

## **Albaraka Türk Katılım Bankası Anonim Şirketi**

Consolidated financial statements  
and related disclosures at December 31, 2017  
together with independent auditors' report  
(*Convenience translation of the independent auditors' report  
and financial statements originally issued in Turkish –  
see section three Note XXV*)

March 6, 2018

*This report contains "independent auditors' Report" comprising 4 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 112 pages.*



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Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

## INDEPENDENT AUDITOR'S REPORT

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

### A) Audit of Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and consolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "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 Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

#### Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

### Impairment of loans and other receivables

Refer to Section III, to the consolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans and other receivables.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2017, loans and other receivables comprise 68% of Group's total assets.</p> <p>The Parent Bank recognizes its loans and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the "Regulation") published on the Official Gazette No. 26333 dated 1 November 2006. In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loan and other receivables. The classification of loans and other receivables is performed in accordance with the criteria in the Regulation. Those include both objective and subjective criteria which management judgment is applied. Because of subjective criteria there is a risk of misclassification of loans and receivables which prevent any determination of impairment.</p> <p>Disclosures related to credit risk are presented in Section IV, No II Credit Risk.</p>	<p>Our procedures for testing the classification of loans and advances in accordance with the Regulation and key assumptions made by management include below:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures.</li> <li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated.</li> <li>• We tested the appropriateness of the provisions in accordance with the Regulation.</li> </ul>

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

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



### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**B) Other Legal and Regulatory Requirements**

- 1) Pursuant to the fourth paragraph of Article 402 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 for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

**Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

  
Alper Güvenç, SMMM  
Partner  


6 March 2018  
İstanbul, Turkey



## CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Parent Bank's headquarter address : Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6  
34768 Ümraniye/Istanbul  
Parent Bank's phone number and facsimile : 00 90 216 666 01 01 – 00 90 216 666 16 00  
Parent Bank's website : www.albarakatürk.com.tr  
Electronic mail contact info : albarakatürk@albarakatürk.com.tr

The consolidated year ended financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

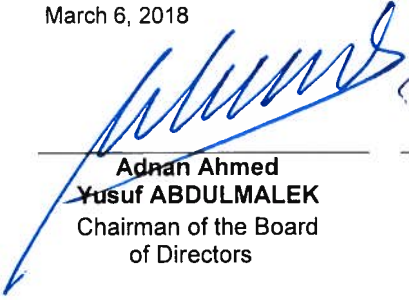
Investments in subsidiaries, real estate investment funds, joint ventures, and associates whose financial statements have been consolidated in this consolidated financial report are as follows:

	Subsidiaries	Real Estate Investment Funds	Joint Ventures	Associates
1.	Bereket Varlık Kiralama A.Ş.	Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu	Katılım Emeklilik ve Hayat A.Ş.	-
2.	Albaraka Portföy Yönetimi A.Ş.	Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu	-	-
3.	-	Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu	-	-

ABT Sukuk Limited and Albaraka Sukuk Limited, which are not a subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

The consolidated financial statements and related disclosures and footnotes; presented in **thousands of Turkish Lira** unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.

March 6, 2018

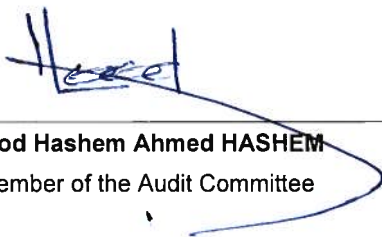
  
**Adnan Ahmed  
Yusuf ABDULMALEK**  
Chairman of the Board  
of Directors

  
**Melikşah UTKU**  
General Manager

  
**Temel HAZIROĞLU**  
Assistant General  
Manager

  
**Yunus AHLATCI**  
Financial Reporting  
Manager

  
**Mustafa BÜYÜKABACI**  
Chairman of the Audit Committee

  
**Hood Hashem Ahmed HASHEM**  
Member of the Audit Committee

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

Name-Surname/Title : Bora ŞİMŞEK / Financial Reporting Department / Vice Manager  
Telephone : 00 90 216 666 05 59  
Facsimile : 00 90 216 666 16 11

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**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**SECTION ONE**

**General Information**

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

Albaraka Türk Katılım Bankası Anonim Şirketi ("The Parent Bank") was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under Secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of "Communiqué Related to the Incorporation and Activities of Special Finance Houses" published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency ("BRSA"). "Communiqué Related to the Incorporation and Activities of Special Finance Houses" has been superseded by the "Communiqué Related to Credit Operations of Banks" published in the Official Gazette dated November 1, 2006 numbered 26333 and the Parent Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Parent Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Parent Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in the accompanying consolidated financial statements.

The Parent Bank's head office is located in Istanbul and is operating through 219 (December 31, 2016: 212) local branches and 1 (December 31, 2016: 1) foreign branch and with 3.899 (December 31, 2016: 3.796) staff as of December 31, 2017. The Group has 3.910 (December 31, 2016: 3.798) staff as of December 31, 2017.

**II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Parent Bank and the disclosures on related changes in the current year, if any:**

As of December 31, 2017, 54,06% (December 31, 2016: 54,06%) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain. 25,16% (December 31, 2016: 24,84%) of the shares are publicly traded and quoted at Borsa İstanbul.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Parent Bank, if any:**

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
<b>Chairman of the Board of Directors (BOD)</b>	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	(*) 0,0000
<b>Members of BOD</b>	Yalçın ÖNER	Vice Chairman of BOD	Master	-
	Osman AKYÜZ	Member of BOD	Bachelor	-
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Hamad Abdulla A. ALOQAB	Member of BOD	Bachelor	(*) 0,0000
	Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD	Master	(*) 0,0000
	Mustafa BÜYÜKABACI	Member of BOD	Master	-
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Dr. Bekir PAKDEMİRLİ	Member of BOD	Doctorate	-
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
	Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	-
<b>General Manager:</b>	Melikşah UTKU	Member of BOD / General Manager	Master	-
<b>Assistant General Managers:</b>	Turgut SİMİTÇİOĞLU	Assistant General Manager Responsible for Business Branches (General Manager Deputy)	Master	-
	Mehmet Ali VERÇİN	Assistant General Manager Responsible for Support (General Manager Deputy)	Bachelor	-
	Nihat BOZ	Assistant General Manager Responsible for Legal	Bachelor	-
	Cenk DEMİRÖZ	Assistant General Manager Responsible for Credits	Master	-
	Deniz AKSU	Assistant General Manager Responsible for Risk Monitoring	Bachelor	-
	Temel HAZIROĞLU	Assistant General Manager Responsible for Finance and Strategy	Master	(*) 0,0342
	Nevzat BAYRAKTAR	Assistant General Manager Responsible for Sales	Bachelor	-
	Hasan ALTUNDAĞ	Assistant General Manager Responsible for Marketing	Bachelor	-
	Malek Khodr TEMSAH	Assistant General Manager Responsible for Treasury and Financial Institutions	Master	-
	Fatih BOZ	Assistant General Manager Responsible for Operations	Master	-
	Süleyman ÇELİK	Assistant General Manager Responsible for Human Values and Administrative Affairs	Bachelor	-
<b>Audit Committee:</b>	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	-
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	(*) 0,0000

(\*) The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Parent Bank's share capital (December 31, 2016: 0,0342%).

**IV. Information on the Parent Bank's qualified shareholders:**

The Parent Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below:

Name/Commercial Name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	54,06%	486.523	-

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**V. Summary on the Parent Bank's service activities and field of operations:**

The Parent Bank operates in accordance with the principles of interest-free banking as a participation bank. The Parent Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Parent Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under six different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included), one year and more than one year (with monthly, quarterly, semi-annual and annual profit share payment) and accumulated participation accounts.

The Parent Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Parent Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Parent Bank operates as an insurance agency on behalf of Bereket Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Parent Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Parent Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Parent Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:**

The Parent Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Parent Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control through equity method. Real Estate Investment Funds "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and the subsidiaries of the Parent Bank, namely Bereket Varlık Kiralama A.Ş and Albaraka Portföy Yönetimi A.Ş. have been consolidated through full consolidation method. ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Parent Bank but over which the Parent Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

**VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the parent bank and its subsidiaries:**

There is no immediate transfer of equity between the parent bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries.

## **SECTION TWO**

### **The consolidated financial statements**

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated statement of off-balance sheet
- III. Consolidated statement of income
- IV. Consolidated statement of income and expense items accounted under shareholders' equity
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Statement of profit appropriation

