Letters of Guarantee		205,473	123,303	328,776	130,451	41,119	171,570
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		205,473	123,303	328,776	130,451	41,119	171,570
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	3,301	3,301	-	6,984	6,984
1.3.1.	Documentary Letters of Credit		-	3,301	3,301	-	6,984	6,984
1.3.2.	Other Letters of Credit		-	-	-	-	-	-
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7.	Factoring Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		-	33,850	33,850	-	19,356	19,356
1.9.	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		<b>2,458</b>	<b>2,438</b>	<b>4,896</b>	<b>11</b>	-	<b>11</b>
2.1.	Irrevocable Commitments		2,458	2,438	4,896	11	-	11
2.1.1.	Asset Purchase and Sales Commitments		2,441	2,438	4,879	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Commitments for Loan Limits		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		-	-	-	-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		17	-	17	11	-	11
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	-	-	-	-	-
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>52,748</b>	<b>51,703</b>	<b>104,451</b>	<b>23,865</b>	<b>25,397</b>	<b>49,262</b>
3.1.	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1.	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2.	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3.	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2.	Trading Derivative Financial Instruments		52,748	51,703	104,451	23,865	25,397	49,262
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		19,953	19,642	39,595	13,446	14,267	27,713
3.2.1.1.	Forward Foreign Currency Transactions-Buy		19,953	-	19,953	10,170	3,519	13,689
3.2.1.2.	Forward Foreign Currency Transactions-Sell		-	19,642	19,642	3,276	10,748	14,024
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		32,795	32,061	64,856	10,419	11,130	21,549
3.2.2.1.	Foreign Currency Swap-Buy		-	32,061	32,061	10,419	-	10,419
3.2.2.2.	Foreign Currency Swap-Sell		32,795	-	32,795	-	11,130	11,130
3.2.2.3.	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4.	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3.	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1.	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2.	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3.	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4.	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5.	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6.	Securities Options-Sell		-	-	-	-	-	-
3.2.4.	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5.	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>497,259</b>	<b>366,446</b>	<b>863,705</b>	<b>200,145</b>	<b>105,818</b>	<b>305,963</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>12,408</b>	-	<b>12,408</b>	<b>2,357</b>	-	<b>2,357</b>
4.1.	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		8,852	-	8,852	-	-	-
4.3.	Cheques Received for Collection		3,556	-	3,556	2,357	-	2,357
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>484,816</b>	<b>320,971</b>	<b>805,787</b>	<b>197,758</b>	<b>60,300</b>	<b>258,058</b>
5.1.	Marketable Securities		63,936	56,579	120,515	-	52,788	52,788
5.2.	Guarantee Notes		290,581	67,731	358,312	167,311	6,413	173,724
5.3.	Commodity		27,515	15,747	43,262	5,497	1,099	6,596
5.4.	Warranty		-	-	-	-	-	-
5.5.	Immovable		102,784	-	102,784	24,950	-	24,950
5.6.	Other Pledged Items		-	180,914	180,914	-	-	-
5.7.	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>35</b>	<b>45,475</b>	<b>45,510</b>	<b>30</b>	<b>45,518</b>	<b>45,548</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>757,938</b>	<b>581,041</b>	<b>1,338,979</b>	<b>354,472</b>	<b>198,674</b>	<b>553,146</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**III. STATEMENT OF INCOME (PROFIT AND LOSS)**

	INCOME AND EXPENSE ITEMS	Note (Section Five-IV)	Current Period 1 January - 31 December 2017	Prior Period 1 January - 31 December 2016
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>65,633</b>	<b>37,226</b>
1.1	Interest on Loans		59,594	33,683
1.2	Interest Received from Reserve Requirements		720	148
1.3	Interest Received from Banks		925	1,579
1.4	Interest Received from Money Market Transactions		297	186
1.5	Interest Received from Marketable Securities Portfolio		1,909	1,630
1.5.1	Trading Financial Assets		-	-
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		1,909	1,630
1.5.4	Held-to-maturity Investments		-	-
1.6	Financial Lease Income		2,188	-
1.7	Other Interest Income		-	-
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>(25,777)</b>	<b>(6,714)</b>
2.1	Interest on Deposits (-)		-	-
2.2	Interest on Funds Borrowed (-)		(11,469)	(5,000)
2.3	Interest Expense on Money Market Transactions (-)		(3,978)	(678)
2.4	Interest on Securities Issued (-)		(9,994)	(751)
2.5	Other Interest Expenses (-)	(12)	(336)	(285)
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		<b>39,856</b>	<b>30,512</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>1,801</b>	<b>1,130</b>
4.1	Fees and Commissions Received		2,463	1,317
4.1.1	Non-cash Loans		2,254	1,171
4.1.2	Other	(12)	209	146
4.2	Fees and Commissions Paid (-)		(662)	(187)
4.2.1	Non-cash Loans (-)		(230)	(27)
4.2.2	Other (-)	(12)	(432)	(160)
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>(4)</b>	<b>3,891</b>	<b>4,784</b>
6.1	Trading Gains/(Losses) on Securities		453	(23)
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		(3,552)	(779)
6.3	Foreign Exchange Gains/(Losses)		6,990	5,586
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>102</b>	<b>99</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>45,650</b>	<b>36,525</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(2,922)</b>	<b>(1,801)</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(22,022)</b>	<b>(16,612)</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII+IX+X)</b>		<b>20,706</b>	<b>18,112</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>20,706</b>	<b>18,112</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	<b>(9)</b>	<b>(4,698)</b>	<b>(4,107)</b>
16.1	Current Tax Provision		(4,911)	(4,191)
16.2	Deferred Tax Provision		213	84
<b>XVII.</b>	<b>NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)</b>	<b>(10)</b>	<b>16,008</b>	<b>14,005</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1	Income from Non-Current Assets Held for Resale		-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other Income from Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1	Expense from Non-Current Assets Held for Resale		-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Expenses from Discontinued Operations		-	-
<b>XX.</b>	<b>INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (-)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET INCOME/(LOSS) (XVII+XXII)</b>	<b>(11)</b>	<b>16,008</b>	<b>14,005</b>
	Earnings/(Loss) per share		0.0628	0.0549

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



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY**

		<b>Current Period</b> <b>1 January –</b> <b>31 December 2017</b>	<b>Prior Period</b> <b>1 January –</b> <b>31 December 2016</b>
	<b>INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>		
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	(74)	126
<b>II.</b>	<b>REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	-	-
<b>III.</b>	<b>REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-
<b>IV.</b>	<b>FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V.</b>	<b>INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS</b>	-	-
<b>VIII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	-	-
<b>IX.</b>	<b>DEFERRED AND CURRENT TAX ON VALUATION DIFFERENCES</b>	15	(25)
<b>X.</b>	<b>NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	(59)	101
<b>XI.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>16,008</b>	<b>14,005</b>
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	-	-
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	16,008	14,005
<b>XII.</b>	<b>TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	<b>15,949</b>	<b>14,106</b>

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Prior Period 31 December 2016	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
<b>I.</b>	<b>Balance at the beginning of the period</b>		<b>255,000</b>	-	-	-	<b>29</b>	<b>295</b>	-	-	<b>8,787</b>	<b>(33,469)</b>	<b>(90)</b>	-	-	-	-	<b>230,552</b>
	<b>Changes in the Period</b>																	
<b>II.</b>	<b>Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>	(1)	-	-	-	-	-	-	-	-	-	-	<b>101</b>	-	-	-	-	<b>101</b>
<b>IV.</b>	<b>Hedging Reserves (Effective Portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Foreign Exchange Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Changes due to the Reclassification of the Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Effects of Changes in Equity of Investments in Associates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Capital Increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Adjustment to Share Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	<b>Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	<b>14,005</b>	-	-	-	-	-	-	<b>14,005</b>
<b>XVIII.</b>	<b>Profit Distribution</b>	(3)	-	-	-	-	-	-	-	-	<b>(8,787)</b>	<b>8,787</b>	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	<b>(8,787)</b>	<b>8,787</b>	-	-	-	-	-	-
	<b>Period End Balance (I+ ...+ XVIII)</b>		<b>255,000</b>	-	-	-	<b>29</b>	<b>295</b>	-	-	<b>14,005</b>	<b>(24,682)</b>	<b>11</b>	-	-	-	-	<b>244,658</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)**

	Current Period 31 December 2017	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
<b>I.</b>	Balance at the beginning of the period		255,000	-	-	-	29	295	-	-	14,005	(24,682)	11	-	-	-	-	244,658
	Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II.</b>	Increase/Decrease due to the Merger Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	(59)	-	-	-	-	(59)
<b>IV.</b>	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	Changes due to the Disposal of Assets Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	Current Year Income or Loss		-	-	-	-	-	-	-	-	16,008	-	-	-	-	-	-	16,008
<b>XVIII.</b>	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
	Period End Balance (I+ ...+ XVIII)		255,000	-	-	-	29	295	-	-	16,008	(10,677)	(48)	-	-	-	-	260,607

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**VI. STATEMENT OF CASH FLOW**

		Note (Section Five-VI)	Current Period 1 January - 31 December 2017	Prior Period 1 January - 31 December 2016
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		18,545	20,288
1.1.1	Interest Received		58,110	34,140
1.1.2	Interest Paid		(18,921)	(2,346)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		3,194	1,260
1.1.5	Other Income		2,726	5,887
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7	Payments to Personnel and Service Suppliers		(10,355)	(7,969)
1.1.8	Taxes Paid		(4,724)	(2,691)
1.1.9	Other	(2)	(11,485)	(7,993)
1.2	Changes in Operating Assets and Liabilities		(129,474)	(35,190)
1.2.1	Net (Increase)/Decrease in Trading Securities		(4,500)	-
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Due from Banks		(48,019)	(7,630)
1.2.4	Net (Increase)/Decrease in Loans		(268,669)	(155,696)
1.2.5	Net (Increase)/Decrease in Other Assets	(2)	(29,762)	4,235
1.2.6	Net Increase/(Decrease) in Bank Deposits		-	-
1.2.7	Net Increase/(Decrease) in Other Deposits		-	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		151,787	116,978
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	69,689	6,923
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(110,929)</b>	<b>(14,902)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from / (Paid For) Investing Activities</b>		<b>(694)</b>	<b>(11,542)</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(212)	(364)
2.4	Disposals of Property and Equipment		1	-
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(26,972)	(28,689)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		26,903	18,352
2.7	Cash Paid for Purchase of Investment Securities		-	-
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other		(414)	(841)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>135,427</b>	<b>36,488</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		350,182	36,488
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(214,755)	-
3.3	Issued Capital Instruments		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>578</b>	<b>842</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>24,382</b>	<b>10,886</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>59,134</b>	<b>48,248</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period (V+VI)</b>	(1)	<b>83,516</b>	<b>59,134</b>

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

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENTS OF PROFIT DISTRIBUTION  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**VII. PROFIT DISTRIBUTION STATEMENT**

		Current Period 31 December 2017 (*)	Prior Period 31 December 2016
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	CURRENT YEAR INCOME	20,706	18,112
1.2	TAXES AND DUTIES PAYABLE (-)	(4,698)	(4,107)
1.2.1	Corporate Tax (Income tax)	(4,911)	(4,191)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties (**)	213	84
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>16,008</b>	<b>14,005</b>
1.3	PRIOR YEAR LOSSES (-)	(10,677)	(24,682)
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>5,331</b>	<b>-</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>	-	-
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2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and (loss) sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>	-	-
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3.2	TO OWNERS OF ORDINARY SHARES ( % )	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
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<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES ( % )	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

(\*) As of financial statements preparation date, Bank's General Shareholders Meeting have not yet been made, hence no decision has been taken on profit distribution.

(\*\*) Deferred tax income/expense shown in other taxes and duties not subject to profit appropriation.

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

- a. The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents”:**

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, effectiveness date is 1 January 2017, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, which were published as of the date the financial statements were authorized but not yet have been effective, except for TFRS 9 which will be effective from 1 January 2018 will have no impact on the accounting policies, financial condition and performance of the Bank. Within the implementation of IFRS 9 Financial Instruments Standard, general loan loss provision will decrease in the opening financial statement dated 1 January 2018. The Bank has no receivable which are subject to specific provision as the date of 1 January 2018.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**b. The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles:**

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2016. Aforementioned accounting policies and valuation principles are explained in below.

**c. Explanation for convenience translation into English:**

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

**II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

The general strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is shareholders’ equity – internal funding, in addition external funding including funding from repo transactions and borrowing from domestic and foreign financial institutions is utilised. Funds obtained from internal and external sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Bank’s foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

The Bank does not have any embedded derivative instruments.

Derivative instruments are classified either as “Hedging Derivative Financial Instruments” or “Trading Derivative Financial Instruments” in accordance with the “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement (“TAS 39”)”. Certain derivative transactions, even though they provide effective economic hedges under the Bank’s risk management position, do not qualify for hedge accounting under the specific rules in TAS 39 and are therefore treated as “Financial assets at fair value through profit or loss”.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Financial assets at fair value through profit or loss” in “Trading derivative financial instruments” and if the fair value difference is negative, it is disclosed under “Trading derivative financial liabilities”. The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

**IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE**

Interest income and expenses are recognised in the income statement on an accrual basis. The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made. Only cash collections regarding non-performing loans are recorded as interest income.

**V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE**

All fees and commissions income/expenses are recognised on an accrual basis, except for certain commission income and fees from various banking services which are recorded as income at the time of collection.

Fees and commissions expenses paid to the other institutions regarding financial liabilities are considered a component of interest expense of the related funding and are recognised as transaction costs and recorded as expense in the statement of profit and loss.

Contract-based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third or legal person are recognised as income at the time of collection.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. EXPLANATIONS ON FINANCIAL ASSETS**

The Bank classifies and accounts its financial assets as “Fair value through profit or loss”, “Available-for-sale”, “Loans and receivables” or “Held-to-maturity”. Sales and purchases of the financial assets mentioned above are recognised at the “settlement dates”. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

**a. Financial assets at fair value through profit or loss:**

Financial assets are classified either as “Financial assets at fair value through profit or loss” or “Trading financial assets”.