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

ASSETS	Notes (Section Five-I)	Audited			Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		December 31, 2017			December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(1)</b>	<b>422.105</b>	<b>5.334.890</b>	<b>5.756.995</b>	<b>940.247</b>	<b>4.058.805</b>	<b>4.999.052</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(2)</b>	<b>1.377</b>	<b>3.363</b>	<b>4.740</b>	<b>1.022</b>	<b>65.074</b>	<b>66.096</b>
2.1 Trading Financial Assets		1.377	3.363	4.740	1.022	65.074	66.096
2.1.1 Public Sector Debt Securities		916	-	916	-	-	-
2.1.2 Equity Securities		-	-	-	954	-	954
2.1.3 Derivative Financial Assets Held for Trading		225	-	225	55	65.013	65.068
2.1.4 Other Marketable Securities		236	3.363	3.599	13	61	74
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(3)</b>	<b>706.186</b>	<b>805.221</b>	<b>1.511.407</b>	<b>656.410</b>	<b>1.501.767</b>	<b>2.158.177</b>
<b>IV. MONEY MARKET PLACEMENTS</b>							
<b>V. FINANCIAL ASSETS-AVAILABLE FOR SALE (Net)</b>	<b>(4)</b>	<b>986.021</b>	<b>371.384</b>	<b>1.357.405</b>	<b>994.108</b>	<b>348.753</b>	<b>1.342.861</b>
5.1 Equity Securities		15	8.713	8.728	15	6.335	6.350
5.2 Public Sector Debt Securities		935.188	341.887	1.277.075	986.482	298.856	1.285.338
5.3 Other Marketable Securities		50.818	20.784	71.602	7.611	43.562	51.173
<b>VI. LOANS AND RECEIVABLES</b>	<b>(5)</b>	<b>18.334.954</b>	<b>6.121.428</b>	<b>24.456.382</b>	<b>17.448.650</b>	<b>4.394.425</b>	<b>21.843.075</b>
6.1 Loans and Receivables		17.821.846	6.121.363	23.943.209	16.921.201	4.394.425	21.315.626
6.1.1 Loans to Risk Group of The Bank		11.897	106.867	118.764	6.937	29.327	36.264
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		17.809.949	6.014.496	23.824.445	16.914.264	4.365.098	21.279.362
6.2 Non-performing loans		1.211.785	825	1.212.610	1.104.785	1.169	1.105.954
6.3 Specific Provisions (-)		698.677	760	699.437	577.336	1.169	578.505
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	<b>(6)</b>	<b>532.803</b>	-	<b>532.803</b>	<b>668.582</b>	-	<b>668.582</b>
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(7)</b>	<b>4.719</b>	-	<b>4.719</b>	<b>4.719</b>	-	<b>4.719</b>
8.1 Accounted for under Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		4.719	-	4.719	4.719	-	4.719
8.2.1 Financial Associates		4.719	-	4.719	4.719	-	4.719
8.2.2 Non-Financial Associates		-	-	-	-	-	-
<b>IX. SUBSIDIARIES (Net)</b>	<b>(8)</b>	-	-	-	-	-	-
9.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>X. JOINT VENTURES (Net)</b>	<b>(9)</b>	<b>18.470</b>	-	<b>18.470</b>	<b>14.319</b>	-	<b>14.319</b>
10.1 Accounted for under Equity Method		18.470	-	18.470	14.319	-	14.319
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial Joint Ventures		-	-	-	-	-	-
10.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (Net)</b>	<b>(10)</b>	<b>737.081</b>	-	<b>737.081</b>	<b>878.979</b>	-	<b>878.979</b>
11.1 Finance Lease Receivables		807.540	-	807.540	996.206	-	996.206
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned Income (-)		70.459	-	70.459	117.227	-	117.227
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(11)</b>	-	-	-	-	-	-
12.1 Fair Value Hedge		-	-	-	-	-	-
12.2 Cash Flow Hedge		-	-	-	-	-	-
12.3 Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	<b>(12)</b>	<b>589.432</b>	<b>236</b>	<b>589.668</b>	<b>516.343</b>	<b>791</b>	<b>517.134</b>
<b>XIV. INTANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>28.401</b>	<b>78</b>	<b>28.479</b>	<b>35.165</b>	<b>305</b>	<b>35.470</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		28.401	78	28.479	35.165	305	35.470
<b>XV. INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>1.072.540</b>	-	<b>1.072.540</b>	-	-	-
<b>XVI. TAX ASSET</b>	<b>(15)</b>	<b>55.506</b>	-	<b>55.506</b>	<b>25.067</b>	-	<b>25.067</b>
16.1 Current Tax Asset		2.917	-	2.917	5.023	-	5.023
16.2 Deferred Tax Asset		52.589	-	52.589	20.044	-	20.044
<b>XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	<b>(16)</b>	<b>83.737</b>	<b>493</b>	<b>84.230</b>	<b>91.884</b>	<b>433</b>	<b>92.317</b>
17.1 Assets Held for Sale		83.737	493	84.230	91.884	433	92.317
17.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	<b>(17)</b>	<b>98.851</b>	<b>22.431</b>	<b>121.282</b>	<b>141.947</b>	<b>12.058</b>	<b>154.005</b>
<b>TOTAL ASSETS</b>		<b>23.672.183</b>	<b>12.659.524</b>	<b>36.331.707</b>	<b>22.417.442</b>	<b>10.382.411</b>	<b>32.799.853</b>

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

LIABILITIES	Notes (Section Five-II)	Audited			Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		December 31, 2017			December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	<b>(1)</b>	<b>13.181.719</b>	<b>12.062.125</b>	<b>25.243.844</b>	<b>12.552.857</b>	<b>10.597.991</b>	<b>23.150.848</b>
1.1 Funds from Risk Group of The Bank		29.126	585.641	614.767	14.622	467.738	482.360
1.2 Other		13.152.593	11.476.484	24.629.077	12.538.235	10.130.253	22.668.488
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>76</b>	<b>6.342</b>	<b>6.418</b>	<b>88</b>	<b>-</b>	<b>88</b>
<b>III. FUNDS BORROWED</b>	<b>(3)</b>	<b>341.073</b>	<b>3.289.535</b>	<b>3.630.608</b>	<b>3.937</b>	<b>3.013.682</b>	<b>3.017.619</b>
<b>IV. BORROWINGS FROM MONEY MARKETS</b>		<b>340.000</b>	<b>-</b>	<b>340.000</b>	<b>492.784</b>	<b>-</b>	<b>492.784</b>
<b>V. SECURITIES ISSUED (Net)</b>	<b>(4)</b>	<b>450.962</b>	<b>1.281.425</b>	<b>1.732.387</b>	<b>175.695</b>	<b>1.190.788</b>	<b>1.366.483</b>
<b>VI. MISCELLANEOUS PAYABLES</b>		<b>657.105</b>	<b>90.087</b>	<b>747.192</b>	<b>634.067</b>	<b>68.144</b>	<b>702.211</b>
<b>VII. OTHER LIABILITIES</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. LEASE PAYABLES</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operational Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Fair Value Hedge		-	-	-	-	-	-
9.2 Cash Flow Hedge		-	-	-	-	-	-
9.3 Net Foreign Investment Hedge		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(8)</b>	<b>233.767</b>	<b>31.098</b>	<b>264.865</b>	<b>191.510</b>	<b>42.364</b>	<b>233.874</b>
10.1 General Provisions		119.052	23.368	142.420	110.416	25.847	136.263
10.2 Restructuring Reserves		-	-	-	-	-	-
10.3 Reserve for Employee Benefits		89.152	-	89.152	43.285	-	43.285
10.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5 Other Provisions		25.563	7.730	33.293	37.809	16.517	54.326
<b>XI. TAX LIABILITY</b>	<b>(9)</b>	<b>91.105</b>	<b>2.910</b>	<b>94.015</b>	<b>48.523</b>	<b>3.315</b>	<b>51.838</b>
11.1 Current Tax Liability		91.105	2.910	94.015	48.523	3.315	51.838
11.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Assets Held for Sale		-	-	-	-	-	-
12.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(11)</b>	<b>-</b>	<b>1.627.163</b>	<b>1.627.163</b>	<b>-</b>	<b>1.510.937</b>	<b>1.510.937</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(12)</b>	<b>2.644.101</b>	<b>1.114</b>	<b>2.645.215</b>	<b>2.281.727</b>	<b>(8.556)</b>	<b>2.273.171</b>
14.1 Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2 Capital Reserves		225.589	1.114	226.703	220.644	(8.556)	212.088
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Reserve		(18.727)	1.114	(17.613)	212	(8.556)	(8.344)
14.2.4 Revaluation Reserve on Tangible Assets		238.121	-	238.121	211.642	-	211.642
14.2.5 Revaluation Reserve on Intangible Assets		-	-	-	-	-	-
14.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations		-	-	-	-	-	-
14.2.10 Other Capital Reserves		6.195	-	6.195	8.790	-	8.790
14.3 Profit Reserves		1.113.454	-	1.113.454	946.157	-	946.157
14.3.1 Legal Reserves		122.227	-	122.227	101.765	-	101.765
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		991.227	-	991.227	844.392	-	844.392
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		249.011	-	249.011	214.926	-	214.926
14.4.1 Prior Years Profit/(Loss)		(1.228)	-	(1.228)	(4.681)	-	(4.681)
14.4.2 Current Year Profit/(Loss)		250.239	-	250.239	219.607	-	219.607
14.5 Minority Shares		156.047	-	156.047	-	-	-
<b>TOTAL LIABILITIES</b>		<b>17.939.908</b>	<b>18.391.799</b>	<b>36.331.707</b>	<b>16.381.188</b>	<b>16.418.665</b>	<b>32.799.853</b>

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF OFF-BALANCE SHEET	Notes (Section Five-III)	Audited CURRENT PERIOD December 31, 2017			Audited PRIOR PERIOD December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>6.252.472</b>	<b>5.192.237</b>	<b>11.444.709</b>	<b>5.229.816</b>	<b>5.721.490</b>	<b>10.951.306</b>
<b>I. GUARANTEES AND SURETIES</b>		<b>4.136.465</b>	<b>3.996.159</b>	<b>8.132.624</b>	<b>4.003.878</b>	<b>4.697.315</b>	<b>8.701.193</b>
1.1. Letters of Guarantees		4.123.494	2.900.850	7.024.344	3.992.017	3.817.794	7.809.811
1.1.1. Guarantees Subject to State Tender Law		445.010	43.982	488.992	380.805	33.037	413.842
1.1.2. Guarantees Given for Foreign Trade Operations		1.860	677.380	679.240	5.911	875.341	881.252
1.1.3. Other Letters of Guarantee		3.676.624	2.179.488	5.856.112	3.605.301	2.909.416	6.514.717
1.2. Bank Loans		-	21.824	21.824	-	20.711	20.711
1.2.1. Import Letter of Acceptances		-	21.824	21.824	-	20.711	20.711
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letter of Credits		1.517	1.029.291	1.030.808	2.073	750.606	752.679
1.3.1. Documentary Letter of Credits		-	-	-	-	-	-
1.3.2. Other Letter of Credits		1.517	1.029.291	1.030.808	2.073	750.606	752.679
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	40.582	40.582	150	101.422	101.572
1.7. Other Collaterals		11.454	3.612	15.066	9.638	6.782	16.420
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>1.999.439</b>	<b>232.913</b>	<b>2.232.352</b>	<b>1.221.782</b>	<b>9.379</b>	<b>1.231.161</b>
2.1. Irrevocable Commitments		1.999.439	232.913	2.232.352	1.221.782	9.379	1.231.161
2.1.1. Asset Purchase and Sale Commitments		148.149	232.913	381.062	4.020	9.379	13.399
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		348.871	-	348.871	111.042	-	111.042
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6. Payment Commitment for Cheques		528.094	-	528.094	588.983	-	588.983
2.1.7. Tax And Fund Liabilities from Export Commitments		4.069	-	4.069	3.029	-	3.029
2.1.8. Commitments for Credit Card Expenditure Limits		528.560	-	528.560	475.270	-	475.270
2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities		363	-	363	963	-	963
2.1.10. Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		441.333	-	441.333	38.475	-	38.475
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>116.568</b>	<b>963.165</b>	<b>1.079.733</b>	<b>4.156</b>	<b>1.014.796</b>	<b>1.018.952</b>
3.1. Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held for Trading Transactions		116.568	963.165	1.079.733	4.156	1.014.796	1.018.952
3.2.1. Forward Foreign Currency Buy/Sell Transactions		21.884	21.693	43.577	4.156	1.014.796	1.018.952
3.2.1.1. Forward Foreign Currency Transactions-Buy		5.259	16.516	21.775	2.078	539.810	541.888
3.2.1.2. Forward Foreign Currency Transactions-Sell		16.625	5.177	21.802	2.078	474.986	477.064
3.2.2. Other Forward Buy/Sell Transactions		94.684	941.472	1.036.156	-	-	-
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>59.076.439</b>	<b>9.015.013</b>	<b>68.091.452</b>	<b>46.841.565</b>	<b>7.544.333</b>	<b>54.385.898</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2.064.347</b>	<b>1.266.279</b>	<b>3.330.626</b>	<b>1.598.038</b>	<b>1.363.315</b>	<b>2.961.353</b>
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		72	-	72	72	-	72
4.3. Cheques Received for Collection		1.590.693	149.772	1.740.465	1.214.349	110.011	1.324.360
4.4. Commercial Notes Received for Collection		442.531	45.071	487.602	351.020	31.674	382.694
4.5. Other Assets Received for Collection		103	-	103	103	-	103
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		999	224.453	225.452	2.534	153.793	156.327
4.8. Custodians		29.949	846.983	876.932	29.960	1.067.837	1.097.797
<b>V. PLEDGED ITEMS</b>		<b>57.012.092</b>	<b>7.748.734</b>	<b>64.760.826</b>	<b>45.243.527</b>	<b>6.181.018</b>	<b>51.424.545</b>
5.1. Marketable Securities		7.877.664	3.081.345	10.959.009	2.553.972	1.690.418	4.244.390
5.2. Guarantee Notes		1.476.104	157.116	1.633.220	1.461.797	180.826	1.642.623
5.3. Commodity		2.147.323	665.792	2.813.115	1.873.977	956.778	2.830.755
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		43.274.769	2.996.857	46.271.626	37.530.439	1.668.064	39.198.503
5.6. Other Pledged Items		2.072.592	843.336	2.915.928	1.571.336	1.681.591	3.252.927
5.7. Pledged Items-Depository		163.640	4.288	167.928	252.006	3.341	255.347
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>65.328.911</b>	<b>14.207.250</b>	<b>79.536.161</b>	<b>52.071.381</b>	<b>13.265.823</b>	<b>65.337.204</b>

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>2.654.045</b>	<b>2.216.811</b>
1.1 Profit Share on Loans		2.360.098	1.965.135
1.2 Income Received from Reserve Deposits		32.547	18.811
1.3 Income Received from Banks		1.362	810
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		192.561	157.670
1.5.1 Held-For-Trading Financial Assets		1.464	5
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Available-For-Sale Financial Assets		128.485	92.489
1.5.4 Investments Held to Maturity		62.612	65.176
1.6 Finance Lease Income		65.749	73.181
1.7 Other Profit Share Income		1.728	1.204
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>1.379.863</b>	<b>1.192.767</b>
2.1 Expense on Profit Sharing Accounts		1.000.156	869.706
2.2 Profit Share Expense on Funds Borrowed		244.241	183.672
2.3 Profit Share Expense on Money Market Borrowings		14.170	55.734
2.4 Profit Share Expense on Securities Issued		109.533	80.335
2.5 Other Profit Share Expense		11.763	3.320
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>1.274.182</b>	<b>1.024.044</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>148.457</b>	<b>145.935</b>
4.1 Fees and Commissions Received		216.704	208.127
4.1.1 Non-Cash Loans		102.563	104.868
4.1.2 Other	<b>(12)</b>	114.141	103.259
4.2 Fees and Commissions Paid		68.247	62.192
4.2.1 Non-Cash Loans		180	334
4.2.2 Other	<b>(12)</b>	68.067	61.858
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/LOSS(net)</b>	<b>(4)</b>	<b>334</b>	<b>45.139</b>
6.1 Capital Market Transaction Income/(Loss)		8.002	200
6.2 Income/(Loss) from Derivative Financial Instruments		(21.019)	102.994
6.3 Foreign Exchange Income/(Loss)		13.351	(58.055)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>224.600</b>	<b>141.628</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.647.573</b>	<b>1.356.746</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>460.758</b>	<b>356.274</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>873.885</b>	<b>737.106</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>312.930</b>	<b>263.366</b>
<b>XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. INCOME/(LOSS) ON EQUITY METHOD</b>		<b>4.274</b>	<b>2.552</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(8)</b>	<b>317.204</b>	<b>265.918</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>51.707</b>	<b>46.311</b>
16.1 Provision for Current Taxes		76.256	53.999
16.2 Provision for Deferred Taxes		(24.549)	(7.688)
<b>XVII. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>265.497</b>	<b>219.607</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
18.1 Income from Assets Held For Sale		-	-
18.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
18.3 Income from Other Discontinued Operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Loss from Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
19.3 Loss from Other Discontinued Operations		-	-
<b>XX. INCOME/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1 Provision for Current Taxes		-	-
21.2 Provision for Deferred Taxes		-	-
<b>XXII. NET INCOME/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET INCOME/LOSS (XVII+XXII)</b>	<b>(11)</b>	<b>265.497</b>	<b>219.607</b>
23.1 Group's Income/Loss		250.239	219.607
23.2 Minority Shares Profit/Loss (-)		15.258	-
Earnings Per Share (Full TL)		0,278	0,244

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED**  
**UNDER SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	(11.883)	(24.199)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	31.993	34.580
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	6.936	7.606
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	(8.928)	(2.833)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(1.999)	(1.510)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	16.119	13.644
XI. PROFIT/LOSS	265.497	219.607
11.1 Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	-	-
11.2 Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement	-	-
11.3 Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income Statement	-	-
11.4 Other	265.497	219.607
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	281.616	233.251

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

CHANGES IN SHAREHOLDERS' EQUITY (Audited)															Accumulated Valuation Differences on Assets Held For Sale and Disc.op.		
Notes (Section Five-V)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Cancellation Certificate Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves <sup>(1)</sup>	Current Period Net Income/(Loss)	Prior Years Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Total Equity		
PRIOR PERIOD																	
January 1- December 31, 2016																	
I. Beginning balance	(V)	900.000	-	-	84.774	-	611.757	1.127	300.843	(2.580)	11.015	189.092	-	-	-	2.096.028	
Changes In Period																	
II. Increase/Decrease Related to Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	(19.359)	-	-	-	-	(19.359)	
IV. Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1 Cash-Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2 Hedge Of Net Investment in Foreign Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Tangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Intangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	30.542	-	-	-	30.542	
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Foreign Exchange Differences	-	-	-	-	-	-	-	7.606	-	-	-	-	-	-	-	7.606	
IX. Changes Related to the Disposal Of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Changes Related to the Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. The Effect of Change in Associate's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Share Issue Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Inflation Adjustment to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Other	-	-	-	-	-	-	-	57	-	3.529	-	(7.992)	-	-	-	-	
XVII. Period Net Income/(Loss)	-	-	-	-	-	-	-	-	219.607	-	-	-	-	-	-	(10.853)	
XVIII. Profit Distribution	-	-	-	-	-	-	-	-	(300.843)	(5.630)	-	-	-	-	-	219.607	
18.1 Dividends Distributed	-	-	-	-	-	-	-	-	-	(50.400)	-	-	-	-	-	(50.400)	
18.2 Transfers To Reserves	-	-	-	-	-	-	-	-	-	(256.073)	-	-	-	-	-	(50.400)	
18.3 Other	-	-	-	-	-	-	-	-	(300.843)	300.843	-	-	-	-	-	-	
Closing Balance (I+II+III+...+XVI+XVII+XVIII)	900.000	-	-	-	101.765	-	844.392	8.790	219.607	(4.681)	(8.344)	211.642	-	-	-	2.273.171	

(\*) As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 3.005 between January 18, 2016 and July 22, 2016 is represented under other reserves.