Trading financial assets are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Sales and purchases of trading financial assets are recognised at the “settlement dates”. Trading financial assets are initially recognised at fair value plus transactions costs and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in related section.

**b. Available-for-sale financial assets:**

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and receivables”, “Held-to-maturity assets” or “Financial asset at fair value through profit or loss”.

Government bonds included in the available-for-sale financial assets are subsequently re-measured at fair value. “Unrealised gains and losses” arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders’ equity as “Marketable Securities Valuation Reserve”, until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**c. Loans and receivables:**

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognised at the amortised cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, 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” published in the Official Gazette No. 26333 dated 1 November 2006. Apart from specific provisions, the Bank has general loan loss provision within the scope of the stated regulations.

**d. Held-to-maturity financial assets:**

Held-to-maturity financial assets are assets that are not classified under loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost. Held-to-maturity securities are carried at “amortised cost” net of impairment using the effective interest method after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

The Bank does not have any held-to-maturity financial assets. There are no financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the violation of classification principles.

**VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

**VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES  
LENDING TRANSACTIONS**

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Available-for-sale” and “Held-to-maturity” according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds Provided under Repurchase Agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements (“Reverse repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the “effective interest method”.

**X. EXPLANATIONS ON ASSETS HELD FOR RESALE AND FIXED ASSETS FROM  
DISCONTINUED OPERATIONS AND LIABILITIES RELATED WITH THESE ASSETS**

According to TFRS 5, non-current asset classified as held for sale (or group of assets to be disposed) is measured by the lowest of book value or sales costs discounted fair value. An asset to be held for sale asset (or group of assets to be disposed) it is necessary that, the related asset has to be commonly seen on the sales of these kind of sales assets, it could be easily immediately sold in the frame of usual conditions and it has to have high sales probability. For the high sales probability, there has to be a plan regarding the sales of asset made by the appropriate management level and by the determination of buyers there has to be an active program started regarding to completion of the plan.

A discontinued operation is a part classified as discarded or held for sales by the bank. Results regarding to discontinue operations are presented individually in income statement.

The Bank has no discontinued operations.

**XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for value decreases, if any.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

Intangibles are amortised over their estimated useful lives of three to five years using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit of the assets.

The Bank expects no change with respect to accounting estimates, amortization period, amortization method, or residual value that will have significant impact on the current or the following periods.

Computer software development expenses that add to the economic benefit and extend the useful life of the software are capitalised. These expenses are amortised over the remaining useful life of the related intangible asset using “the straight-line method”.

**XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any. Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

Office machine, furniture, leasehold improvements and vehicles	3-10 years
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The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down immediately to its “recoverable amount” and the provision for the diminution in value is charged to the income statement.

Property and equipment are not subject to valuation such that fair value is presented in the financial statements.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the regular repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

There is no pledge, mortgage or commitment on the Bank’s property and equipments.

The Bank expects no change with respect to accounting estimates that have significant impact on the current period or may have significant impact on the following periods.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the “lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset”. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of these assets. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognised. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.

The Bank can engage in financial lease transactions as the lessor. The financial leasing transactions are accounted in accordance with “Turkish Accounting Standard for Leasing Transactions” (TAS 17). The Bank records the gross amount of minimum lease receivables comprising of principal and interest amounts as “financial lease receivables” under lease receivables account. The difference between the aggregate of lease receivables and the cost of the related leased assets, corresponding to interest, is recorded under “unearned income” item. The interest income is recognised in the income statement on an accrual basis.

*Operating Lease*

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases, are accounted in income statements on a straight line basis during the lease period.

**XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS**

Provisions and contingent liabilities except for the financial instruments within the scope of the TAS 39 or the provisions recognised in accordance with the TAS 12 and TAS 19 are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the “Matching principle”. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

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**XV. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

Obligations related to employee termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

According to TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Bank has recognised the actuarial gains and losses that occur in related reporting periods in the “Statement of Income and Expense Items Accounted in Equity” and represented in the Prior Periods’ Income/ (Loss) item in the Shareholders Equity section.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. 20% is used in the calculation of the corporation tax. In accordance with the Provisional Article 10 added to the Corporate Tax Act, 20% of the Corporate Tax will be applied as 22% for corporate earnings for the tax years 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax asset is not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

**b. Transfer Pricing:**

Transfer pricing is regulated through article 13 of Corporate Tax Law titled “Transfer Pricing through camouflage of earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON BORROWINGS**

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortised cost” using the effective interest method.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities.

**XVIII. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES**

Transaction costs regarding the issuance of share certificates are accounted under shareholders’ equity after eliminating the tax effects. Dividend payments are determined by the General Assembly of Bank.

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

**XIX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

Avalized drafts and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”. The Bank has no avalized drafts and acceptances shown as liabilities against assets.

**XX. EXPLANATIONS ON GOVERNMENT GRANTS**

As of 31 December 2017 and 31 December 2016, the Bank has no government grants.

**XXI. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXII. EXPLANATIONS ON EARNINGS PER SHARE**

Earnings per share are calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned. Earnings per share disclosed in the income statement are calculated by dividing net profit for the year to the weighted average capital outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. Where the number of outstanding shares increase due to distribution of bonus shares after the balance sheet date but before the release of the financial statements, earnings per share computations are performed based on the revised average number of shares.

**XXIII. EXPLANATIONS ON RELATED PARTIES**

Parties defined in Article 49 of the Banking Law No.5411, Bank’s senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Section Five.

**XXIV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS**

For the purposes of the preparation of statement of cash flows, “Cash” includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

Information on operational fields which are determined in accordance with the Bank’s organisational and internal reporting structure and the requirements of “Turkish Financial Reporting Standards on Segment Reporting” (“TFRS 8”) is disclosed in Section Four.

**XXVI. RECLASSIFICATIONS**

In order to be consistent with the presentation of current period financial statements, certain reclassifications are made. The Bank does not have any reclassifications in the prior period’s financial statements.

**XXVII. EXPLANATIONS ON OTHER MATTERS**

None.

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**SECTION FOUR**

**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
RISK MANAGEMENT**

**I. INFORMATION ABOUT SHAREHOLDERS’ EQUITY ITEMS**

Equity Capital amount and capital adequacy standard ratio is calculated in accordance with the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and “Regulation on Equities of Banks”.

The current period equity amount of the Bank is TL 267,080 while its capital adequacy standard ratio is 31.36% as of 31 December 2017 (As of 31 December 2016 the equity amount was TL 248,081 and the capital adequacy ratio was 53.85%). The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

**a. Information about total capital items:**

	<b>Current Period 31 December 2017</b>	<b>Prior Period 31 December 2016</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up Capital	255,000	255,000
Share issue premiums	-	-
Retained earnings	324	324
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	-	11
Profit	-	-
Net profit of the period	16,008	14,005
Profit of the previous years	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	-
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>271,332</b>	<b>269,340</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Prudential valuation adjustments	-	-
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	10,725	24,682
Improvement costs for operating leasing	51	67
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	695	588
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	-
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-

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Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
Mortgage servicing rights (amount above 10% threshold)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-	
of which: significant investments in the common stock of financials	-	
of which: mortgage servicing rights	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments which shall be determined by the Board	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>11,471</b>	<b>25,337</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>259,861</b>	<b>244,003</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	
	-	
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>-</b>	
<b>Additional Tier 1 capital: regulatory adjustments</b>		
Investments in own Additional Tier 1 instruments	-	
Reciprocal cross-holdings in Additional Tier 1 instruments	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>	<b>174</b>	<b>393</b>
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	174	393
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	
<b>Total Additional Tier 1 capital</b>	<b>-</b>	
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>259,687</b>	<b>243,610</b>

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<b>TIER 2 CAPITAL</b>		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	
Provisions (Amounts stated on the 8th article of Regulation on Equities of Banks)	7,393	4,471
<b>Tier 2 capital before regulatory adjustments</b>	<b>7,393</b>	<b>4,471</b>
<b>Tier 2 capital: regulatory adjustments</b>		
Investments in own Tier 2 instruments	-	
Reciprocal cross-holdings in Tier 2 instruments	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier 2 capital</b>	<b>7,393</b>	<b>4,471</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>267,080</b>	<b>248,081</b>
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>	<b>-</b>	<b>-</b>
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
<b>OWN FUNDS</b>		
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>267,080</b>	<b>248,081</b>
<b>Total Risk Weighted Assets</b>	<b>851,763</b>	<b>460,716</b>
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	30.51%	52.96%
Tier 1 Capital Adequacy Ratio (%)	30.49%	52.88%
Capital Adequacy Ratio (%)	31.36%	53.85%

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<b>BUFFERS</b>		
Institution specific buffer requirement	1.37%	0.625%
of which: capital conservation buffer requirement (%)	1.25%	0.625%
of which: bank specific countercyclical buffer requirement (%)	0.12%	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	22.51%	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	-	
Significant investments in the common stock of financials	-	
Mortgage servicing rights (net of related tax liability)	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	7,393	4,471
Cap on inclusion of provisions in Tier 2 under standardised approach	7,393	4,471
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	



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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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**b. Information about instruments that will be included in total capital calculation:**

None.

**c. Information about debt securities issued that will be included in total capital calculation:**

None.

- d.** The difference between Total Capital in the table above and Equity in the unconsolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision is taken into consideration as Tier II Capital. Besides, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

**II. EXPLANATIONS ON CREDIT RISK**

- a.** The Bank takes into account the Banking Law as far as the limits applied to a single obligor or a risk group is concerned. Limits are determined to avoid sectoral concentration, and the compliance to these limits are monitored on transaction basis.

Regarding daily credit and security transactions, compliance to limits and concentrations are monitored and reported by the risk management unit. Besides, the compliance of credits to their limits are followed by operations, marketing and internal control units.

Credits and other receivables are re-evaluated at least once a year by the credit allocation unit. Borrower and facility ratings are calculated by using models specifically developed for this purpose.

Including the necessary documents, credit allocation activities are also subject to controls by the internal control unit, which is independent from business units.

- b.** The Bank classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA. In these regulations, credits that do not qualify for the Third Group in terms of days per due, are classified as "late collection", all the receivables within the third, fourth and fifth groups are classified as "Impaired", regardless of whether the accrued interests and interest-like burdens on the borrower are added to the principal or whether the credit has been refinanced or not.
- c.** Bank does not carry any forward or option positions or similar positions based on other agreements on the organized markets.
- d.** The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk, which may necessitate mitigation through futures or options. As credit risk increases, usage of such derivative instruments may be relevant.
- e.** The Bank does not have any non-cash loans that were transformed into cash. If such loans exist, they are going to be applied the same risk weight as the cash loans.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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- f.** The Bank does not have any credits that were renewed or agreed on a new payment plan. If such loans exist, they are planned to be monitored separately by the risk management unit in the monthly reports.

The discrimination of credit risk is performed through borrower and facility rating systems. No risk discrimination is made via maturity.

- g.** The Bank does not have any credit transaction abroad.

- h.** The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk.

- i.** The share of the greatest 100 and 200 cash loan customers within the total cash loans portfolio is 100% and 100%, respectively (31 December 2016: 100% and 100%).

The share of the greatest 100 and 200 non-cash loan customers within the total non-cash loans portfolio is 100% and 100%, respectively (31 December 2016: 100% and 100%).

The share of the greatest 100 and 200 cash and non-cash loan customers within the total cash and non-cash loans portfolio in the on and off balance sheets is 100% and 100%, respectively (31 December 2016: 100% and 100%).

- j.** General provision for the credit risk is TL 7,393 (31 December 2015: TL 4,471).

- k.** The Bank does not have any specific provision (31 December 2016: None). Cash loans are commercial loans, classified as standard credits.

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- I. The total amount of risk the Bank is exposed to, without taking into account the mitigation effects, and average of the risks grouped based on different risk classes and types are shown in the table below:

	31 December 2017		31 December 2016	
	Current Period Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>	Current Period Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
<b>Risk Classifications</b>	<b>1,184,576</b>	<b>862,262</b>	<b>645,789</b>	<b>500,693</b>
Conditional and unconditional receivables from Central Governments or Central Banks	78,431	44,457	35,267	18,924
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	149,494	116,245	109,477	75,366
Conditional and unconditional corporate receivables	907,963	656,815	487,440	392,433
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	33,949	25,933	-	865
Non-performing receivables	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	8,939	4,592	7,668	4,478
Investments in nature of Collective Investment funds	-	-	-	-
Equity security investments	-	-	-	-
Other receivables	5,800	14,220	5,937	8,627

(\*) The figures represent total risk amounts before Credit Risk Mitigation and after credit conversion factor.

(\*\*) Average risk amounts are calculated as arithmetical average of monthly amounts of relevant year.