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

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

CHANGES IN SHAREHOLDERS' EQUITY (Audited)	Notes (Section Five-V)	Paid-in Capital	Effect of Inflation on Accounting Capital	Share Premium	Share Cancellation	Share Certificate Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves <sup>(*)</sup>	Current Period Net Income/(Loss)	Prior Years Net Income/(Loss)	Marketable Securities Valuation	Intangible Assets Revaluation Reserve	Intangible Assets Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
<b>CURRENT PERIOD</b>																					
January 1- December 31, 2017																					
I. Beginning balance	(V)	900.000	-	-	-	-	101.765	-	844.392	8.790	219.607	(4.681)	(8.344)	211.642	-	-	-	-	2.273.171	-	2.273.171
II. Changes In Period Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	-	(9.269)	-	-	-	-	-	(9.269)	-	(9.269)
IV. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period Net Income/(Loss)		-	-	-	-	-	9.582	-	(9.582)	(16.322)	-	1.455	-	885	-	-	-	-	(13.982)	140.789	126.807
XVIII. Profit Distribution		-	-	-	-	-	-	-	-	-	250.239	-	-	-	-	-	-	-	250.239	15.258	265.497
18.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	(219.607)	-	-	-	-	-	-	-	(43.521)	-	(43.521)
18.2 Transfers To Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		900.000	-	-	-	-	122.227	-	991.227	6.195	250.239	(1.228)	(17.613)	238.121	-	-	-	-	2.489.168	156.047	2.645.215

(\*) As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 9.471 between March 13, 2017 and November 22, 2017 represented under other reserves and legal reserve has been allocated for the related amount as per Turkish Commercial Code article 612.

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF CASH FLOWS	Notes (Section Five-VI)	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>1.056.272</b>	<b>1.304.121</b>
1.1.1 Profit Share Income Received		2.507.832	1.989.809
1.1.2 Profit Share Expense Paid		(1.329.989)	(1.169.064)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		114.141	103.259
1.1.5 Other Income		153.750	76.093
1.1.6 Collections from Previously Written Off Loans	(V-I-5,h2)	260.414	164.013
1.1.7 Payments to Personnel and Service Suppliers		(444.841)	(417.031)
1.1.8 Taxes Paid		(70.091)	(88.261)
1.1.9 Others	(V-VI-3)	(134.944)	645.303
<b>1.2 Changes In Operating Assets And Liabilities</b>		<b>(880.583)</b>	<b>(1.041.383)</b>
1.2.1 Net (Increase) Decrease in Available For Sale Financial Assets		(3.224)	(49)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.3 Net (Increase) Decrease in Due From Banks and Other Financial Institutions		(301.559)	695.562
1.2.4 Net (Increase) Decrease in Loans		(2.582.313)	(3.152.211)
1.2.5 Net (Increase) Decrease in Other Assets		11.707	72.668
1.2.6 Net Increase (Decrease) in Funds Collected From Banks		(322.394)	1.239.937
1.2.7 Net Increase (Decrease) in Other Funds Collected		1.752.779	305.562
1.2.8 Net Increase (Decrease) in Funds Borrowed		-	-
1.2.9 Net Increase (Decrease) in Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	(V-VI-3)	564.421	(202.852)
<b>I. Net Cash Flow From Banking Operations</b>		<b>175.689</b>	<b>262.738</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Flow From Investing Activities</b>		<b>(962.742)</b>	<b>(158.396)</b>
2.1 Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		-	(4.500)
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3 Fixed Assets Purchases		(976.765)	(32.488)
2.4 Fixed Assets Sales		58.407	57.326
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(842.254)	(1.022.136)
2.6 Cash Obtained from Sale of Financial Assets Available for Sale		623.144	723.577
2.7 Cash Paid for Purchase of Investment Securities	(V-I-6)	(244.500)	(264.055)
2.8 Cash Obtained from Sale of Investment Securities	(V-I-6)	419.226	383.880
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Flow From Financing Activities</b>		<b>102.644</b>	<b>(777.856)</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		7.257.049	2.997.158
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(7.110.884)	(3.724.614)
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		(43.521)	(50.400)
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(V-VI-3)	<b>109.649</b>	<b>329.943</b>
<b>V. Net (Decrease) Increase in Cash and Cash Equivalents</b>		<b>(574.760)</b>	<b>(343.571)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(V-VI-1-a)	<b>3.464.483</b>	<b>3.808.054</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(V-VI-1-b)	<b>2.889.723</b>	<b>3.464.483</b>

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



**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF PROFIT APPROPRIATION	THOUSAND TURKISH LIRA	
	CURRENT PERIOD December 31, 2017	PRIOR PERIOD December 31, 2016
<b>I. Distribution of current year income</b>		
1.1. Current year income	288.800	263.920
1.2. Taxes and duties payable (-)	51.707	46.311
1.2.1. Corporate tax (Income tax)	76.256	53.999
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities <sup>(*)</sup>	(24.549)	(7.688)
<b>A. Net income for the year (1.1-1.2)</b>	<b>237.093</b>	<b>217.609</b>
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	10.880
1.5. Other statutory reserves (-)	4.580	6.791
<b>B. Distributable net period income [(A-(1.3+1.4+1.5))] <sup>(**)</sup></b>	<b>232.513</b>	<b>199.938</b>
1.6. First dividend to shareholders (-)	-	43.521
1.6.1. To owners of ordinary shares	-	43.521
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	156.417
1.13. Other reserves	-	-
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares <sup>(***)</sup> (Full TL)	0,258	0,222
3.2. To owners of ordinary shares (%)	25,8	22,2
3.3. To owners of preferred shares	-	-
3.4. To owners of preferred shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares (Full TL)	-	0,048
4.2. To owners of ordinary shares (%)	-	4,84
4.3. To owners of preferred shares	-	-
4.4. To owners of preferred shares (%)	-	-

<sup>(\*)</sup> Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit appropriation; thus it is classified under extraordinary reserves.

<sup>(\*\*)</sup> General Assembly of the Parent Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements. Statement of profit appropriation is prepared as per the Parent Bank's unconsolidated financial statements.

<sup>(\*\*\*)</sup> Calculated by using the number of share certificates as of year-end.

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

### **SECTION THREE**

#### **Accounting Policies**

**I. Explanations on basis of presentation:**

**a) The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:**

The consolidated 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 numbered 26333 dated November 1, 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 prepared 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") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated 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", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities, revalued real estates and investment properties carried at fair value.

**b) Accounting policies and valuation principles applied in the preparation of consolidated financial statements:**

The accounting policies and valuation principles applied in the preparation of consolidated 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, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. Consolidated financial statements as of December 31, 2017 have been prepared by accounting for Katılım Emeklilik ve Hayat A.Ş. using equity method. The subsidiaries and real estate funds accounted using full consolidation method are Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu, Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu and Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu. The accounting policies and valuation principles used in the preparation of consolidated financial statements are explained between in Notes II and XXIV below.

TAS/TFRS changes which are effective from January 1, 2017 do not have a significant effect on the Group's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments, do not have a significant effect on the Group's accounting policies, financial position or performance.

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**I. Explanations on basis of presentation (continued):**

**b) Accounting policies and valuation principles applied in the preparation of consolidated financial statements (continued):**

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after December 31, 2017). "Financial Instruments" before January 1, 2018. Since the Parent Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the consolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Group's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

**c) Restatement of the financial statements according to the current purchasing power of money:**

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

**II. Explanations on strategy of using financial instruments and foreign currency transactions:**

The Group creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Parent Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Parent Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Parent Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Parent Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

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**II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):**

The Parent Bank's share of foreign currency non performing loans funded by profit sharing accounts and foreign currency non performing loans funded by equity are evaluated at the exchange rates at their switch from performing to non performing and booked under Turkish lira accounts.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Parent Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Parent Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

**III. Information on consolidated associates:**

Consolidated financial statements are prepared in accordance with the decrees, notes and explanations set forth in Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006, numbered 26340 and "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

**a) Consolidation principles on joint ventures:**

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is private pension and insurance and operates according to special legislation with permission and license and is established in Turkey. The related joint venture has been consolidated through equity method. Where necessary, accounting policies of the joint venture have been harmonized to ensure consistency with the policies adopted by the Parent Bank.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the joint venture amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Private pension and insurance	50,00	50,00



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**III. Information on consolidated associates (continued):**

**b) Consolidation principles on subsidiaries:**

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method considering materiality principle, taking account the operation results, size of asset and shareholders' equity. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is accepted as when Parent Bank has power over its investee, or exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated.

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

The subsidiaries included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Bereket Varlık Kiralama A.Ş.	Istanbul/Turkey	Sukuk Issue	100,00	100,00
Albaraka Portföy Yönetimi A.Ş.	Istanbul/Turkey	Investment Fund Foundation and Management	100,00	100,00

**c) Consolidation principles on real estate investment funds:**

The real estate investment funds, founded by the Parent Bank's subsidiary "Albaraka Portföy Yönetimi A.Ş." over which the Group has control as per procedures and principles stated in TFRS 10 "Turkish Financial Reporting Standards on consolidated Financial Statements", are accounted as per full consolidation method. For Real Estate funds over which the Parent Bank does not have full control, minority shares are calculated separately under income statement and shareholders' equity. The information on the funds is represented as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu	Istanbul/Turkey	Buy real estate and rights based on real estates, rent, lease and sell	100,00	100,00
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu	Istanbul/Turkey	Buy real estate and rights based on real estates, rent, lease and sell	100,00	100,00
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu	Istanbul/Turkey	Buy real estate and rights based on real estates, rent, lease and sell	52,275	52,275

**d) Presentation of consolidated subsidiaries, associates and joint ventures in consolidated financial statements:**

Turkish Lira denominated investments in consolidated associates and subsidiaries are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements ("TAS 27")" in the consolidated financial statements.

When the cost of associates and subsidiaries is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

**IV. Explanations on forward, option contracts and derivative instruments:**

The derivative financial instruments of the Group consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The Group's derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39") and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

**V. Explanations on profit share income and expenses:**

*Profit share income*

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Parent Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

*Profit share expense*

The Parent Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account "Funds Collected" in the balance sheet.