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**Profile of significant exposures in significant regions**

	Risk Classifications (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	78,431	-	-	-	-	128,374	843,683	-	33,949	-	-	-	-	8,939	-	-	5,800	1,099,176
European Union Countries	-	-	-	-	-	1,757	-	-	-	-	-	-	-	-	-	-	-	1,757
OECD Countries (**)	-	-	-	-	-	-	56,991	-	-	-	-	-	-	-	-	-	-	56,991
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	2,959	-	-	-	-	-	-	-	-	-	-	-	2,959
Other Countries	-	-	-	-	-	16,404	7,289	-	-	-	-	-	-	-	-	-	-	23,693
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	78,431	-	-	-	-	149,494	907,963	-	33,949	-	-	-	-	8,939	-	-	5,800	1,184,576

(\*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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

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

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	Risk Classifications <sup>(*)</sup>																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
Domestic	35,267	-	-	-	-	82,777	424,202	-	-	-	-	-	-	7,668	-	-	5,937	555,851
European Union Countries	-	-	-	-	-	5,917	53,136	-	-	-	-	-	-	-	-	-	-	59,053
OECD Countries (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	678	-	-	-	-	-	-	-	-	-	-	-	678
Other Countries	-	-	-	-	-	20,105	10,102	-	-	-	-	-	-	-	-	-	-	30,270
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	35,267	-	-	-	-	109,477	487,440	-	-	-	-	-	-	7,668	-	-	5,937	645,789

(\*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 17) Other receivables

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

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

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**Risk profile by sectors or counterparties**

Current Period	Risk Classifications (*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Farming and Stockbreeding</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Forestry</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Fishery</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	161,958	-	-	-	-	-	-	-	-	-	-	53,769	108,189	161,958
<i>Mining and Quarrying</i>	-	-	-	-	-	-	37,705	-	-	-	-	-	-	-	-	-	-	-	37,705	37,705
<i>Production</i>	-	-	-	-	-	-	77,255	-	-	-	-	-	-	-	-	-	-	42,529	34,726	77,255
<i>Electricity, Gas and Water</i>	-	-	-	-	-	-	46,998	-	-	-	-	-	-	-	-	-	-	11,240	35,758	46,998
<b>Construction</b>	-	-	-	-	-	-	112,858	-	8,026	-	-	-	-	-	-	-	-	66,076	54,808	120,884
<b>Services</b>	78,431	-	-	-	-	149,494	547,411	-	25,923	-	-	-	-	8,939	-	-	-	560,839	249,359	810,198
<i>Wholesale and Retail Trade</i>	-	-	-	-	-	-	49,127	-	17,018	-	-	-	-	-	-	-	-	22,027	44,118	66,145
<i>Accommodation and Dining</i>	-	-	-	-	-	-	932	-	-	-	-	-	-	-	-	-	-	932	-	932
<i>Transportation and Telecom</i>	-	-	-	-	-	-	79,196	-	-	-	-	-	-	-	-	-	-	31,719	47,477	79,196
<i>Financial Institutions</i>	78,431	-	-	-	-	149,494	394,445	-	8,905	-	-	-	-	8,939	-	-	-	482,450	157,764	640,214
<i>Real Estate and Rental Services</i>	-	-	-	-	-	-	23,711	-	-	-	-	-	-	-	-	-	-	23,711	-	23,711
<i>Professional Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Educational Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Health and Social Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Others</b>	-	-	-	-	-	-	85,736	-	-	-	-	-	-	-	-	-	5,800	29,981	61,555	91,536
<b>Total</b>	<b>78,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149,494</b>	<b>907,963</b>	<b>-</b>	<b>33,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,939</b>	<b>-</b>	<b>-</b>	<b>5,800</b>	<b>710,665</b>	<b>473,911</b>	<b>1,184,576</b>

(\*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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Prior Period	Risk Classifications (*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Farming and Stockbreeding</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Forestry</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Fishery</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	-	-	-	-	38,056	-	-	-	-	-	-	-	-	-	-	26,840	11,216	38,056
<i>Mining and Quarrying</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Production</i>	-	-	-	-	-	-	23,407	-	-	-	-	-	-	-	-	-	-	19,207	4,200	23,407
<i>Electricity, Gas and Water</i>	-	-	-	-	-	-	14,649	-	-	-	-	-	-	-	-	-	-	7,633	7,016	14,649
<b>Construction</b>	-	-	-	-	-	-	58,445	-	-	-	-	-	-	-	-	-	-	25,615	32,830	58,445
<b>Services</b>	35,267	-	-	-	-	109,477	306,661	-	-	-	-	-	-	7,668	-	-	-	397,104	61,969	459,073
<i>Wholesale and Retail Trade</i>	-	-	-	-	-	-	41,536	-	-	-	-	-	-	-	-	-	-	24,668	16,868	41,536
<i>Accommodation and Dining</i>	-	-	-	-	-	-	5,345	-	-	-	-	-	-	-	-	-	-	5,345	-	5,345
<i>Transportation and Telecom</i>	-	-	-	-	-	-	7,667	-	-	-	-	-	-	-	-	-	-	7,403	264	7,667
<i>Financial Institutions</i>	35,267	-	-	-	-	109,477	241,492	-	-	-	-	-	-	7,668	-	-	-	349,067	44,837	393,904
<i>Real Estate and Rental Services</i>	-	-	-	-	-	-	10,621	-	-	-	-	-	-	-	-	-	-	10,621	-	10,621
<i>Professional Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Educational Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Health and Social Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Others</b>	-	-	-	-	-	-	84,278	-	-	-	-	-	-	-	-	-	5,937	33,454	56,761	90,215
<b>Total</b>	<b>35,267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,477</b>	<b>487,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,668</b>	<b>-</b>	<b>-</b>	<b>5,937</b>	<b>483,013</b>	<b>162,776</b>	<b>645,789</b>

(\*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
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**n. Analysis of maturity-bearing exposures according to remaining maturities**

Risk Classifications (Current Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year <sup>(*)</sup>
Conditional and unconditional receivables from Central Governments or Central Banks	77,526	-	-	905	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	100,089	2,500	15,555	14,500	16,850
Conditional and unconditional corporate receivables	218,542	79,179	169,878	179,055	261,309
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	17,018	16,931
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	8,939	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	-	-	-	-	5,800
<b>Total (*)</b>	<b>405,096</b>	<b>81,679</b>	<b>185,433</b>	<b>211,478</b>	<b>300,890</b>

(\*) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

(\*\*) Includes also undistributed amounts.

Risk Classifications (Prior Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year <sup>(*)</sup>
Conditional and unconditional receivables from Central Governments or Central Banks	33,874	1,232	161	-	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	19,311	14,139	2,911	19,443	53,673
Conditional and unconditional corporate receivables	133,610	50,015	84,168	124,225	95,422
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	-	-
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	3,725	3,943	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Other receivables	-	-	-	-	5,937
<b>Total (*)</b>	<b>190,520</b>	<b>69,329</b>	<b>87,240</b>	<b>143,668</b>	<b>155,032</b>

(\*) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

(\*\*) Includes also undistributed amounts.



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- o. The Bank has no particular agreement with a credit rating agency.
- p. There is no credit rating for issuer or issue for the items not included in trading accounts where there is no credit ratings.
- q. **Risk amounts according to risk weights**

<b>Risk Weights (Current Period)</b>	<b>%0</b>	<b>%20</b>	<b>%50</b>	<b>%100</b>	<b>%150</b>	<b>%1250</b>	<b>Deductions from Equity</b>
Amounts before Credit Risk Mitigation	79,658	145,447	347,804	611,644	23	-	920
Amounts after Credit Risk Mitigation	87,715	145,447	347,804	603,587	23	-	920

<b>Risk Weights (Prior Period)</b>	<b>%0</b>	<b>%20</b>	<b>%50</b>	<b>%100</b>	<b>%200</b>	<b>%1250</b>	<b>Deductions from Equity</b>
Amounts before Credit Risk Mitigation	16,604	88,622	252,539	283,020	5,004	-	1,048
Amounts after Credit Risk Mitigation	21,230	88,622	252,539	278,394	5,004	-	1,048

- r. **Movements in value adjustments and provisions**

	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
<b>Specific provisions</b>	-	-	-	-	-
<b>General provisions</b>	4,471	2,922	-	-	7,393

- s. **Miscellaneous Information by major sectors and type of counterparties**

In accordance with TAS and TFRS;

*Impaired loans;* By the end of the reporting period, not more than 90 days overdue or impaired due to credibility. For such loans, "Specific Provisions" are calculated within the scope of Provision Regulation.

*Overdue Loans;* By the end of the reporting period up to 90 days due but not impaired loans. For such loans, "General Provisions" are calculated within the scope of Provision Regulation.

The Bank does not have any impaired loans or overdue loans as at 31 December 2017 and 2016.

- t. **Risk involved in counter-cyclical capital buffer calculation**

The breakdown of private sector receivables by geographic area which considered in the calculation of counter-cyclical capital buffer in accordance with 'Capital Conservation and Countercyclical Capital buffers' published in official gazette dated 5 November 2013 and numbered 28812 and the sub-regulations are provided in the table below:

<b>Current period</b>	<b>Banking book for private</b>		
<b>Country</b>	<b>sector lending</b>	<b>RWAs of trading book</b>	<b>Total</b>
Azerbaijan	16,127	-	16,127
Georgia	7,289	-	7,289
Ireland	56,991	-	56,991
<b>Total</b>	<b>80,407</b>	<b>-</b>	<b>80,407</b>

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**III. EXPLANATIONS ON CURRENCY RISK**

The Bank's foreign currency position is managed within the limits set by legislation and the Bank. The basic principle in foreign currency risk management is not to be exposed to currency risk. Accordingly, the exchange-trading risk positions are not allocated to the limit, banking accounts as of the currency by creating a matched asset-liability structure is aimed to provide natural protection. The Bank uses derivative financial instruments such as forward foreign exchange contracts and currency swaps for hedging purposes in foreign currency denominated transactions.

Bank's methodology of digitising the foreign currency position includes the use of standard method when calculating the capital adequacy ratio and application of internal stress tests/ sensitivity analysis.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five business days prior to that date:

	USD		EURO	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Bid Rate</b>	3.7719	3.5192	4.5155	3.7099
1. Day's bid rate	3.8104	3.5318	4.5478	3.6939
2. Day's bid rate	3.8197	3.5329	4.5385	3.6901
3. Day's bid rate	3.8029	3.5135	4.5116	3.6711
4. Day's bid rate	3.8087	3.5041	4.5205	3.6639
5. Day's bid rate	3.8113	3.5077	4.5171	3.6647

The simple arithmetic average of the Bank's foreign exchange bid rates for the last thirty one days preceding the balance sheet date:

	USD		EURO	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Arithmetic average - 31 days	3.8417	3.4935	4.5496	3.6840

**Information on currency risk of the Bank:**

The following table shows the foreign currency net general position of the bank on the basis of foreign currencies. In accordance with GAAP, assets which are indexed to foreign currency are shown on financial statements as TL rather than foreign currencies.

Assets which are indexed to foreign currency are considered as foreign currency item in calculation of foreign currency net general position. In accordance with the "Regulation on Calculation and Implementation of Foreign currency net general position/equity standard rate by banks on consolidated and non-consolidated basis", derivative financial assets, hedge derivative financial assets, deferred tax asset and prepaid expenses in assets; general provisions, deferred tax liability, derivative financial liabilities, hedge derivative financial liabilities and Equity in liabilities are not taken into account in calculation of exchange risk. Therefore, there are differences between foreign currency assets and liabilities total included in table below and those included in balance sheet. Actual foreign currency position of the Bank is shown in the table below in financial and economic context.

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	EUR	USD	Other FC	Total
<b>31 December 2017</b>				
<b>Assets</b>				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	3,142	64,644	-	67,786
Due from Banks	12,147	61,439	1	73,587
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	-	7,289	7,289
Loans (*)	101,985	144,172	-	246,157
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets(****)	-	17,066	-	17,066
<b>Total Assets</b>	<b>117,274</b>	<b>287,321</b>	<b>7,290</b>	<b>411,885</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	85,007	209,540	7,250	301,797
Marketable Securities Issued	-	94,412	-	94,412
Miscellaneous Payables	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities(***)	8,496	14,975	-	23,471
<b>Total Liabilities</b>	<b>93,503</b>	<b>318,927</b>	<b>7,250</b>	<b>419,680</b>
<b>Net On-balance Sheet Position</b>	<b>23,771</b>	<b>(31,606)</b>	<b>40</b>	<b>(7,795)</b>
<b>Net Off-balance Sheet Position</b>	<b>(22,080)</b>	<b>32,061</b>	<b>-</b>	<b>9,981</b>
Derivative Financial Assets (**)	-	32,061	-	32,061
Derivative Financial Liabilities (**)	22,080	-	-	22,080
Non-Cash Loans (*****)	87,692	72,762	-	160,454
<b>31 December 2016</b>				
<b>Total Assets</b>	<b>63,488</b>	<b>103,873</b>	<b>6,676</b>	<b>174,037</b>
<b>Total Liabilities</b>	<b>48,449</b>	<b>91,875</b>	<b>6,660</b>	<b>146,984</b>
<b>Net On-balance Sheet Position</b>	<b>15,039</b>	<b>11,998</b>	<b>16</b>	<b>27,053</b>
<b>Net Off-balance Sheet Position</b>	<b>(14,840)</b>	<b>(3,519)</b>	<b>-</b>	<b>(18,359)</b>
Derivative Financial Assets	-	3,519	-	3,519
Derivative Financial Liabilities	14,840	7,038	-	21,878
<b>Non-Cash Loans(*****)</b>	<b>27,170</b>	<b>38,576</b>	<b>1,713</b>	<b>67,459</b>

(\*) Foreign currency indexed loans amounting to TL 52,231 (31 December 2016 : TL 44,990) are included.

(\*\*) Forward purchase/sell transactions and swaps recorded under commitments are included.

(\*\*\*) Fair value of trading derivative transactions amounting to TL 692 presented under “trading derivative financial liabilities” account is not included.

(\*\*\*\*) Foreign currency lease receivables amounting to TL 17,018 presented in “Other Assets” line.

(\*\*\*\*\*) Does not have an effect on currency position.

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**Foreign Exchange Sensitivity Analysis:**

The effects (excluding tax effects) of 10% weakening of TL against the foreign currencies below at 31 December 2017 and 2016 on the equity and profit or loss are presented below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
USD	%10	46	848	46	848
EUR	%10	169	20	169	20

**IV. EXPLANATIONS ON INTEREST RATE RISK**

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank’s interest rate sensitive assets and liabilities.

The interest rate sensitivity of Assets, Liabilities and Off-balance sheet items is carefully followed up by the treasury department of the Bank. Assets and liabilities which are sensitive to interest are managed in such a way that minimizes the interest risk.

The interest rate risk of the banking items is measured legally in accordance with the “Regulation on Measurement and Assessment of Standard Shock Method on the interest rate risk arising from banking accounts”, and this legal limit is monitored and reported monthly, based on this measurement.