**VI. Explanations on fees, commission income and expenses:**

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Parent Bank records the related cash and non-cash loans commissions directly as income.



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**VII. Explanations on financial assets:**

The Group categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Group is determined and accounted at the time of purchase by the Parent Bank management taking into consideration the purpose of the investment.

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

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

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

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Parent Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2017, the Parent Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2016: None).

**Financial assets available for sale:**

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

**Loans and receivables:**

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

**Financial assets held to maturity:**

Held to maturity financial assets are financial 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 until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

**VIII. Explanations on impairment of financial assets:**

At each balance sheet date, the Group evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Group determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

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

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

**IX. Explanations on offsetting of financial instruments:**

Financial instruments are offset when the Group has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Group which are repurchased have been offset in available for sale and subordinated loan accounts.

**X. Explanations on sale and repurchase agreements and lending of securities:**

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available for sale" and "held to maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Group has not any securities lending transactions.

**XI. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:**

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Group has assets that are possessed due to receivables and debtors' obligations to the Parent Bank and classified as assets held for sale. In the case that the Group has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Group transfers such assets from assets held for sale and discounted operations to tangible assets.

A discontinued operation is a part of the Group's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Group has not any discontinued operations.

**XII. Explanations on goodwill and other intangible assets:**

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The Parent Bank's intangible assets consist of softwares and intangible rights. The Parent Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Parent Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Parent Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

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**XIII. Explanations on tangible assets:**

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the ("TAS 16") "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Parent Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance ("TAS 16") and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2017, the Parent Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

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

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

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate %
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 – 20
Operational lease improvement costs (Leasehold improvements)	Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Group estimates the recoverable amount of the tangible asset in accordance with ("TAS 36") "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.



**XIV. Information on investment property:**

Investment properties are retained in order to benefit for administrative purposes and production and supply of goods or either or both obtain rental income or appreciation gain instead of selling them in ordinary workflow. Investment properties are accounted initially at cost then at fair value for the coming periods and changes are recognized in income statement.

The cost includes the expenses directly associated with the purchase.

If the investment property is sold, all profits and losses incurred (referring the difference between sale price and carrying value of the asset) are recognized in income statement. If the investment properties which are recognized as fixed assets beforehand are sold, their revaluation differences (if there are any) under equity are transferred to prior year profits.

If a real estate's intended purpose amended and it is recognized again under fixed assets, the fair value at the date of the amendment becomes the cost for the next accounting transaction.

**XV. Explanations on leasing transactions:**

*Transactions as a lessee*

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

*Transactions as a lessor*

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

**XVI. Explanations on provisions and contingent liabilities:**

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Parent 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.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Parent Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

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**XVII. Explanations on liabilities regarding employee rights:**

i) *Defined benefit plans:*

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income. As of December 31, 2017, there is an actuarial loss amounts to TL 18.657 before deferred tax calculation. (December 31, 2016: TL 9.729 actuarial loss).

The Grup, provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

ii) *Defined contribution plans:*

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) *Short term benefits to employees:*

In accordance with TAS 19, the Group measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

**XVIII. Explanations on taxation:**

**Current tax:**

The Group is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%. However, this ratio will be applied as 22% for a period of three years, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017. In addition, the council of ministers is authorized to decrease the ratio from 22% to 20%.

Dividends paid to the resident institutions are not subject to withholding tax in Turkey. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Parent Bank using the corporate rate of 20% which must be announced by the 14<sup>th</sup> day and paid by the 17<sup>th</sup> day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovable are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.



**XVIII. Explanations on taxation (continued):**

However, in accordance with Article 89/a Law No. 7061 and Article 5.1.e and Article 5.1.f of the Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261 the 75% applied in terms of immovable sales mentioned above has been reduced to 50% which is effective from the date of publication of the Law.

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

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Parent Bank is exempt from corporate tax and income tax withholding.

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

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Parent Bank. As of report date, there is no information or written report transmitted to the Parent Bank.

**Deferred tax:**

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with ("TAS 12") "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Parent Bank calculates deferred taxes using related ratios considering the realization period of the temporary differences.

**Transfer pricing:**

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

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**XIX. Additional explanations on borrowings:**

The Group records borrowings in accordance with ("TAS 39") "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Parent Bank. The Parent Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Parent Bank has subordinated loans borrowed through sukuk issuance which has convertible nature to the shares.

**XX. Explanations on issued share certificates:**

None.

**XXI. Explanations on acceptances and availed drafts:**

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

**XXII. Explanations on government grants:**

As of the balance sheet date, there are no government grants received by the Group.

**XXIII. Explanations on segment reporting:**

Business segment is a component of the Parent Bank that engages in business activities from which the Group may earn revenues and incur expenses, whose operating results are regularly reviewed by the Parent Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XI.

**XXIV. Explanations on other matters:**

**Classifications:**

The financial statements of the Parent Bank are prepared in order to reach an opinion on financial position and performance trends. If necessary, in order to ensure consistency between current term and previous term, the comparative information are reclassified again and significant differences are explained.

**Classifications on financial statements of 2016:**

The Parent bank, starting from current term, used netting method for the accounts of specific provisions for non-cash loans that are not indemnified and its reversals (income) and provisions allocated from profit shares to be distributed to profit sharing accounts and its reversals (income) considering the net results and representing these net results in the related income or expense titles. Hence, at December 31, 2017, TL 15.883 under reversal of prior year provisions in other operating income is netted from other item in provisions for loan losses and other receivables of the Parent Bank.

**TFRS 9 effect:**

In January 2017, Public Oversight Accounting and Auditing Standards Authority ("POA") published the final version of TFRS 9 which replaces TAS 39. TFRS 9 has entered into force in January 1, 2018.

In this context, it became compulsory for banks to adopt TFRS 9 effective from 1 January 2018 based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans. The Parent Bank has been analysing the potential impact of the new standard on both in the classification of portfolios and in the valuation models of financial instruments ever since publication of the initial drafts of the standard.

**XXIV. Explanations on other matters (continued):**

**Measurement and Classification of Financial Instruments**

**Financial Assets**

It is anticipated that the financial assets valued at fair value through profit or loss will continue to be measured at fair value. On the other hand, there might be classifications among the financial assets classified as financial assets valued at amortized cost or valued at fair value with changes in other comprehensive income depending on the characteristics of their business models.

Loans and receivables are held to collect contractual cash flows and such cash flows consist of principal and interest collections. The Parent Bank analysed contractual cash flow characteristics of these financial instruments and decided to classify such instruments as financial assets valued at amortised cost. Accordingly, it shall not be possible to classify these financial instruments into a different category.

Based on the analysis carried out up until today, the Bank considers that the new classification requirements under TFRS 9 will not have a significant impact on the balance sheet of the Parent Bank.

**Financial Liabilities**

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities based on the evaluation of the Parent Bank, it is not anticipated a significant impact regarding accounting of financial liabilities based on the scope of TFRS 9.

**Impairment**

As of 1 January 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

**Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

**Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to Stage 2. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

**Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

As of January 1, 2018, under TFRS 9, The Parent Bank does not expect material effects of the provisions related to credits and other receivables on the equity of the bank. The Parent Bank continues to make controls and development on TFRS 9 implementation.

**XXV. Additional paragraph for convenience translation:**

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

**SECTION FOUR**

**Information on Consolidated Financial Structure and Risk Management of the Group**

**I. Explanations on consolidated capital adequacy standard ratio:**

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2017, the Parent Bank's total capital has been calculated as TL 4.119.327 and capital adequacy standard ratio is 17,78%. As of December 31, 2016, the Parent Bank's total capital amounted to TL 3.057.570 and capital adequacy ratio was calculated as 13,45%. The Parent Bank's capital adequacy standard ratio is above the minimum ratio required by the legislation.



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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**a) Information on consolidated capital:**

	Current Period	Amounts related to treatment before January 1, 2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	1.113.454	
Gains recognized in equity as per TAS	273.644	
Profit	249.011	
Current Period Profit	250.239	
Prior Period Profit	(1.228)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority Share	3.052	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.539.161</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	46.941	
Improvement costs for operating leasing	24.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	21.174	26.468
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2 <sup>nd</sup> clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>92.357</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.446.804</b>	

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**I. Explanations on consolidated capital adequacy standard ratio (continued):**  
**a) Information on consolidated capital (continued):**

	Current Period	Amounts related to treatment before January 1, 2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not 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 (-)	5.294	
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 (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.441.510</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	1.610.280	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	71.830	
<b>Tier II Capital Before Deductions</b>	<b>1.682.110</b>	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	3.361	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>3.361</b>	
<b>Total Tier II Capital</b>	<b>1.678.749</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>4.120.259</b>	
<b>Deductions from Total Capital</b>	-	
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	932	

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**a) Information on consolidated capital (continued):**

	Current Period	Amounts related to treatment before January 1, 2014 <sup>(*)</sup>
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not 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	-	
The Sum of net long positions of 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, where the bank does not own more than 10% of the issued common share capital of the entity which will not 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	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not 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>Total Capital (Total Core Capital and Supplementary Capital)</b>	<b>4.119.327</b>	
<b>Total risk weighted amounts</b>	<b>23.164.995</b>	
<b>Capital Adequacy Ratios (%)</b>		
Consolidated Core Capital Adequacy Ratio (%)	10,56	
Consolidated Tier 1 Capital Adequacy Ratio (%)	10,54	
Consolidated Capital Adequacy Ratio (%)	17,78	
<b>BUFFERS</b>		
The total additional capital requirement ratio (a + b + c)	1,25	
a) Capital conservation buffer requirement (%)	1,25	
b) Bank specific counter-cyclical buffer requirement (%)	0,00	
c) Systemic significant bank buffer ratio (%)	0,00	
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 (%)	6,06	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	70.535	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	71.830	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to & 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(\*)</sup>Amounts in this column represents the amounts of items that are subject to transition provisions.

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**a) Information on consolidated capital (continued):**

	Prior Period	Amounts related to treatment before January 1, 2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	946.157	
Gains recognized in equity as per TAS	232.377	
Profit	214.926	
Current Period Profit	219.607	
Prior Period Profit	(4.681)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority Share	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.293.460</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	20.289	
Improvement costs for operating leasing	27.695	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	19.899	33.167
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2 <sup>nd</sup> clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>67.883</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.225.577</b>	



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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**a) Information on consolidated capital (continued):**

	Prior Period	Amounts related to treatment before January 1, 2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not 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 (-)	13.268	
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 (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.212.309</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	793.260	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	60.956	
<b>Tier II Capital Before Deductions</b>	<b>854.216</b>	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>854.216</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>3.066.525</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	5.813	
Other items to be defined by the BRSA	3.142	

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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**a) Information on consolidated capital (continued):**

	Prior Period	Amounts related to treatment before January 1, 2014 <sup>(*)</sup>
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not 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	-	
The Sum of net long positions of 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, where the bank does not own more than 10% of the issued common share capital of the entity which will not 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	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not 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>Total Capital (Total Core Capital and Supplementary Capital)</b>	<b>3.057.570</b>	
<b>Total risk weighted amounts</b>	<b>22.727.130</b>	
<b>Capital Adequacy Ratios (%)</b>		
Consolidated Core Capital Adequacy Ratio (%)	9,79	
Consolidated Tier 1 Capital Adequacy Ratio (%)	9,73	
Consolidated Capital Adequacy Ratio (%)	13,45	
<b>BUFFERS</b>		
Bank-specific total core capital ratio (%)	0,63	
Capital conservation buffer requirement (%)	0,63	
Bank specific counter-cyclical buffer requirement (%)	0,00	
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 (%)	5,29	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	32.927	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	60.956	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to & 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(\*)</sup>Amounts in this column represents the amounts of items that are subject to transition provisions.

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- I. Explanations on consolidated capital adequacy standard ratio (continued):**  
**b) Information on reconciliation of consolidated total capital and consolidated equity**

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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**I. Explanations on consolidated capital adequacy standard ratio (continued):**

**c) Details on subordinated liabilities:**

Issuer	Albaraka Sukuk Ltd.	ABT Sukuk Ltd.
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS0927211754
Governing Law(s) of the Instrument	English Law	English Law
<b>Special Consideration in the Calculation of Equity</b>		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Sukuk Wakala	Sukuk Murabaha
Amount recognized in regulatory capital (as of most recent reporting date)	TL 854.280	TL 756.000
Par Value of Instrument	TL 854.280	TL 756.000
Accounting Classification	Subordinated Loan	Subordinated Loan
Original date of Issuance	November 30, 2015	May 7, 2013
Perpetual or dated	Dated	Dated
Maturity date	Nov 30, 2025	May 7, 2023
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: November 30, 2020 Total Repayment Amount of Profit Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000	Last Payment Date: May 7, 2018 Total Repayment Amount of Profit Share: USD 77.500.000, Repayment Period: 6 months Principal Payment: USD 200.000.000
Subsequent call dates	-	-
<b>Profit Share/Dividends</b>		
Fixed or floating profit share/dividend	Fixed	Fixed
Profit share rate and any related index	10,50%	7,75%
Existence of a dividend stopper	As per BRSA regulations and Communiqués it is payable	As per BRSA regulations and Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
<b>Convertible or Non-convertible</b>		
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible	As per BRSA regulations and Communiqués it is convertible
If convertible, fully or partially	As per BRSA approval it is convertible fully or partially	As per BRSA approval it is convertible fully or partially
If convertible, conversion rate	As per BRSA approval it is convertible and the rate may be determined.	As per BRSA approval it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate	Share certificate
If convertible, specify issuer of instrument it converts into	-	-
<b>Write-down feature</b>		
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliance with article number 7 and 8 of "Own fund regulation"	No	No



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**II. Explanations on consolidated credit risk:**

- (1) Credit risk represents the Parent Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Parent Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Parent Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Parent Bank, the parent bank cannot grant loans above 15% of its equity to a real person or legal entity (Exception to this decision is subject to the decision of the Board of Directors), Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Parent Bank's credit limit renewal procedure. The Parent Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

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**II. Explanations on consolidated credit risk (continued):**

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

<b>Risk Categories</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount <sup>(1)</sup></b>
Receivables from central governments or central banks	5.237.892	5.017.053
Receivables from regional or local governments	32	304
Receivables from administrative units and non-commercial enterprises	199.448	110.934
Receivables from multilateral development banks	-	54
Receivables from international organizations	-	-
Receivables from banks and brokerage houses	1.771.717	2.016.945
Receivables from corporates	12.959.301	12.284.027
Retail receivables	5.524.653	5.149.934
Receivables secured by mortgages on property	3.283.907	3.073.964
Past due receivables	305.597	359.174
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	3.160.360	2.484.239
Equity share investments	-	-
<b>Total</b>	<b>32.442.907</b>	<b>30.496.628</b>

<sup>(1)</sup> Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2017.

- (2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.
- (3) The risks of forwards, options and similar agreements are followed regularly and the Parent Bank utilizes risk mitigation methods if needed.
- (4) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Parent Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.

The Parent Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

- (5) The Parent Bank has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines.

For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Parent Bank itself and concentration of risk is avoided. The Parent Bank does not carry any serious risk in this respect.

- (6) Share of cash receivables of the Parent Bank from its top 100 and top 200 cash loan customers in total cash loans is 40% (December 31, 2016: 41%) and 49% (December 31, 2016: 48%) respectively.

Share of non-cash receivables of the Parent Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 47% (December 31, 2016: 44%) and 58% (December 31, 2016: 56%) respectively.

Share of cash and non-cash receivables of the Parent Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 37% (December 31, 2016: 36%) and 45% (December 31, 2016: 44%) respectively.

- (7) The Parent Bank's general provision amount for its credit risk is TL 142.420 (December 31, 2016: TL 136.263).

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**II. Explanations on consolidated credit risk (continued):**

**(8) Profile on significant risks in significant regions:**

	Risk Categories (*)										Total
	1	2	3	4	5	6	7	8	9	10	
Current Period											
Domestic	5 237 892	32	199 448	-	983 019	12 343 338	5 510 539	3 270 206	290 367	3 107 344	30 942 185
EU Countries	-	-	-	-	215 986	121 848	1 712	2 018	4 459	14 175	360 198
OECD Countries (**)	-	-	-	-	9 056	-	6	16	-	-	9 078
Off-shore banking regions	-	-	-	-	67 835	54 801	10 294	2 963	9 344	-	145 237
USA, Canada	-	-	-	-	123 592	90 682	137	15	-	-	214 426
Other countries	-	-	-	-	372 229	348 632	1 965	8 689	1 427	15 652	748 594
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	23 189	-
Unallocated assets/liabilities (**)	-	-	-	-	-	-	-	-	-	-	23 189
TOTAL	5 237 892	32	199 448	-	1 771 717	12 959 301	5 524 653	3 283 907	305 597	3 160 360	32 442 907
Prior Period											
Domestic	5 290 150	536	38 092	-	1 913 188	12 294 282	5 264 405	2 486 291	296 839	1 349 308	28 933 091
EU Countries	-	-	-	-	138 869	143 118	4 123	2 286	-	1	288 397
OECD Countries (**)	-	-	-	-	11 394	-	28	-	-	-	11 422
Off-shore banking regions	-	-	-	-	21 256	44 369	9 755	7 903	43 954	-	127 237
USA, Canada	-	-	-	-	85 415	83 885	8	-	-	-	169 308
Other countries	-	-	-	66	150 102	257 785	4 118	9 919	-	40 670	462 660
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	27 469	-
Unallocated assets/liabilities (**)	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5 290 150	536	38 092	66	2 320 224	12 823 439	5 282 437	2 506 399	340 793	1 417 448	30 019 584

<sup>(\*)</sup> Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

<sup>(\*\*)</sup> OECD countries other than EU countries, USA and Canada.

<sup>(\*\*\*)</sup> Assets and liabilities are not allocated on a consistent basis

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses

- 6- Receivables from corporates
- 7- Retail receivables
- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Other receivables

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**II. Explanations on credit risk (continued):**