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**Interest rate sensitivity of the Bank:**

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates**

<b>31 December 2017</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	67,673	-	-	-	-	9,900	77,573
Due from Banks	58,478	-	-	-	-	15,138	73,616
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	4,943	4,943
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	2,524	9,303	9,481	-	-	-	21,308
Loans	254,990	169,508	133,604	111,387	9,610	-	679,099
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*) (***)	-	-	17,018	16,931	-	6,357	40,306
<b>Total Assets</b>	<b>383,665</b>	<b>178,811</b>	<b>160,103</b>	<b>128,318</b>	<b>9,610</b>	<b>36,338</b>	<b>896,845</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	62,729	-	-	-	-	-	62,729
Miscellaneous Payables	-	-	-	-	-	178	178
Marketable Securities Issued	29,252	58,077	-	94,412	-	-	181,741
Funds Borrowed From Other Financial Institutions	70,164	27,931	167,656	75,636	-	-	341,387
Other Liabilities (**)	11,997	187	193	-	-	298,433	310,810
<b>Total Liabilities</b>	<b>174,142</b>	<b>86,195</b>	<b>167,849</b>	<b>170,048</b>	<b>-</b>	<b>298,611</b>	<b>896,845</b>
Balance Sheet Long Position	209,523	92,616	-	-	9,610	-	311,749
Balance Sheet Short Position	-	-	(7,746)	(41,730)	-	(262,273)	(311,749)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>209,523</b>	<b>92,616</b>	<b>(7,746)</b>	<b>(41,730)</b>	<b>9,610</b>	<b>(262,273)</b>	

(\*) Property and equipment, intangible assets and non-interest bearing assets in other assets and tax assets are presented under “Non-Interest bearing” column of Other Assets” line.  
(\*\*) Shareholders’ equity, provisions, non-interest bearing liabilities in other liabilities and tax liability is presented under “Other Liabilities” in the “Non-Interest Bearing” column.  
(\*\*\*) Lease receivables are included in other assets line.

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<b>31 December 2016</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with The CBRT	19,579	-	-	-	-	14,857	34,436
Due From Banks	22,530	-	-	-	-	6,614	29,144
Financial Assets at Fair Value Through Profit/Loss	-	281	-	-	-	-	281
Interbank Money Market Placements	-	15,133	-	-	-	-	15,133
Available-for-Sale Financial Assets	3,724	12,779	4,035	-	-	-	20,538
Loans	178,777	86,269	128,751	10,073	-	-	403,870
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	6,955	6,955
<b>Total Assets</b>	<b>224,610</b>	<b>114,462</b>	<b>132,786</b>	<b>10,073</b>	<b>-</b>	<b>28,426</b>	<b>510,357</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	15,963	-	-	-	-	-	15,963
Miscellaneous Payables	-	-	-	-	-	1,454	1,454
Marketable Securities Issued	37,239	-	-	-	-	-	37,239
Funds Borrowed From Other Financial Institutions	44,281	9,171	138,445	-	-	-	191,897
Other Liabilities (**)	500	1,603	-	-	-	261,701	263,804
<b>Total Liabilities</b>	<b>97,983</b>	<b>10,774</b>	<b>138,445</b>	<b>-</b>	<b>-</b>	<b>263,155</b>	<b>510,357</b>
Balance Sheet Long Position	126,627	103,688	-	10,073	-	-	240,388
Balance Sheet Short Position	-	-	(5,659)	-	-	(234,729)	(240,388)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>126,627</b>	<b>103,688</b>	<b>(5,659)</b>	<b>10,073</b>	<b>-</b>	<b>(234,729)</b>	<b>-</b>

(\*) Property and equipment, intangible assets and non-interest bearing assets in other assets and tax assets are presented under “Non-Interest bearing” column of Other Assets” line.

(\*\*) Shareholders’ equity, provisions, non-interest bearing liabilities in other liabilities and tax liability is presented under “Other Liabilities” in the “Non-Interest Bearing” column.

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**b. Average interest rates for monetary financial instruments:**

<b>31 December 2017</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.29	-	4.00
Due From Banks	0.04	1.21	-	13.97
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	13.43
Available-for-Sale Financial Assets	-	-	-	12.14
Loans (*)	4.54	6.09	-	15.33
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	13.72
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	4.85	-	13.93
Funds Borrowed From Other Financial Inst.	1.43	3.17	-	12.64

(\*) Average interest rates applied to lease receivables are included in the “Loans” line.

<b>31 December 2016</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.75	-	5.31
Due From Banks	0.10	1.49	-	9.41
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	9.69
Available-for-Sale Financial Assets	-	-	-	10.20
Loans	3.84	4.92	-	13.65
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	8.77
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	11.73
Funds Borrowed From Other Financial Inst.	1.79	3.02	-	11.01

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- c. Economic value differences resulted from interest rate instabilities calculated according to regulation on measurement and evaluation of interest rate risk resulted from banking book as per standard shock method:

Current Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TL	(+) 500 bps	(7,942)	(2.97%)
TL	(-) 400 bps	7,145	2.68%
USD	(+) 200 bps	2,667	1.00%
USD	(-) 200 bps	(1,787)	(0.67%)
EUR	(+) 200 bps	(1,654)	(0.62%)
EUR	(-) 200 bps	2,602	0.97%
<b>TOTAL (for negative shocks)</b>		<b>7,959</b>	<b>2.98%</b>
<b>TOTAL (for positive shocks)</b>		<b>(6,930)</b>	<b>(2.59%)</b>

Prior Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TL	(+) 500 bps	(3,093)	(1.25%)
TL	(-) 400 bps	2,676	1.08%
USD	(+) 200 bps	965	0.39%
USD	(-) 200 bps	(628)	(0.25%)
EUR	(+) 200 bps	(925)	(0.37%)
EUR	(-) 200 bps	(185)	(0.07%)
<b>TOTAL (for negative shocks)</b>		<b>1,863</b>	<b>0.76%</b>
<b>TOTAL (for positive shocks)</b>		<b>(3,053)</b>	<b>(1.23%)</b>

- d. Total unrealized gains or losses, total revaluation increases with the amount of their primary and contribution included in capital:

As of 31 December 2017, The Bank’s portfolio does not have private equity investments, publicly traded shares and other share equities (31 December 2016: None).



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**V. EXPLANATIONS ON EQUITY POSITION RISK**

The Bank does not hold equity position as of 31 December 2017 (31 December 2016: None).

**VI. EXPLANATIONS ON LIQUIDITY RISK**

**a) Information on risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk at bank, liquidity risk management including how liquidity risk strategy, policy and implementations communicates with board of directors and business units:**

Liquidity risk is the risk occurring as a result of non-availability of sufficient cash on hand or cash inflow to meet cash outflows in a timely manner completely as a result of imbalance in cash flows. Treasury department manages the cash flow and the liquidity of the Bank and informs ALCO about the liquidity position of the Bank. Planning the weekly, monthly and annual liquidity management and taking the necessary measures is the responsibility of Treasury Department coordinately with Regulatory Reporting and Risk Management departments, informing the top managements is the responsibility of Risk Management department.

The Bank forms its assets and liabilities in balance not to create a negative gap on cumulative basis in maturity segments.

In accordance with the “Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks” entered into force after published on Official Gazette dated November 1, 2006 and numbered 26333 by BRSA, weekly simple average of total liquidity adequacy rates related to primary maturity segment and total liquidity adequacy rate related to secondary maturity segment cannot be less than 100% while weekly simple average of foreign currency liquidity ratio related to primary maturity segment and foreign currency adequacy rate related to secondary maturity segment cannot be less than 80%.

Treasury department manages the liquidity of the Bank daily and informs assets and liabilities committee weekly about the liquidity level of the Bank. Treasury department is responsible for planning liquidity management, taking measures and informing the senior management of aforementioned issues.

Regulatory reporting department is responsible for measuring and reporting of legal liquidity ratios.

Stress test applied to liquidity position and calculation of liquidity coverage rate is performed by Risk Management Department.

Risk Management Department monitors related unit’s activities and reports to the Senior Management monthly.

**b) Information on centralization grade of liquidity management and funding strategy and its functionality among Bank and its affiliates:**

There is no structured liquidity management requiring centralization between bank and its affiliates.

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**c) Information on funding strategy of the Bank including policies related to diversity of funding sources and periods:**

The main funding sources of the Bank are provided by domestic and foreign banks, repo transactions, money market transactions and issued marketable securities and diversification of aforementioned sources are made in order to minimize liquidity risk. Financial Institutions Department carries out studies which are required to relate supplying of long term foreign source.

**d) Information on liquidity management based on currencies forming at least 5% of total liabilities of the Bank:**

Almost all the liabilities of the Bank consists of TL, USD and EUR and equities mainly forming the TL sources.

TL liquidity of the Bank is managed through funds provided from domestic and foreign banks via repo transactions made in BIST using high quality (premium) securities.

TL and foreign currency cash flow of the Bank in scope of Balance sheet management is monitored separately. Risk Management Department reports to ALCO and Risk Management Committee periodically.

**e) Information on liquidity risk reduction techniques**

Liquidity limits are determined in order to keep the risk regarding liquidity risk in defined limits and to monitor liquidity position. The aforementioned limits have been determined in accordance with “Regulation on Measurement and Evaluation of Bank’s Liquidity Adequacy” in Risk Limits document and approved by Board of Directors.

**f) Disclosure regarding use of stress test**

Liquidity stress test regarding adverse effects in the Bank’s liquidity due to fluctuations in capital markets is applied by Risk Management Department if it is deemed necessary and reported to Risk Management Committee.

Threshold of weekly and monthly liquidity rate for stress tests which shall be applied for above mentioned scenarios is taken into consideration as 80% for foreign currency assets/liabilities and as 100% for total assets/liabilities.

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**g) Information related to emergency and unexpected situation plan for Liquidity:**

“Emergency and unexpected situation plan for Liquidity” is approved by the Board of Directors and established in order to manage possible liquidity crisis and required actions for losses which can occur in extraordinary conditions are determined with preventing mechanisms and liquidity squeeze scenarios. The scope of the aforementioned plan is to pre-determine applicable scenarios, measurement of liquidity risk and the actions which shall be taken towards those risks.

**h) Liquidity ratios realized in the current period**

The liquidity ratios regarding first and second maturity tranches are presented below:

	First Maturity Tranche (Weekly) <sup>(*)</sup>		Second Maturity Tranche (Monthly) <sup>(*)</sup>	
	FC	FC +TL	FC	FC +TL
<b>31 December 2017</b>				
Average (%)	595	221	180	157
Maximum (%)	1,137	291	382	220
Minimum (%)	190	156	81	107

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>31 December 2016</b>				
Average (%)	221	377	116	383
Maximum (%)	327	556	167	587
Minimum (%)	144	195	87	279

(\*) Monthly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the tables above.

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**i) Liquidity Coverage Ratio**

Referring to the BRSA's announcement dated 29/12/2014, no: 30223; it is stated that, as of year 2017, development and investment banks' foreign currency and total consolidated and unconsolidated liquidity coverage ratios are not subject to regulatory limits according to paragraph 5 of article 4 of Regulations About Banks' Liquidity Coverage Ratio Measurement.

Current Period-31 December 2017 (**)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TL+FC	FC	TL+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			77,920	57,566
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	203,346	64,520	203,346	64,520
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	203,346	64,520	203,346	64,520
9 Secured Debts			-	-
10 Other Cash Outflows	90,556	31,824	36,222	12,730
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	90,556	31,824	36,222	12,730
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	273,059	128,934	27,306	12,893
<b>16 TOTAL CASH OUTFLOWS</b>			<b>266,874</b>	<b>90,143</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	194,543	54,823	126,410	54,549
19 Other cash inflows	-	-	-	-
<b>20 TOTAL CASH INFLOWS</b>	<b>194,543</b>	<b>54,823</b>	<b>126,410</b>	<b>54,549</b>
<b>21 TOTAL HLA STOCK</b>			<b>Upper limit applied amount</b>	
			<b>77,920</b>	<b>57,566</b>
<b>22 TOTAL NET CASH OUTFLOWS (*)</b>			<b>140,464</b>	<b>35,594</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>55.47%</b>	<b>161.73%</b>

(\*) The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

(\*\*) Monthly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the tables above.

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Prior Period-31 December 2016	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TL+FC	FC	TL+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			23,519	10,381
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	58,280	20,695	58,280	20,695
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	58,280	20,695	58,280	20,695
9 Secured Debts			-	-
10 Other Cash Outflows	42,322	27,499	17,104	11,803
11 Derivative liabilities and margin liabilities	293	1,339	293	1,339
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	42,029	26,160	16,811	10,464
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	136,167	26,344	13,617	2,634
<b>16 TOTAL CASH OUTFLOWS</b>			<b>89,001</b>	<b>35,132</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	217,074	6,727	150,894	5,992
19 Other cash inflows	1	155	1	155
<b>20 TOTAL CASH INFLOWS</b>	<b>217,075</b>	<b>6,882</b>	<b>150,895</b>	<b>6,147</b>
			<b>Upper limit applied amount</b>	
<b>21 TOTAL HLA STOCK</b>			<b>23,519</b>	<b>10,381</b>
<b>22 TOTAL NET CASH OUTFLOWS (*)</b>			<b>22,250</b>	<b>28,985</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>105.70%</b>	<b>35.82%</b>

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**j) Breakdown of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified (*)	Total
<b>31 December 2016</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	9,900	67,673	-	-	-	-	-	77,573
Due From Banks	15,138	58,478	-	-	-	-	-	73,616
Financial Assets at Fair Value Through Profit/Loss	4,943	-	-	-	-	-	-	4,943
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	9,482	9,303	2,523	-	21,308
Loans	-	188,818	94,000	190,375	196,296	9,610	-	679,099
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (*) (**)	-	3,208	2	17,018	16,931	-	3,147	40,306
<b>Total Assets</b>	<b>29,981</b>	<b>318,177</b>	<b>94,002</b>	<b>216,875</b>	<b>222,530</b>	<b>12,133</b>	<b>3,147</b>	<b>896,845</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	70,164	27,931	167,656	75,636	-	-	341,387
Miscellaneous Payables	-	62,729	-	-	-	-	-	62,729
Marketable Securities Issued	-	29,252	58,077	-	94,412	-	-	181,741
Funds Borrowed From Other Financial Institutions	-	150	-	28	-	-	-	178
Other Liabilities (**)	8,682	28,460	1,860	193	-	-	271,615	310,810
<b>Total Liabilities</b>	<b>8,682</b>	<b>190,755</b>	<b>87,868</b>	<b>167,877</b>	<b>170,048</b>	<b>-</b>	<b>271,615</b>	<b>896,845</b>
<b>Liquidity Gap</b>	<b>21,299</b>	<b>127,422</b>	<b>6,134</b>	<b>48,998</b>	<b>52,482</b>	<b>12,133</b>	<b>(268,468)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>(729)</b>	<b>(47)</b>	<b>356</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(420)</b>
Financial Derivative Assets	-	34,503	8,307	11,645	-	-	-	54,455
Financial Derivative Liabilities	-	(35,232)	(8,354)	(11,289)	-	-	-	(54,875)
<b>Non-cash Loans (****)</b>	<b>-</b>	<b>4,651</b>	<b>5,493</b>	<b>194,317</b>	<b>51,508</b>	<b>-</b>	<b>109,958</b>	<b>365,927</b>
<b>31 December 2015</b>								
Total Assets	21,471	168,797	69,005	176,322	71,885	-	2,877	510,357
Total Liabilities	3,417	102,951	12,277	139,898	-	-	251,814	510,357
<b>Liquidity Gap</b>	<b>18,054</b>	<b>65,846</b>	<b>56,728</b>	<b>36,424</b>	<b>71,885</b>	<b>-</b>	<b>(248,937)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>-</b>	<b>(1,046)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,046)</b>
Financial Derivative Assets	-	-	24,108	-	-	-	-	24,108
Financial Derivative Liabilities	-	-	(25,154)	-	-	-	-	(25,154)
<b>Non-cash Loans (****)</b>	<b>-</b>	<b>176</b>	<b>2,006</b>	<b>78,820</b>	<b>-</b>	<b>26,044</b>	<b>90,864</b>	<b>197,910</b>

(\*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as property and equipment, intangible assets, associates and subsidiaries, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

(\*\*) Shareholders' equity, provisions and commissions collected in advance is presented under "Other liabilities" item in the "Unclassified" column.