**Risk Profile according to sectors and counterparties:**

Sectors / Counterparties		Risk Categories										FC	Total
		1	2	3	4	5	6	7	8	9	10	TL	
<b>1 Agriculture</b>		-	-	-	-	-	106.760	56.826	17.821	3.185	-	156.412	184.592
1.1 Farming and stockbreeding		-	-	-	-	-	26.433	15.697	8.978	2.644	-	42.057	53.752
1.2 Forestry		-	-	-	-	-	80.312	40.204	8.435	541	-	113.007	129.492
1.3 Fishery		-	-	-	-	-	15	925	408	-	-	1.348	1.348
<b>2 Manufacturing</b>		-	-	1.073	-	-	6.043.903	2.256.163	1.122.966	166.668	-	6.160.415	9.590.773
2.1 Mining		-	-	-	-	-	314.516	27.878	24.009	724	-	243.987	367.127
2.2 Production		-	-	122	-	-	4.964.236	2.195.248	1.016.395	163.386	-	5.580.050	8.339.387
2.3 Electricity, gas, water		-	-	951	-	-	765.151	33.037	82.562	2.558	-	336.378	884.259
<b>3 Construction</b>		-	-	181.184	-	-	3.728.580	567.483	1.199.952	63.410	1.072.540	4.859.462	6.813.149
<b>4 Services</b>		3.426.367	-	15.874	-	1.761.469	2.712.376	998.874	380.556	63.191	23.189	3.639.090	9.381.896
4.1 Wholesale and retail trade		-	-	74	-	900	1.392.415	779.663	221.797	51.822	-	2.036.461	2.446.671
4.2 Hotel, food and beverage services		-	-	-	-	-	86.677	32.420	21.294	17	-	29.837	140.408
4.3 Transportation and telecommunication		-	-	-	-	-	146.494	61.148	11.085	5.623	-	94.287	130.063
4.4 Financial institutions		3.426.367	-	26	-	1.760.569	887.509	21.635	90.282	3.933	23.189	1.151.150	6.213.510
4.5 Real estate and renting services		-	-	-	-	-	131.853	8.412	2.171	75	-	130.983	142.511
4.6 Self-employment services		-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education services		-	-	5.888	-	-	3.774	8.576	8.649	712	-	27.426	27.599
4.8 Health and social services		-	-	9.886	-	-	63.654	87.020	25.278	1.009	-	168.946	186.847
<b>5 Other</b>		1.811.525	32	1.317	-	10.248	367.682	1.645.307	562.612	9.143	2.064.631	4.820.061	6.472.497
<b>Total</b>		5.237.892	32	199.448	-	1.771.717	12.959.301	5.524.653	3.283.907	305.597	3.160.360	19.635.440	32.442.907

- |   |   |
|---|---|
| 1- Receivables from central governments or central banks                | 6- Receivables from corporates                  |
| 2- Receivables from regional or local governments                       | 7- Retail receivables                           |
| 3- Receivables from administrative units and non-commercial enterprises | 8- Receivables secured by mortgages on property |
| 4- Receivables from multilateral development banks                      | 9- Past due receivables                         |
| 5- Receivables from banks and brokerage houses                          | 10- Other receivable                            |



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**II. Explanations on consolidated credit risk (continued):**

**Distribution of Risks with Term Structure According to Remaining Maturities:**

	Risk Categories	Time to Maturity				
		1 month	1-3 months	3-6 months	6-12 months	1 year and over
1	Receivables from central governments or central banks	-	386.626	-	343.367	1.100.062
2	Receivables from regional or local governments	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	294	76	153	1.835	196.776
4	Receivables from multilateral development banks	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-
6	Receivables from banks and brokerage houses	109.582	37.497	4.994	17.492	88.101
7	Receivables from corporates	677.274	808.545	968.582	2.165.667	8.255.796
8	Retail receivables	283.518	337.377	586.012	1.058.499	3.127.311
9	Receivables secured by mortgages on property	78.789	264.853	159.049	388.266	2.386.178
10	Past due receivables	5.557	3.737	8.944	11.785	275.575
11	Receivables defined in high risk category by BRSA	-	-	-	-	-
12	Securities collateralized by mortgages	-	-	-	-	-
13	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
14	Investments similar to collective investment funds	-	-	-	-	-
15	Other receivables	14.175	-	-	-	-
16	Equity share investments	-	-	-	-	-
17	<b>TOTAL</b>	<b>1.169.189</b>	<b>1.838.711</b>	<b>1.727.734</b>	<b>3.986.911</b>	<b>15.429.799</b>

(9) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

											Deductions from Shareholders' Equity
Risk Weights		0%	10%	20%	35%	50%	75%	100%	150%	200%	
1	Amount before credit risk mitigation	5.350.730	-	1.949.893	861.798	3.058.330	5.524.653	15.470.398	227.105	-	55.003
2	Amount after credit risk mitigation	6.804.356	-	2.045.151	845.958	3.110.343	4.589.966	14.821.189	225.944	-	55.003

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**II. Explanations on consolidated credit risk (continued):**

- (10)** Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

For loans which are classified as impaired loans due to delay of collection of principal or profit share 90 days and above, and/or negative risk assessments of credit worthiness of the debtor; "specific provision" is set aside in the accompanying financial statements as of December 31, 2017.

For loans which are classified as past due not impaired loans due to delay of collection of principal or profit share up to 90 days; "general provision" is set aside in the accompanying financial statements as of December 31, 2017.

Sectors / Counterparties	Loans			
	Impaired Loans	Past Due <sup>(*)</sup>	Value Adjustments <sup>(**)</sup>	Provisions
1 <b>Agriculture</b>	<b>18.182</b>	<b>1.914</b>	<b>24</b>	<b>14.197</b>
1.1 Farming and stockbreeding	15.340	742	8	12.570
1.2 Forestry	2.840	1.172	16	1.625
1.3 Fishery	2	-	-	2
2 <b>Manufacturing</b>	<b>700.237</b>	<b>523.353</b>	<b>4.828</b>	<b>399.615</b>
2.1 Mining	4.592	2.491	7	3.009
2.2 Production	687.681	507.388	4.821	393.194
2.3 Electricity, gas, water	7.964	13.474	-	3.412
3 <b>Construction</b>	<b>261.547</b>	<b>342.525</b>	<b>2.487</b>	<b>166.916</b>
4 <b>Services</b>	<b>198.241</b>	<b>114.084</b>	<b>1.214</b>	<b>100.991</b>
4.1 Wholesale and retail trade	138.791	60.468	483	67.274
4.2 Hotel, food and beverage services	273	12	-	256
4.3 Transportation and telecommunication	21.468	22.349	156	11.743
4.4 Financial institutions	16.548	6.328	118	9.424
4.5 Real estate and renting services	4.499	896	10	3.874
4.6 Self-employment services	3.554	119	1	3.104
4.7 Education services	7.352	-	-	1.998
4.8 Health and social services	5.756	23.912	446	3.318
5 <b>Other</b>	<b>34.403</b>	<b>226.376</b>	<b>3.317</b>	<b>17.718</b>
<b>Total</b>	<b>1.212.610</b>	<b>1.208.252</b>	<b>11.870</b>	<b>699.437</b>

<sup>(\*)</sup> Only overdue projects of the relevant credits are represented.

<sup>(\*\*)</sup> The amounts represent general provisions for overdue projects.

**(11) Information related to value adjustments and credit provisions:**

The Parent Bank provides specific provisions for loans which are overdue for 90 days or more. The collaterals are being taken into consideration while providing specific provisions in accordance with the Provisioning Communiqué.

The Parent bank provides general loan provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the "Regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provisions to be set aside" communiqué.

Risk Weight	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments <sup>(*)</sup>	Closing Balance
1 Specific Provisions	578.505	442.637	(350.612) <sup>(**)</sup>	28.907	699.437
2 General Provisions	136.263	15.416	(10.951)	1.692	142.420

<sup>(\*)</sup> Determined according to currency differences.

<sup>(\*\*)</sup> Includes TL 309.387 assigned from non performing portfolio to asset management companies and written off amount TL 4.952 as per decision of the Parent Bank management.

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**III. Explanations on risks including countercyclical capital buffer calculation:**

**Explanations on receivables from consolidated private sector:**

Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	19.112.016	263	19.112.279
Iraq	218.488	-	218.488
United States of America	90.701	-	90.701
Georgia	86.918	-	86.918
Malta	71.633	-	71.633
Marshall Islands	48.991	-	48.991
Malaysia	20.784	-	20.784
Panama	10.585	-	10.585
Romania	9.396	-	9.396
Other	49.259	-	49.259

**IV. Explanations on consolidated currency risk:**

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

- a) The Parent Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Parent Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b) The Group does not have any derivative financial instruments held for hedging purposes.
- c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Parent Bank takes necessary measures to keep the currency risk at a minimum level.
- ç) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Parent Bank are as follows:

	USD	EUR
As of December 31, 2017 - Balance sheet evaluation rate	3,780	4,533
As of December 29, 2017	3,780	4,533
As of December 28, 2017	3,768	4,501
As of December 27, 2017	3,815	4,540
As of December 26, 2017	3,800	4,511
As of December 25, 2017	3,796	4,507

- d) The simple arithmetical average of the major foreign exchange buying rates of the Parent Bank for the thirty days before the balance sheet date is TL 3,832 for 1 USD (December 2016: TL 3,494), TL 4,535 for 1 EUR (December 2016: TL 3,679).

The Parent Bank is mainly exposed to EUR and USD currency risks.

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**IV. Explanations on consolidated currency risk (continued):**

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

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.134.693	3.201.015	999.182	5.334.890
Banks	282.394	330.469	192.358	805.221
Financial assets at fair value through profit and loss	-	3.363	-	3.363
Money market placements	-	-	-	-
Available-for-sale financial assets	188	371.196	-	371.384
Loans and financial lease receivables <sup>(**)</sup>	3.809.916	8.232.284	375	12.042.575
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	236	236
Intangible assets	-	-	78	78
Other assets <sup>(***)</sup>	3.225	16.334	4.017	23.576
<b>Total assets</b>	<b>5.230.416</b>	<b>12.154.661</b>	<b>1.196.246</b>	<b>18.581.323</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	915.162	503.465	5.592	1.424.219
Other current and profit sharing accounts	2.813.964	6.926.317	897.625	10.637.906
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.231.572	368.512	-	4.916.698
Marketable securities issued	-	1.281.425	-	1.281.425
Miscellaneous payables	10.270	77.957	1.860	90.087
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	4.408	9.588	2.986	16.982
<b>Total liabilities</b>	<b>4.975.376</b>	<b>12.483.878</b>	<b>908.063</b>	<b>18.367.317</b>
<b>Net balance sheet position</b>	<b>255.040</b>	<b>(329.217)</b>	<b>288.183</b>	<b>214.006</b>
<b>Net off balance sheet position</b>	<b>(225.109)</b>	<b>361.039</b>	<b>(245.184)</b>	<b>(109.254)</b>
Derivative financial instruments assets <sup>(****)</sup>	26.065	511.411	5.936	543.412
Derivative financial instruments liabilities <sup>(****)</sup>	251.174	150.372	251.120	652.666
Non-cash loans <sup>(*****)</sup>	1.323.750	2.648.158	24.251	3.996.159
<b>Prior Period</b>				
Total assets	4.803.238	10.411.306	1.139.478	16.354.022
Total liabilities	4.767.097	10.977.209	657.068	16.401.374
<b>Net balance sheet position</b>	<b>36.141</b>	<b>(565.903)</b>	<b>482.410</b>	<b>(47.352)</b>
<b>Net off balance sheet position</b>	<b>(222)</b>	<b>534.761</b>	<b>(473.712)</b>	<b>60.827</b>
Derivative financial instruments assets	2.886	538.533	1.082	542.501
Derivative financial instruments liabilities	3.108	3.772	474.794	481.674
Non-cash loans <sup>(*****)</sup>	1.429.354	3.231.964	35.997	4.697.315

<sup>(1)</sup> TL 973.313 (December 31, 2016: TL 790.486) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 116.046 (December 31, 2016: TL 274.919) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 849.627 (December 31, 2016: TL 599.733) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

<sup>(\*\*)</sup> The balance includes foreign currency indexed loans and financial lease receivables of TL 5.921.147 (December 31, 2016: TL 5.971.045).