(\*\*\*) Lease receivables are included in other assets line.

(\*\*\*\*) Letter of guarantees without a defined maturity are presented under unclassified column.

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**k) Breakdown of contractual cash outflows of financial liabilities according to their remaining maturities:**

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>Liabilities</b>					
Deposits	-	-	-	-	-
Funds borrowed from other financial inst.	70,384	28,081	170,466	78,394	-
Funds from interbank money market	62,799	-	-	-	-
Financial leasing payables	-	-	-	-	-
Marketable securities issued	29,484	59,244	-	117,165	-
Current accounts of customers	19,995	-	-	-	-
<b>Total</b>	<b>182,662</b>	<b>87,325</b>	<b>170,466</b>	<b>195,559</b>	<b>-</b>

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>Liabilities</b>					
Deposits	-	-	-	-	-
Funds borrowed from other financial inst.	44,302	9,208	143,181	-	-
Funds from interbank money market	15,968	-	-	-	-
Financial leasing payables	-	-	-	-	-
Marketable securities issued	37,500	-	-	-	-
Current accounts of customers	3,917	-	-	-	-
<b>Total</b>	<b>101,687</b>	<b>9,208</b>	<b>143,181</b>	<b>-</b>	<b>-</b>

**l) Breakdown of derivative instruments according to their remaining contractual maturities:**

The Bank's derivative transactions according to their contractual maturities are in the table below as of 31 December 2017:

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 years and above</b>
Forward (*)	4,879	16,661	22,934	-	-
Swap	64,856	-	-	-	-
Futures	-	-	-	-	-
Options	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>69,735</b>	<b>16,661</b>	<b>22,934</b>	<b>-</b>	<b>-</b>

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 years and above</b>
Forward	-	-	27,713	-	-
Swap	-	-	21,549	-	-
Futures	-	-	-	-	-
Options	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>49,262</b>	<b>-</b>	<b>-</b>

(\*) Asset purchase and sales commitments are included two days termed transactions.

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**VII. EXPLANATIONS ON LEVERAGE RATIO**

Unconsolidated leverage ratio was realized as 20.1% (31 December 2016: 35.1%). The increase occurred in the on-balance sheet assets and off-balance sheet transactions led to a change in leverage compared to the previous period. Regulation has been linked to the provision of the minimum leverage ratio of 3%.

	<b>Current Period*</b>	<b>Prior Period *</b>
<b>Asset On The Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	834,480	481,081
(Assets deducted from core capital)	(865)	(770)
Total risk amount for assets on the balance sheet	833,615	480,311
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	1	161
Potential credit risk amount of derivative financial instruments and loan derivatives	549	236
Total risk amount of derivative financial instruments and loan derivatives	550	397
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	652	152
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	652	152
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	457,103	209,940
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	457,103	209,940
<b>Capital and Total Risk</b>		
Core capital	258,605	242,723
Total risk amount	1,291,920	690,800
<b>Leverage Ratio</b>		
Leverage ratio	<b>20.1%</b>	<b>35.1%</b>

\* Arithmetic average of last three months including reporting period.



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**VIII. EXPLANATIONS ON THE RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” that have been published in official gazette no 29511 on 23 October 2015. Since Internal Rating-Based (IRB) approach is not applied, tables that have to be prepared within the scope of IRB, are not presented.

**a. Bank’s risk management approach**

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level.

General strategies regarding Bank’s risk management are given below:

- Effective risk management within the Bank’s risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas.
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank’s Board of Directors has the ultimate responsibility for setting-up and monitoring the efficiency of such a risk management system. The Board of Directors manages the risks through Risk Management Committee (RMC). RMC is responsible for the development of risk policies, measurement of risks and determination of methods to manage them, setting up of appropriate risk limits and their monitoring. All the risk policies of RMC are written and integrated with the Bank’s long term strategy.

The Board of Directors fulfils its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors regularly reviews and approves Bank’s main risk approach, risk principles and policies which are initially discussed and decided by the Risk Management Committee. The Board of Directors also determines Bank’s risk appetite by risk limits taking market conditions and Bank’s risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank’s Senior Management is responsible to the Bank’s Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner.

The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management’s responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

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Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyse the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed to. The effectiveness and efficiency of the risk mitigation techniques are regularly monitored.

**b. General view to 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)	804,097	429,126	64,328
2	Of which standardised approach (SA)	804,097	429,126	64,328
3	Of which internal rating-based (IRB) approach		-	-
4	Counterparty credit risk	2,516	1,008	201
5	Of which standardised approach for counterparty credit risk (SA-CCR)	2,516	1,008	201
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fallback 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	3,288	10,049	263
17	Of which standardised approach (SA)	3,288	10,049	263
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	41,862	20,533	3,349
20	Of which Basic Indicator Approach	41,862	20,533	3,349
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>851,763</b>	<b>460,716</b>	<b>68,141</b>

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**c. Linkages between financial statements and regulatory exposures**

c.1.) Differences and mapping between regulatory consolidation and financial statement:

	Carrying values as reported in published financial statements (*)	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk (**)	
<b>31 December 2017</b>						
<b>Assets</b>						
Cash and balances at central bank	77,573	77,573	-	-	-	-
Financial assets held for trading	4,943	-	-	-	4,943	-
Financial assets designated at fair value through profit/loss	-	-	-	-	-	-
Banks	73,616	73,616	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	21,308	11,386	9,922	-	-	-
Loans and receivables	679,099	679,099	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	33,949	33,949	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	655	604	-	-	-	51
Intangible assets (net)	869	-	-	-	-	869
Investment properties (net)	-	-	-	-	-	-
Tax assets	902	902	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-	-
Other assets	3,931	3,931	-	-	-	-
<b>Total assets</b>	<b>896,845</b>	<b>881,060</b>	<b>9,922</b>	<b>-</b>	<b>4,943</b>	<b>920</b>
<b>Liabilities</b>						
Deposits	-	-	-	-	-	-
Derivative financial liabilities held for trading	1,072	-	1,072	-	1,072	-
Funds borrowed	341,387	-	-	-	-	341,387
Debt to money markets	62,729	-	8,057	-	-	54,672
Debt securities in issue	181,741	-	-	-	-	181,741
Funds	19,987	-	-	-	-	19,987
Various debts	178	-	-	-	-	178
Other liabilities	16,960	-	-	-	-	16,960
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	9,660	-	-	-	-	9,660
Tax liability	2,524	-	-	-	-	2,524
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	260,607	-	-	-	-	260,607
<b>Total liabilities</b>	<b>896,845</b>	<b>-</b>	<b>9,129</b>	<b>-</b>	<b>1,072</b>	<b>887,716</b>

(\*) Unconsolidated financial statements of Bank are stated.

(\*\*) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are represented in “Subject to market risk framework” column.

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c.2.) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk (*)
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	895,925	881,060	-	9,922	4,943
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	(9,129)	-	-	(9,129)	(1,072)
3	Total net amount under regulatory scope of consolidation	886,796	881,060	-	793	3,871
4	Off-balance sheet amounts	370,823	291,790	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	(142)	(583)
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA’s applications		-	-	-	-
9	Differences due to risk reduction		11,726	-	1,865	-
10	Risk amounts		1,184,576		2,516	3,288

(\*) The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”, are represented in “Subject to market risk framework” column are presented.

c.3.) Explanations of differences between amounts in accordance with TAS and regulatory exposure amounts:

- a) There are no differences between amounts presented in financial statements in accordance with TAS and amounts accounted in accordance with regulatory consolidation.
- b) Differences between amounts in accordance with TAS and regulatory exposure amounts:

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of “Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio”.

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- c) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”:

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

**d) Explanations on Credit Risk**

Credit risk management includes the definition of credit risks, their measurement and management.

Risk limits are defined by Board of Directors in such a manner that covers all possible important risk components, in accordance with the Bank’s operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank’s risk appetite and Bank’s strategies. The credit policies are established in consistence with risk limits.

When determining Bank’s credit risk profile, diversification methods are applied in order to prevent concentrations. The choice of customers are done in accordance with policies and risk limits. Besides, the capability of the customer to pay via its cash flows generated from its own activities are taken into consideration.

Risk rating models (borrower rating model and facility rating model) are utilised to discriminate borrowers in terms of their credibilities. In the credit risk management process, Risk Management Unit conducts the activities of measurement of credit risk through models, monitoring and reporting. In addition to the risk limits regarding credit risk, several concentrations are analyzed in the credit portfolio.

The outputs of the risk rating models are an important part of credit allocation process as well as a tool to measure the probability of default of the customers and the portfolio.

The Bank utilises an effective risk management policy that truly classifies risks and customers in order to achieve its targets. Appropriate decision systems are in place for the correct evaluation of risks and the limit structure of the customers are determined.

To measure the credibility of the customers, analysis and intelligence studies are performed. The information from past, current and future financial and non-financial data are examined.

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For a consistent evaluation, quantification and monitoring of risks; in order to make correct decisions during the processes of credit request by the customer, credit approval, collateralization, restructuring, monitoring and closing, all information and documents regarding the customer are collected in a shared database. Credit proposals are finalized by the evaluation of General Manager, Credit Committee or Board of Directors, depending on the limits. Credit risks are measured, monitored and reported by the Risk Management Unit.

**d.1) CR1 – Credit quality of assets:**

		Gross Carrying Amounts reported in Financial Statements in accordance with TAS		Allowances / amortization and impairment * (c)	Net Value (a+b-c)
		Defaulted exposures (a)	Non-defaulted exposures (b)		
1	Loans and lease receivables	-	713,048	-	713,048
2	Debt securities	-	21,308	-	21,308
3	Off-balance sheet exposures	-	365,927	-	365,927
4	<b>Total</b>	-	1,100,283	-	1,100,283

\* Since the Bank does not have any impaired loans and receivables in accordance with “Regulation 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, the allowances/amortization and impairment has been presented as zero in the table above.

**d.2) CR2 – Changes in stock of defaulted loans and debt securities:**

The table KR2, which shows the changes in stocks of receivables in default and debt instruments is not prepared since the Bank does not have any receivables in default and debt instruments.

**d.3) CRB – Additional explanations on credit quality of assets:**

The Bank does not have any restructured, defaulted or non-performing loans. The breakdown of receivables by geographical area, sector and time to maturity are provided in the tables below:

**Geographic breakdown**

31 December 2017	Cash loans	Lease receivables	Debt securities	Banks	Total
Domestic	621,553	33,949	33,949	14,019	68,900
European countries	-	-	-	-	1,757
USA, Canada	-	-	-	-	2,959
OECD countries	56,991	-	-	-	-
Off-shore banking regions	-	-	-	-	-
Other	555	-	-	7,289	-
<b>Total</b>	<b>679,099</b>	<b>33,949</b>	<b>33,949</b>	<b>21,308</b>	<b>73,616</b>

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**Sector breakdown**

<b>31 December 2017</b>	<b>Cash Loans</b>
<b>Agriculture</b>	-
Farming and Stockbreeding	-
Forestry	-
Fishery	-
<b>Manufacturing</b>	<b>85,780</b>
Mining and Quarrying	37,705
Production	41,621
Electricity, Gas and Water	39,696
<b>Construction</b>	<b>97,903</b>
<b>Services</b>	<b>413,049</b>
Wholesale and Retail Trade	18,876
Accommodation and Dining	-
Transportation and Telecom	50,701
Financial Institutions	287,975
Real Estate and Rental Services	23,711
Professional Services	-
Educational Services	-
Health and Social Services	-
<b>Others</b>	<b>80,911</b>
<b>Total</b>	<b>679,099</b>

**Maturity breakdown:**

The breakdown of assets by time to maturity is provided on Section Four, Note VI.

**d.4) CR3 – Credit risk mitigation techniques:**

In order to ensure timely and complete fulfilment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The Bank discounts the collaterals by using some fixed ratios and calculates the expected cash equivalent of the collaterals in case they are transformed into cash. The difference between the credit and the cash equivalent of the collateral is defined as the net risk. In calculation of the net risk, the coefficients in the facility rating model are taken into account.

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		<b>Exposures unsecured: carrying amount (According to TAS)</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which: secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by financial guarantees, of which: secured amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which: secured amount</b>
1	Loans and lease receivables	713,048	-	-	-	-	-	-
2	Debt securities	21,308	-	-	-	-	-	-
3	<b>Total</b>	<b>734,356</b>	-	-	-	-	-	-
4	Defaulted items	-	-	-	-	-	-	-

**d.5) Qualitative explanations using the rating grades to calculate the banks' credit risk by standard approach:**

In determining the risk weights regarding risk classes defined in Article 6 of “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, country risk classification published by OECD (Organisation for Economic Cooperation and Development) is taken into account. According to capital adequacy regulations, the risk classification and risk weights of receivables from banks and intermediary institutions and receivables from corporates are determined in accordance with the regulations.



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**CR4: Standardised approach – Credit risk exposure and credit risk mitigation effects**

	Risk Classifications	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		On balance sheet amount (*)	Off balance sheet amount	On balance sheet amount (*)	Off balance sheet amount	RWA (*)	RWA Density
1	Receivables from Central Governments or Central Banks	78,431	-	78,431	-	-	0.00%
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	
4	Receivables from Multilateral Development Banks	-	-	-	-	-	
5	Receivables from International Organizations	-	-	-	-	-	
6	Receivables from Banks and Brokerage Corporation	85,738	100,366	85,738	63,756	105,975	13.14%
7	Corporate receivables	684,817	270,456	684,817	223,146	667,375	82.73%
8	Retail receivables	-	-	-	-	-	
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	
10	Collateralized by trading mortgages receivables	33,949	-	33,949	-	19,751	2.45%
11	Non-performing receivables	-	-	-	-	-	
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	
13	Securities collateralized by mortgages	-	-	-	-	-	
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	8,939	-	8,939	-	8,939	1.11%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	-
16	Equity security investments	-	-	-	-	-	
17	Other receivables	5,800	-	5,800	-	4,574	0.57%
18	<b>Total</b>	<b>897,674</b>	<b>370,822</b>	<b>897,674</b>	<b>286,902</b>	<b>806,613</b>	<b>100.00%</b>

(\*) Credit risk amount resulting from counterparty risk is included.

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**CR5 – Standardised approach – exposures by risk classes and risk weights:**

	0%	10%	20%	%50 Guaranteed by mortgages	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	78,431	-	-	-	-	-	-	-	-	78,431
2	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	8,057	-	441	70,243	-	70,730	23	-	-	149,494
7	-	-	145,006	249,164	-	513,793	-	-	-	907,963
8	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
10	-	-	-	28,397	-	5,552	-	-	-	33,949
11	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	8,939	-	-	-	8,939
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
17	1,226	-	-	-	-	4,574	-	-	-	5,800
18	<b>87,714</b>	<b>-</b>	<b>145,447</b>	<b>347,804</b>	<b>-</b>	<b>603,588</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>1,184,576</b>

- 1) Receivables from Central Governments or Central Banks
- 2) Receivables from Regional Management or Local Governments
- 3) Receivables from Administrative Units or Non-commercial Ventures
- 4) Receivables from Multilateral Development Banks
- 5) Receivables from International Organizations
- 6) Receivables from Banks and Brokerage Corporation
- 7) Corporate receivables
- 8) Retail receivables
- 9) Collateralized by real estate mortgages receivables
- 10) Collateralized by trading mortgages receivables
- 11) Non-performing receivables
- 12) Receivables defined in high risk category by BRSA
- 13) Securities collateralized by mortgages
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables
- 18) Total

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**e. Issues related to counterparty credit risk (CCR)**

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies. The products are grouped as foreign exchange transactions (forward, futures, swap), interest swap transactions (interest swap, cross currency swap and futures and repo transactions).

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For counterparties except banks, the counterparty credit risk limits are determined based on credit allocation policies. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made.

The related approvals identified for loan allocation process are applied for corporate and individual customers, excluding banks. In case of deterioration in market conditions and/or in the credit quality of the borrower company/group, the related company/group limits are reviewed and necessary actions are taken. For the loan allocation process approvals of Board of Directors or the relevant committee approvals authorized by the Board of directors are applied. In case of significant changes in market conditions and/or structure or financials of the related company/group, the related company/group limits are reviewed and necessary actions are taken. Collateralization principles and procedures are applied for counterparties other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

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**e.1) CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach:**

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	4	541	-	1.4	545	545
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	1,865	1,865
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	<b>2,410</b>	<b>2,410</b>

**e.2) CCR2 – Credit valuation adjustment (CVA) capital charge:**

		Risk amount (after credit risk mitigation techniques)	Risk weighted amounts
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	106	106
4	<b>Total subject to the CVA capital charge</b>	<b>106</b>	<b>106</b>

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**e.3) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights:**

Risk Classifications	Risk Weights								Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	-	-	-	-	-	2,516	-	-	2,516
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>2,516</b>	-	-	<b>2,516</b>

**e.4) CCR4 – Risk class and counterparty credit risk based on PD:**

Since standard approach is used in capital adequacy calculation, the relevant table is not presented.

**e.5) CCR5 – Composition of collateral for CCR exposure:**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash- local currency	-	-	-	-	8,057	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	-	4,158
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	2,019
Corporate bond/bill	-	-	-	-	-	3,745
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>8,057</b>	<b>9,922</b>

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**e.6) CCR6 – Credit derivatives:**

There is no credit derivatives arising from purchasing or selling the credit derivatives of the Bank's portfolio.

**e.7) CCR8 – Exposures to central counterparties:**

The Bank does not have transactions related with exposures to central counterparty, the related table has not been prepared.

**f. Issues to be announced to public related to securitisation positions**

The Bank does not have transactions related with securitizations, the related table has not been prepared.

**g. Explanations on market risk**

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary.

Market risk is calculated by two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations are performed based on variance-covariance and/or historical simulation methods, depending on whichever is appropriate given the economic conditions. VaR is calculated weekly and reported to Senior Management. For legal reporting, standard method is utilised.

The following table indicates the details of the market risk calculation as of 31 December 2017, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

		<b>RWA</b>
	Outright products	
1	Interest rate risk (general and specific)	1,563
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1,725
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
	<b>Total</b>	<b>3,288</b>

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**h. Explanations on operational risk**

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of July 1, 2012, is used in the operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2016 is calculated once a year by using the gross income of the Bank in 2013, 2014 and 2015. For 31 December 2017, it was calculated as TL 41,862.

Current Period	31 December 2014 Amount	31 December 2015 Amount	31 December 2016 Amount	Total/Positive GI year number	Ratio (%)	Total
Gross Revenue	5,571	26,066	35,342	22,326	15	3,349
Amount Subject to Operational Risk (Total*12,5)						41,862

Prior Period	31 December 2013 Amount	31 December 2014 Amount	31 December 2015 Amount	Total/Positive GI year number	Ratio (%)	Total
Gross Revenue	1,215	5,571	26,066	10,951	15	1,643
Amount Subject to Operational Risk (Total*12,5)						20,533

**IX. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT  
THEIR FAIR VALUES**

**1. Fair value calculations of financial assets and liabilities:**

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The fair value of marketable securities issued is calculated according to quoted market prices and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

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	Carrying Value		Fair Value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Financial Assets</b>	<b>807,972</b>	<b>468,685</b>	<b>805,370</b>	<b>467,244</b>
Interbank Money Market Placements	-	15,133	-	15,133
Banks	73,616	29,144	73,616	29,144
Available-for-Sale Financial Assets	21,308	20,538	21,308	20,538
Loans	679,099	403,870	676,805	402,429
Lease receivables	33,949	-	33,641	-
<b>Financial Liabilities</b>	<b>606,022</b>	<b>250,470</b>	<b>605,771</b>	<b>250,215</b>
Funds borrowed from other fin. Institutions	341,387	191,897	341,279	191,672
Payables to money market	62,729	15,963	62,729	15,963
Securities issued	181,741	37,239	181,598	37,209
Miscellaneous Payables	178	1,454	178	1,454
Borrower Funds	19,987	3,917	19,987	3,917

**i. Fair value hierarchy:**

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows:

- Identical assets and quoted market prices (non-adjusted) (1st level);
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level);
- Data not based on observable market data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss	4,943	-	-	4,943
Available for sale financial assets	14,019	-	7,289	21,308
<b>Total assets</b>	<b>18,962</b>	<b>-</b>	<b>7,289</b>	<b>26,251</b>
Trading derivative financial liabilities	-	1,072	-	1,072
Hedging derivative financial liabilities	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1,072</b>	<b>-</b>	<b>1,072</b>

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss	-	281	-	281
Available for sale financial assets	13,864	-	6,674	20,538
<b>Total assets</b>	<b>13,864</b>	<b>281</b>	<b>6,674</b>	<b>20,819</b>
Trading derivative financial liabilities	-	1,603	-	1,603
Hedging derivative financial liabilities	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1,603</b>	<b>-</b>	<b>1,603</b>

The available for sale financial assets classified under level 3 hierarchy are purchased in year 2016 and were carried in the balance sheet as of year 2017. The differences in the amounts are due to currency revaluation and changes in carrying amount. There are no transfers between the levels.



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**X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF  
OTHER PERSONS**

The Bank, has been authorized to provide Trading Brokerage Activity, Portfolio Brokerage Activity, Best-Effort Copy Public Offering Brokerage Activity and Limited Custody Services. The Bank does not deal with fiduciary transactions.

**XI. EXPLANATIONS ON OPERATING SEGMENTS**

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
Total Assets	<b>713,048</b>	<b>183,797</b>	<b>896,845</b>
Total Liabilities	<b>32,091</b>	<b>864,754</b>	<b>896,845</b>
Net Interest Income/(Loss)	61,782	(21,926)	39,856
Net Fee and Commission Income/(Loss)	1,801	-	1,801
Trading Gain/(Loss)	-	3,891	3,891
Other Operating Segments Gain/(Loss)	-	102	102
Provisions for Loan Losses and Other Receivables(-)	(2,922)	-	(2,922)
Other Operating Expense (-)	-	(22,022)	(22,022)
<b>Profit Before Tax</b>	<b>60,661</b>	<b>(39,955)</b>	<b>20,706</b>
Tax Provision	-	(4,698)	(4,698)
<b>Net Profit</b>	<b>60,661</b>	<b>(44,653)</b>	<b>16,008</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
Total Assets	<b>403,870</b>	<b>106,487</b>	<b>510,357</b>
Total Liabilities	<b>3,917</b>	<b>506,440</b>	<b>510,357</b>
Net Interest Income/(Loss)	33,683	(3,171)	30,512
Net Fee and Commission Income/(Loss)	1,130	-	1,130
Trading Gain/(Loss)	-	4,784	4,784
Other Operating Segments Gain/(Loss)	-	99	99
Provisions for Loan Losses and Other Receivables(-)	(1,801)	-	(1,801)
Other Operating Expense (-)	-	(16,612)	(16,612)
<b>Profit Before Tax</b>	<b>33,012</b>	<b>(14,900)</b>	<b>18,112</b>
Tax Provision	-	(4,107)	(4,107)
<b>Net Profit</b>	<b>33,012</b>	<b>(19,007)</b>	<b>14,005</b>

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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

**1. Information related to cash and the account of The Central Bank of the Republic of Turkey (the “CBRT”):**

**a. Information on cash and the account of the CBRT:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	33	13	20	10
CBRT	9,754	67,773	14,784	19,622
Other	-	-	-	-
<b>Total</b>	<b>9,787</b>	<b>67,786</b>	<b>14,804</b>	<b>19,632</b>

**b. Information on the account of the CBRT:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	9,754	100	14,784	43
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	67,673	-	19,579
<b>Total</b>	<b>9,754</b>	<b>67,773</b>	<b>14,784</b>	<b>19,622</b>

**c. Information on reserve requirements:**

According to CBRT’s “Required Reserves Announcement” numbered 2013/15, the Bank has to provide reserve requirement amounts in CBRT for Turkish currency and foreign currency denominated liabilities. The reserve requirements may be kept as Turkish Lira, USD, Euro and standard gold. The Bank does not keep reserve requirements in standard gold. CBRT started paying interest on reserve balances in TL starting from November 2014 and held in USD starting from May 2015.

The reserve rates for TL liabilities vary between 4% and 10.5% according to their maturities as of 31 December 2016 (31 December 2016: between 4% and 10.5%). The reserve rates for foreign currency liabilities vary between 4 % and 24% according to their maturities as of 31 December 2017 (31 December 2016: between 4.5% and 24.5%).

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

**a. As of 31 December 2017, the Bank has no financial assets at fair value through profit or loss subject to repo transactions (31 December 2016: None).**

As of 31 December 2017; there are no and financial assets given as collateral/are blocked (31 December 2016: None).

**b. Positive differences related to trading derivative financial assets:**

None (31 December 2016: TL 281.)

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**c. Information on trading securities:**

	31 Aralık 2017	31 Aralık 2016
Debt securities	4,943	-
Quoted on stock exchange	4,943	-
Unquoted	-	-
Share certificates	-	-
Quoted on stock exchange	-	-
Unquoted	-	-
Impairment provision(-)	-	-
<b>Total</b>	<b>4,943</b>	<b>-</b>

**3. Information on banks:**

**a. Information on banks:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	29	68,871	14,024	3,519
Foreign	-	4,716	5,004	6,597
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>29</b>	<b>73,587</b>	<b>19,028</b>	<b>10,116</b>

**b. Information on foreign banks accounts:**

	Unrestricted Amount		Restricted Amount	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
European Union Countries	1,757	5,917	-	-
USA, Canada	2,959	678	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	5,006	-	-
<b>Total</b>	<b>4,716</b>	<b>11,601</b>	<b>-</b>	<b>-</b>

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

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**4. Information on available-for-sale financial assets:**

- a. As of 31 December 2017 there are financial assets given as collateral/blocked amounting to TL 711 (31 December 2016: TL 1,029).

As of 31 December 2017 there are available-for-sale financial assets subject to repo transactions TL 9,922 (31 December 2016: TL 4,803).

- b. Information on available for sale financial assets:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Debt securities	21,308	20,538
Quoted on stock exchange	14,019	11,835
Unquoted	7,289	8,703
Share certificates	-	-
Quoted on stock exchange	-	-
Unquoted	-	-
Impairment provision(-)	-	-
<b>Total</b>	<b>21,308</b>	<b>20,538</b>

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**1. Explanations on loans:**

**a. Information on all types of loans and advances given to shareholders and employees of the Bank:**

	31 December 2017		31 December 2016	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	555	31,699	-	30,199
Legal Entities	555	31,699	-	30,199
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
<b>Total</b>	<b>555</b>	<b>31,699</b>	<b>-</b>	<b>30,199</b>

**b. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:**

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms Restructured or Rescheduled	Other	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms Restructured or Rescheduled	Other
<b>Non-specialized Loans</b>	<b>679,099</b>	<b>7,390</b>	-	-	-	-
Loans given to enterprises	288,782	7,390	-	-	-	-
Export Loans	3,470	-	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	282,541	-	-	-	-	-
Consumer Loans	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Other	104,306	-	-	-	-	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>679,099</b>	<b>7,390</b>	-	-	-	-

Number of modifications made to extend payment plan	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	7,390	-
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-
<b>Total</b>	<b>7,390</b>	-

Extended period of time	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	7,390	-
2 - 5 Years	-	-
5 Years and over	-	-
<b>Total</b>	<b>7,390</b>	-

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**c. Breakdown of loans according to their maturities:**

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
<b>Short-Term Loans and Other Receivables</b>	<b>412,005</b>	<b>7,390</b>	-	-
Non-Specialized Loans	412,005	7,390	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>259,704</b>	-	-	-
Non-Specialized Loans	259,704	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

**d. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

None (31 December 2016: None).

**e. Information on commercial instalment loans and corporate credit cards:**

	Short Term	Medium-Long Term	Total
<b>Commercial instalment loans-TC</b>	-	<b>7,003</b>	<b>7,003</b>
Business residential loans	-	-	-
Automobile loans	-	4,949	4,949
Consumer loans	-	2,054	2,054
Other	-	-	-
<b>Commercial instalment loans- Indexed to FC</b>	-	<b>3,416</b>	<b>3,416</b>
Business residential loans	-	-	-
Automobile loans	-	3,416	3,416
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial instalment loans - FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TC</b>	-	-	-
Instalment	-	-	-
Non-Instalment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
Instalment	-	-	-
Non-Instalment	-	-	-
<b>Overdraft accounts-TC (Commercial customer)</b>	-	-	-
<b>Overdraft accounts-FC (Commercial customer)</b>	-	-	-
<b>Total</b>	-	<b>10,419</b>	<b>10,419</b>

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**f. Loans according to types of borrowers:**

	31 December 2017	31 December 2016
Public	-	-
Private	679,099	403,870
<b>Total</b>	<b>679,099</b>	<b>403,870</b>

**g. Distribution of domestic and foreign loans:**

	31 December 2017	31 December 2016
Domestic Loans	621,553	350,734
Foreign Loans	57,546	53,136
<b>Total</b>	<b>679,099</b>	<b>403,870</b>

**h. Loans granted to investments in associates and subsidiaries:**

None (31 December 2016: None).

**i. Specific provisions accounted for loans:**

None (31 December 2016: None).

**j. Information on non-performing loans:**

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

None (31 December 2016: None).

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

None (31 December 2016: None).

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

None (31 December 2016: None).

**4. Information on non-performing loans based on types of borrowers:**

None (31 December 2016: None).

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**k. Information on the collection policy of non-performing loans and other receivables and information on the write-off policy of the Bank:**

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals. Credits that have become losses in nature, are attached to the certificate of insolvency or insufficient collateral document, and written off from the Bank's assets. However, if the Bank's receivable is an insignificant amount compared to the costs and expenses to be incurred for the preparation of said documents, writing off of assets may be performed if the Board of Directors decides so.

**6. Information on held-to-maturity investments:**

None (31 December 2016: None).

**7. Information on investments in associates:**

None (31 December 2016: None).

**8. Information on subsidiaries (Net):**

None (31 December 2016: None).

**a. Recognition of subsidiaries:**

Explained in the Section Three in the relevant note.

**b. Information on the equity of subsidiaries:**

None.

**c. Information on unconsolidated subsidiaries:**

None.

**d. Main financial figures of the subsidiaries in the order of the above table:**

None.

**e. Information on subsidiaries consolidated:**

None.

**f. Main financial figures of the subsidiaries consolidated in the order of the above table:**

None.

**g. Movement schedules of consolidated subsidiaries:**

None.

**h. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:**

None.

**i. Subsidiaries quoted on stock exchange:**

None.



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**9. Information on joint ventures:**

None (31 December 2016: None).

**10. Information on lease receivables (net):**

a. Financial lease receivables according to remaining maturities:

	31 December 2017		31 December 2016	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	-	-
Between 1-4 Years	39,548	33,949	-	-
Longer than 5 Years	-	-	-	-
<b>Total</b>	<b>39,548</b>	<b>33,949</b>	-	-

b. Information on financial lease receivables:

	31 December 2017	31 December 2016
Gross financial lease receivables	39,548	-
Unearned income on financial lease receivables	(5,599)	-
Terminated lease contracts	-	-
<b>Net financial lease receivables</b>	<b>33,949</b>	-

**11. Information on hedging derivative financial assets:**

None (31 December 2016: None).

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**12. Information on property and equipment:**

<b>Prior Period End: 31 December 2016</b>	<b>Immovable</b>	<b>Leased Fixed Assets</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
Cost	-	271	1,080	1,351
Accumulated Depreciation(-)	-	(203)	(467)	(670)
Net Book Value	-	<b>68</b>	<b>613</b>	<b>681</b>
<b>Current Period End: 31 December 2017</b>				
Net Book Value at the beginning of the Period	-	68	613	681
Additions	-	-	212	212
Disposals(-), net	-	-	(4)	(4)
Depreciation (-)	-	(68)	(166)	(234)
Impairment	-	-	-	-
Cost at Period End	-	271	1,162	1,433
Accumulated Depreciation at Period End (-)	-	(271)	(507)	(778)
<b>Closing Net Book Value</b>	-	-	<b>655</b>	<b>655</b>

<b>Prior Period End: 31 December 2015</b>	<b>Immovable</b>	<b>Leased Fixed Assets</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
Cost	-	271	716	987
Accumulated Depreciation(-)	-	(136)	(347)	(483)
Net Book Value	-	135	369	504
<b>Current Period End: 31 December 2016</b>				
Net Book Value at the beginning of the Period	-	135	369	504
Additions	-	-	364	364
Disposals(-), net	-	-	-	-
Depreciation (-)	-	(67)	(120)	(187)
Impairment	-	-	-	-
Cost at Period End	-	271	1,080	1,351
Accumulated Depreciation at Period End (-)	-	(203)	(467)	(670)
<b>Closing Net Book Value</b>	-	<b>68</b>	<b>613</b>	<b>681</b>

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**13. Information on intangible assets:**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Net Book Value at the beginning of the Period	981	468
Additions	414	841
Disposals(-), net	-	-
Depreciation (-)	(526)	(328)
<b>Closing Net Book Value</b>	<b>869</b>	<b>981</b>

**14. Information on investment property:**

None (31 December 2016: None).

**15. Information on deferred tax asset:**

The Bank calculates deferred tax asset or liability on the differences between the applied accounting policies and valuation bases and tax legislation that comes from timing differences and reflects the amount on the financial statements.

As of 31 December 2017, the Bank calculated deferred tax asset amounting TL 900 and reflected this amount to the financial statements (31 December 2016: TL 689).

In the situation that the difference between the book value and value subject to tax of the assets that are subject to deferred tax is related to equity accounts, deferred tax asset or liability is netted with the relevant accounts in this group.

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Temporary Differences of Deferred Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Temporary Differences of Deferred Tax Base</b>	<b>Deferred Tax Amount</b>
Provision for employee benefits	475	105	352	70
Expense provisions	256	56	268	54
Other	3,830	842	3,172	634
<b>Deferred Tax Asset, net</b>	<b>4,561</b>	<b>1,003</b>	<b>3,792</b>	<b>758</b>
Other	(470)	(103)	(345)	(69)
<b>Deferred Tax Liability, net</b>	<b>(470)</b>	<b>(103)</b>	<b>(345)</b>	<b>(69)</b>
<b>Deferred Tax Asset/ (Liability), net</b>	<b>4,091</b>	<b>900</b>	<b>3,447</b>	<b>689</b>

**16. Information on assets held for resale and discontinued operations:**

None (31 December 2016: None).

**17. Information on other assets:**

As of 31 December 2017, other assets amount to TL 3,931 (31 December 2016: TL 4,604) and don't exceed 10% of total balance sheet except off balance sheet commitments.

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**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**1. Information on deposits:**

The Bank has no deposits due to its nature as an investment bank.

**2. Negative differences related to trading derivative financial liabilities:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward	380	-	725	-
Swap	-	692	878	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>380</b>	<b>692</b>	<b>1,603</b>	<b>-</b>

**3. Information on funds borrowed:**

**a. Information on banks and other financial institutions:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	18,521	27,518	15,012	38,573
From Foreign Banks, Institutions and Funds	21,069	274,279	31,362	106,950
<b>Total</b>	<b>39,590</b>	<b>301,797</b>	<b>46,374</b>	<b>145,523</b>

**b. Information on maturity structure of borrowings:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	39,590	62,390	15,012	45,663
Medium and Long-term	-	239,407	31,362	99,860
<b>Total</b>	<b>39,590</b>	<b>301,797</b>	<b>46,374</b>	<b>145,523</b>

**c. Additional explanation related to the concentrations of the Bank’s major liabilities on the basis of concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed**

The Bank, funds its assets mainly with funds borrowed, issued securities and equity. The major portion of the funds borrowed is provided from the Bank’s main shareholder and its risk group. Additionally, a portion of the issued securities are sold to the risk group companies. The Bank’s total borrowings from its risk group constitutes 31% of total assets.

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**4. Information on Repo Transactions:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Financial Institutions	7,224	-	4,657	-
Other	833	-	-	-
<b>Total</b>	<b>8,057</b>	<b>-</b>	<b>4,657</b>	<b>-</b>

**5. Securities Issued :**

The Bank has issued eight bill/bond issuances, one of which was issued abroad, in year 2017. The summary information about related issuance is below;

ISIN	Security type	Issue date	Issued Nominal amount	Maturity Date	Total days	Redeem status
TRQPASH61711	Discounted bond	13/02/2017	45,000 TL	08/06/2017	115	Redeemed
TRQPASH91718	Discounted bond	07/04/2017	27,000 TL	25/09/2017	171	Redeemed
TRFPASHE1710	Discounted bond	08/06/2017	40,500 TL	02/10/2017	116	Redeemed
TRFPASHE1728	Discounted bond	14/07/2017	38,000 TL	16/10/2017	94	Redeemed
AZZ001020174	Coupon bond	22/09/2017	25,000 USD	22/12/2022	1,917	-
TRFPASH11818	Discounted bond	25/09/2017	30,000 TL	22/01/2018	119	-
TRFPASH21817	Discounted bond	02/10/2017	31,000 TL	16/02/2018	137	-
TRFPASH31816	Discounted bond	16/10/2017	31,500 TL	01/03/2018	136	-

The carrying amount of the related bonds are TL 181,741 as at 31 December 2017 (31 December 2016: TL 37,239).

**6. Information on Borrower Fund:**

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	Over Years
<b>31 December 2017</b>						-
Borrower fund	8,681	11,306	-	-	-	-
<b>31 December 2016</b>						
Borrower fund	3,417	500	-	-	-	-

**Information on other foreign sources:**

As of 31 December 2017, other liabilities amount to TL 16,960 (31 December 2016: TL 5,112) and don't exceed 10% of total balance sheet.

**8. Information on financial lease agreements:**

None (31 December 2016: None).

**9. Information on hedging derivative financial liabilities:**

None (31 December 2016: None).

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**10. Information on provisions:**

**a. Information on general provisions:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Provisions for Group I. Loans and Receivables	6,710	3,810
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Group II. Loans and Receivables	-	-
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non Cash Loans	479	393
Other	204	268
<b>General Provisions</b>	<b>7,393</b>	<b>4,471</b>

In accordance with “Amendment to Regulation Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” published in Official Gazette dated 14 December 2016 numbered 29918, the minimum required provision rates are determined for general loan provision calculation. The Bank’s provision ratios exceed those minimum ratios as at 31 December 2017. If the minimum provision ratios stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 3,813.

**b. Information on provisions related with foreign currency difference of foreign indexed loans:**

As of 31 December 2017, provisions related with foreign currency difference of foreign indexed loans amount TL 99 (31 December 2016: TL 18) and is netted with loans amount on the balance sheet.

**c. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash:**

None (31 December 2016: None).

**d. Information on other provisions:**

**i. Information on provisions for possible risks:**

None (31 December 2016: None).

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**ii. Obligations related to employee rights:**

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 December 2017	31 December 2016
Discount rate (%)	5.14	3.49

The movement of employee termination benefits is shown below:

	31 December 2017	31 December 2016
<b>Balance at the Beginning of the Period</b>	<b>180</b>	<b>234</b>
Provisions Recognised During the Period	(58)	(54)
<b>Balance at the end of the period</b>	<b>238</b>	<b>180</b>

In addition, as of 31 December 2017 the Bank have unused vacation provision of TL 237 (31 December 2016: TL 172).

**iii. Other provisions are explained if they exceed 10% of the total provision balance**

Other provisions amount of TL 1,792 comprising of TL 1,530 is for bonus provisions and TL 262 for ongoing lawsuits and other. (31 December 2016: TL 1,612).

**11. Information on taxes payable:**

**a. Information on current year tax liability:**

**i) Information on tax provision:**

The explanations on tax calculation has been presented in Section Three. The Bank recognized TL 1,673 as current tax liability, after the deducting temporary taxes paid in the period, as of 31 December 2017 (31 December 2016: TL 1,503).

**ii) Information on taxes payable:**

	31 December 2017	31 December 2016
Corporate Tax Payable	1,673	1,503
Taxation on Marketable Securities	10	2
Property Tax	-	1
Banking Insurance Transaction Tax (BITT)	278	160
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	162	107
Other	250	190
<b>Total</b>	<b>2,373</b>	<b>1,963</b>

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**iii) Information on premium payables:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Social Security Premiums – Employee	65	50
Social Security Premiums – Employer	72	55
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	5	4
Unemployment Insurance – Employer	9	7
Other	-	-
<b>Total</b>	<b>151</b>	<b>116</b>

**b. Information on deferred tax liability:**

Explanations on the taxation of the Bank are presented in Section 5, explanations and notes related to unconsolidated assets.

**12. Liabilities for assets held for sale and assets of discontinued operations**

None (31 December 2016: None).

**13. Information on the quantity, maturity date, interest rate and supplier firm of the subordinated loans given to the bank and transactional option if there are any marketable securities**

None (31 December 2016: None).

**14. Information on shareholders’ equity:**

**a. Presentation of paid-in capital:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Common Stock	255,000	255,000
Preferred Stock	-	-

**b. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:**

The Bank does not apply the registered share capital system.

**c. Information on share capital increases and their sources; other relevant information on increased share capital in current period:**

None.

**d. Explanation on the transfers from capital reserve to paid-in capital in the current period:**

None.



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- e. Information on capital commitments, the general purpose and the estimated sources for these commitments until the end of the fiscal year and the subsequent interim period:**

None (31 December 2016: None).

- f. Information on the Bank’s income, profitability, prior period indicators on liquidity and uncertainty on these indicators and their potential effects on the Bank’s capital:**

The Bank considers there is no uncertainty regarding the prior period income, profitability and liquidity indicators, therefore the Bank does not foresee an effect on capital.

- g. Summary information about privileged shares representing the capital:**

None (31 December 2016: None).

- h. Information on marketable securities value increase fund:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	(49)	-	11	-
Rate difference	-	-	-	-
<b>Total</b>	<b>(49)</b>	<b>-</b>	<b>11</b>	<b>-</b>

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**III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS**

**1. Information on off-balance sheet commitments:**

**a. The amount and type of irrevocable commitments:**

Irrevocable Commitments	31 December 2017	31 December 2016
Forward Asset purchase and sale commitments	4,879	-
Forward Deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	17	11
Other Irrevocable commitments	-	-
<b>Total</b>	<b>4,896</b>	<b>11</b>

**b. Type and amount of probable losses and obligations arising from off-balance sheet items**

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

As of 31 December 2017, the Bank has guarantee and indemnities amounting TL 365,927 (31 December 2016: TL 197,910) based upon the guarantee letter.

**2. Revocable, irrevocable guarantees and other similar commitments and contingencies**

As of 31 December 2017, the Bank has other guarantees amounting TL 33,850 (31 December 2016: TL 19,356).

**c. Total amount of non-cash loans:**

	31 December 2017	31 December 2016
Non-cash Loans Given against Cash Loans	207,861	97,856
With Original Maturity of 1 Year or Less Than 1 Year	131,867	60,356
With Original Maturity of More Than 1 Year	75,994	37,500
Other Non-cash Loans	158,066	100,054
<b>Total</b>	<b>365,927</b>	<b>197,910</b>

**d. Information on sectoral risk concentrations of non-cash loans:**

	Current Period				Prior Period			
	31 December 2017				31 December 2016			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	<b>1,842</b>	<b>0.90</b>	<b>46,532</b>	<b>29.00</b>	<b>2,538</b>	<b>1.95</b>	<b>9,084</b>	<b>13.46</b>
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.89	46,532	29.00	2,538	1.95	8,400	12.45
Electric, Gas and Water	25	0.01	-	-	-	-	684	1.01
<b>Construction</b>	<b>4,037</b>	<b>1.96</b>	<b>25,873</b>	<b>16.12</b>	<b>4,230</b>	<b>3.24</b>	<b>8,947</b>	<b>13.27</b>
<b>Services</b>	<b>199,594</b>	<b>97.14</b>	<b>88,049</b>	<b>54.88</b>	<b>123,683</b>	<b>94.81</b>	<b>49,428</b>	<b>73.27</b>
Wholesale and Retail Trade	6,303	3.07	27,894	17.38	8,898	6.82	12,317	18.26
Hotel, Food and Beverage Services	1,865	0.91	-	-	10,689	8.19	-	-
Transportation and Telecommunication	18,705	9.10	19,424	12.11	14,805	11.35	528	0.78
Financial Institutions	172,087	83.75	31,700	19.76	85,300	65.39	30,199	44.77
Real Estate and Leasing Services	634	0.31	9,031	5.63	3,991	3.06	6,384	9.46
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>205,473</b>	<b>100.00</b>	<b>160,454</b>	<b>100.00</b>	<b>130,451</b>	<b>100.00</b>	<b>67,459</b>	<b>100.00</b>

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**e. Information on the non-cash loans classified in Group I and Group II:**

31 December 2017	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>205,473</b>	<b>160,454</b>	-	-
Letters of Guarantee	205,473	123,303	-	-
Bank Acceptances	-	3,301	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	33,850	-	-

**2. Information on derivative transactions:**

	31 December 2017	31 December 2016
Forward foreign currency purchase transactions	19,953	13,689
Forward foreign currency sell transactions	19,642	14,024
Currency swap-buy	32,061	10,419
Currency swap-sell	32,795	11,130
<b>Total</b>	<b>104,451</b>	<b>49,262</b>

**3. Information on credit derivatives and related imposed risks:**

None (31 December 2016: None).

**4. Information on Contingent Assets and Liabilities:**

*(i) Contingent assets*

None

*(ii) Contingent liabilities*

As of 31 December 2017, the Bank has reflected the provision for its ongoing lawsuits amounting TL 262 to the financial statements. The process regarding the law suits is still ongoing and decisions will be finalised after trial.

**5. Information on services in the name of others’ names and accounts:**

None (31 December 2016: None).

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**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**1. Information on interest income:**

**a. Information on interest income on loans:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Short-term Loans	46,488	349	29,198	432
Medium/Long-term Loans	5,228	7,529	951	3,102
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>51,716</b>	<b>7,878</b>	<b>30,149</b>	<b>3,534</b>

**b. Information on interest income on banks:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From the CBRT (*)	720	-	148	-
From Domestic Banks	676	215	1,419	4
From Foreign Banks	34	-	144	12
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>1,430</b>	<b>215</b>	<b>1,711</b>	<b>16</b>

(\*)The interest income from required reserves presented in “From the CBRT” line.

**c. Information on interest income on marketable securities:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Trading Financial Assets	-	-	-	-
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	1,183	726	1,583	47
From Held-to-Maturity Investments	-	-	-	-
<b>Total</b>	<b>1,183</b>	<b>726</b>	<b>1,583</b>	<b>47</b>

**d. Information on interest income received from investments in associates and subsidiaries:**

None (31 December 2016: None).

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**2. Information on interest expense:**

**a. Information on interest expense on borrowings:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks	5,707	5,762	1,842	3,158
The CBRT	-	-	-	-
Domestic Banks	2,089	333	284	212
Foreign Banks	3,618	5,429	1,558	2,946
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>5,707</b>	<b>5,762</b>	<b>1,842</b>	<b>3,158</b>

**b. Information on interest expense given to investments in associates and subsidiaries:**

None (31 December 2016: None).

**c. Interest expense on issued marketable securities:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Interest expense on marketable securities issued	8,724	1,270	751	-

**d. Maturity structure of the interest expense on deposits:**

None (31 December 2016: None).

**3. Information on dividend income:**

None (31 December 2016: None).

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

	31 December 2017	31 December 2016
<b>Income</b>	<b>75,345</b>	<b>32,699</b>
Income from Capital Market Transactions	460	17
Income from Derivative Financial Transactions (*)	1,386	1,539
Foreign Exchange Gains	73,499	31,143
<b>Loss (-)</b>	<b>(71,454)</b>	<b>(27,915)</b>
Loss from Capital Market Transactions(-)	(7)	(40)
Loss from Derivative Financial Transactions(-) (*)	(4,938)	(2,318)
Foreign Exchange Loss(-)	(66,509)	(25,557)
<b>Trading Income / (Loss) (Net)</b>	<b>3,891</b>	<b>4,784</b>

(\*) Due to the short maturity of derivative financial instruments held by the Bank, changes in exchange rate creates gains and loss from derivative financial transactions.

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**5. Information on other operating income:**

Other operating income TL 69 income from previous years' provision cancellations and there is no income regarding extraordinary accounts (31 December 2016: TL 54).

**6. Provision expenses related to loans and other receivables:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Specific Provisions for Loans and Other Receivables	-	-
III. Group Loans and Receivables	-	-
IV. Group Loans and Receivables	-	-
V. Group Loans and Receivables	-	-
General Provision Expenses	2,922	1,801
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	-	-
<b>Total</b>	<b>2,922</b>	<b>1,801</b>

**7. Information related to other operating expenses:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Personnel Expenses	10,535	8,294
Reserve For Employee Termination Benefits	123	107
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	234	187
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	526	328
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	6,716	6,040
Operational Lease Expenses	1,868	1,519
Maintenance Expenses	46	27
Advertising Expenses	427	695
Other Expense	4,375	3,799
Loss on Sales of Assets	3	-
Other	3,885	1,656
<b>Total</b>	<b>22,022</b>	<b>16,612</b>

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**8. Information on income/(loss) before tax from continuing or discontinued operations:**

Loss before tax comes from net interest income amounting TL 39,856, net commission fee income amounting TL 1,801 trading gain amounting TL 3,891 other operating income amounting TL 102, provision for loan losses and other receivables amounting to TL 2,922 and other operating expenses amounting TL 22,022.

**9. Information on provision for taxes from continuing or discontinued operations:**

As of 31 December 2017 the Bank has current tax expense TL 4,911 TL (31 December 2016: TL 4,191). The Bank has deferred tax income amounting to TL 213 (31 December 2016: TL 84 income).

As of 31 December 2017, the Bank doesn't have any discontinued operations.

**10. Information on net income/(loss) from continuing or discontinued operations:**

The Bank doesn't have discontinued operations. The Bank's net profit from continuing operations amounting to TL 16,008 (31 December 2016: TL 14,005).

**11. Information on net income/(loss) for the period:**

- a. If the disclosure of ordinary banking transactions and the composition of income and expense items is necessary to understand the annual performance of Bank, the composition and amount of these items:**

None (31 December 2016: None).

- b. If an accounting estimate change significantly affects the profit/loss in the current period or has a probability to significantly affect the profit/loss in the subsequent periods, the overall effect is disclosed:**

There is no significant change in accounting estimates which would affect the current or the subsequent periods.

**12. Disclosure of 20% of sub-accounts in the case of other line items exceed 10% of the income statement total.**

Information related to other income and disclosure and footnotes related to income statement and information related to other expenses and disclosure and footnotes related to income statement are presented in footnote numbered 5 and footnote numbered 7 respectively.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**V. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CHANGES IN THE  
SHAREHOLDERS’ EQUITY**

**1. Information on available-for-sale financial assets:**

“Unrealized gains and losses” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are sold, disposed or impaired.

There is loss for marketable securities valuation difference related to available-for-sale financial assets of TL 59 (31 December 2016: TL 101 gain for marketable securities valuation difference).

**2. Amounts transferred to legal reserves:**

The Bank has no amounts transferred to legal reserves for current period.

**3. Information on distribution of profit:**

No dividend distribution has been announced after the balance sheet date.

**4. Information on capital increase:**

The information related to capital increase is presented under Section Five.



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

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

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

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

**1. Information on cash and cash equivalents:**

**Components of cash and cash equivalents and the accounting policy applied in their determination:**

The effect of any change in the accounting policy of current period and the balance sheet recorded amounts of the components that make up cash and cash equivalents (excluding rediscount balances, reserve requirements, placements with maturity longer than 3 months and blocked accounts) are considered as cash and cash equivalents.

**a. Cash and cash equivalents at the beginning of the period:**

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Cash</b>	<b>77,573</b>	<b>34,436</b>	<b>12,663</b>
Cash and Foreign Currency Cash	46	30	11
Turkish Central Bank	77,527	34,406	12,652
Other	-	-	-
<b>Cash Equivalents</b>	<b>73,616</b>	<b>44,277</b>	<b>47,357</b>
Banks	73,616	29,144	47,357
Interbank Money Market Placements	-	15,133	-
<b>Total Cash and Cash Equivalents</b>	<b>73,616</b>	<b>78,713</b>	<b>60,020</b>
Blocked amounts on cash and cash equivalents	-	-	-
Interest income rediscounts on cash and cash equivalents	-	-	-
Cash equivalents with a maturity longer than three months	-	-	-
Restricted reserve deposits	(67,673)	(19,579)	(11,772)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>83,516</b>	<b>59,134</b>	<b>48,248</b>

**2. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:**

The “Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to TL 11,485 (31 December 2016: TL 7,993) mainly consists fees and commissions paid and other operating expenses excluding personnel expenses.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 29,762 (31 December 2016: TL 4,235) consists of mainly changes in prepaid expenses and other assets including lease receivables.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 69,689 (31 December 2016: 6,923) consists of mainly changes in miscellaneous payables, borrower funds, other liabilities and taxes and other duties payable.

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

**VII. EXPLANATIONS AND NOTES RELATED TO THE BANK’S RISK GROUP**

**1. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period:**

**a. Current Period (31 December 2017):**

Banks’ Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period	-	-	-	30,199	-	-
End of the Period	-	-	555	31,699	-	-
Interest and Commission Income Received	-	-	24	311	-	-

**Prior Period (31 December 2016):**

Banks’ Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period	-	-	-	22,475	8,082	30,227
End of the Period	-	-	-	30,199	-	-
Interest and Commission Income Received	-	-	-	237	-	-

**b. Information on deposits of the Bank’s risk group:**

The Bank doesn’t have any deposits since it is an investment bank.

**c. Information on forward and option agreements and other similar agreements made with the Bank’s risk group:**

There are no derivative transactions with the Bank’s Risk Group (31 December 2016: None).

As of 31 December 2017, the Bank has TL 20 borrower funds from its risk group (31 December 2016: TL 381).

As of 31 December 2017, the Bank has borrowings from its risk group TL 186,735. Additionally, TL 90,447 of the securities issued abroad were sold to Bank’s risk group (31 December 2016: TL 138,273).

**d. Information on key management compensation:**

As of 31 December 2017, paid key management compensation amount is TL 3,388 (31 December 2016: TL 2,495).

**VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK**

None (31 December 2016: None).

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK**

None.

**II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

The unconsolidated financial statements for the year ended 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor’s report dated 12 February 2018 has been presented preceding the unconsolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR**

None (31 December 2016: None).