<sup>(\*\*\*)</sup> Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 652 (December 31, 2016: TL 566) is included in other assets.

<sup>(\*\*\*\*)</sup> In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 107.178 (December 31, 2016: TL 2.691) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 125.735 (December 31, 2016: TL 6.688).

<sup>(\*\*\*\*\*)</sup> Does not have any effect on the net off-balance sheet position.



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**V. Explanations on consolidated position risk of equity securities in banking book:**

The Parent Bank does not have any associate and subsidiary quoted at Borsa İstanbul. "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" which are managed and founded by Albaraka Portföy Yönetimi A.Ş. are traded in Borsa İstanbul under qualified trading market. Albaraka Portföy Yönetimi A.Ş. is the subsidiary of the Parent Bank.

**VI. Explanations on consolidated liquidity risk:**

Liquidity Risk is managed by Asset and Liability Committee ("ALCO") in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Parent Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Parent Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Parent Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Parent Bank is exposed to and considering the Parent Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Parent Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Parent Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Parent Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Parent Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Parent Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Parent Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Parent Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

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**VI. Explanations on consolidated liquidity risk (continued):**

There exists "Liquidity Risk Management Contingency Funding Plan" in the Parent Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Parent Bank monitors liquidity risk in terms of early warning indicators in each stress.

**Consolidated liquidity coverage ratio:**

		Rate of "Percentage to be taken into account" not Implemented Total value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total value <sup>(*)</sup>	
	Current Period	TL+FC	FC	TL+FC	FC
	<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1	HIGH QUALITY LIQUID ASSETS			5.262.881	4.648.908
	<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Funds Collected	14.953.487	6.430.003	1.319.458	643.000
3	Stable Funds Collected	3.517.820	-	175.891	-
4	Less stable Funds Collected	11.435.667	6.430.003	1.143.567	643.000
5	Unsecured Funding other than Retail and Small Business				
	Customers Deposits	7.774.297	4.934.977	4.849.163	3.084.982
6	Operational Funds Collected	621.263	566.389	155.316	141.597
7	Non-Operational Funds Collected	3.484.202	1.984.853	1.934.765	1.251.416
8	Other Unsecured Funding	3.668.832	2.383.735	2.759.082	1.691.969
9	Secured funding			-	-
10	Other Cash Outflows	850.949	738.738	850.949	738.738
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	850.949	738.738	850.949	738.738
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	8.741.339	3.575.021	747.214	358.502
16	<b>TOTAL CASH OUTFLOWS</b>			<b>7.766.784</b>	<b>4.825.222</b>
	<b>CASH INFLOWS</b>				
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	3.351.450	1.446.897	2.602.573	1.325.113
19	Other contractual cash inflows	856.241	332.324	856.241	332.324
20	<b>TOTAL CASH INFLOWS</b>	<b>4.207.691</b>	<b>1.779.221</b>	<b>3.458.814</b>	<b>1.657.437</b>
				Upper limit applied amounts	
21	<b>TOTAL HQLA</b>			<b>5.262.881</b>	<b>4.648.908</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>4.307.970</b>	<b>3.167.785</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>122,17</b>	<b>146,76</b>

(\*) Average of the last three months of liquidity coverage ratios calculated considering monthly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current Period	
	TL+FC	FC
Lowest	115,60	122,03
Date	November 30, 2017	October 31, 2017
Highest	131,72	172,78
Date	December 31, 2017	December 31, 2017
Average	122,17	146,76

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**VI. Explanations on consolidated liquidity risk (continued):**

**Consolidated liquidity coverage ratio (continued):**

		Rate of "Percentage to be taken into account" not implemented Total value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total value <sup>(*)</sup>	
	Prior Period	TL+FC	FC	TL+FC	FC
	<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1	HIGH QUALITY LIQUID ASSETS			4.934.642	3.197.466
	<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Funds Collected	12.340.683	4.710.653	1.078.804	471.065
3	Stable Funds Collected	3.105.293	-	155.265	-
4	Less stable Funds Collected	9.235.390	4.710.653	923.539	471.065
5	Unsecured Funding other than Retail and Small Business				
6	Customers Deposits	6.084.091	3.519.453	3.649.446	2.023.373
7	Operational Funds Collected	564.972	563.095	141.243	140.774
8	Non-Operational Funds Collected	3.405.576	1.888.545	1.907.048	1.215.966
9	Other Unsecured Funding	2.113.543	1.067.813	1.601.155	666.633
10	Secured funding			-	-
11	Other Cash Outflows	74.075	69.676	74.075	69.676
12	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	74.075	69.676	74.075	69.676
13	Debts related to the structured financial products	-	-	-	-
14	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
15	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
16	Other irrevocable or conditionally revocable commitments	9.237.591	4.277.944	731.861	368.927
17	<b>TOTAL CASH OUTFLOWS</b>			<b>5.534.186</b>	<b>2.933.041</b>
	<b>CASH INFLOWS</b>				
18	Secured Lending Transactions	-	-	-	-
19	Unsecured Lending Transactions	3.017.934	1.300.153	2.341.041	1.210.644
20	Other contractual cash inflows	78.833	53.213	78.833	53.213
21	<b>TOTAL CASH INFLOWS</b>	<b>3.096.767</b>	<b>1.353.366</b>	<b>2.419.874</b>	<b>1.263.857</b>
				Upper limit applied amounts	
22	<b>TOTAL HQLA</b>			<b>4.934.642</b>	<b>3.197.466</b>
23	<b>TOTAL NET CASH OUTFLOWS</b>			<b>3.114.312</b>	<b>1.669.184</b>
24	<b>Liquidity Coverage Ratio (%)</b>			<b>158,45</b>	<b>191,56</b>

<sup>(\*)</sup> Average of the last three months of liquidity coverage ratios calculated considering monthly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2016 are as follows:

Liquidity Coverage Ratio (%)	Prior Period	
	TL+FC	FC
Lowest	128,78	152,89
Date	October 31, 2016	October 31, 2016
Highest	184,71	233,00
Date	December 31, 2016	November 30, 2016
Average	158,45	191,56

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**VI. Explanations on consolidated liquidity risk (continued):**

**Presentation of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*) (****)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	2.028.552	3.728.443	-	-	-	-	-	5.756.995
Banks	842.873	603.215	65.319	-	-	-	-	1.511.407
Financial Assets at Fair Value Through Profit and Loss	-	463	-	-	916	3.361	-	4.740
Money Market Placements	-	-	-	-	-	-	-	-
Available For Sale Financial Assets	8.728	7.006	428.079	222.969	638.343	52.280	-	1.357.405
Loans <sup>(*)</sup>	-	1.618.961	1.471.976	5.365.469	13.825.762	2.269.208	642.087	25.193.463
Held To Maturity Investments	-	-	27.648	143.588	361.567	-	-	532.803
Other Assets <sup>(****)</sup>	361.969	-	-	-	71	713.567	899.287	1.974.894
<b>Total Assets</b>	<b>3.242.122</b>	<b>5.958.088</b>	<b>1.993.022</b>	<b>5.732.026</b>	<b>14.826.659</b>	<b>3.038.416</b>	<b>1.541.374</b>	<b>36.331.707</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	563.256	701.548	161.437	-	-	-	-	1.426.241
Other current and profit sharing accounts	6.589.461	14.818.357	1.368.945	989.394	51.446	-	-	23.817.603
Funds provided from other financial institutions and subordinated loans	-	1.224.908	506.372	1.594.892	321.319	1.610.280	-	5.257.771
Money Market Borrowings	-	340.000	-	-	-	-	-	340.000
Marketable securities issued	-	300.310	150.652	1.281.425	-	-	-	1.732.387
Miscellaneous payables	-	221.377	54.153	15.770	-	-	455.892	747.192
Other liabilities	-	34.978	-	-	-	-	2.975.535	3.010.513
<b>Total Liabilities</b>	<b>7.152.717</b>	<b>17.641.478</b>	<b>2.241.559</b>	<b>3.881.481</b>	<b>372.765</b>	<b>1.610.280</b>	<b>3.431.427</b>	<b>36.331.707</b>
<b>Net Liquidity Gap</b>	<b>(3.910.595)</b>	<b>(11.683.390)</b>	<b>(248.537)</b>	<b>1.850.545</b>	<b>14.453.894</b>	<b>1.428.136</b>	<b>(1.890.053)</b>	<b>-</b>
<b>Net Off-Balance Sheet</b>								
<b>Position</b>	<b>-</b>	<b>(1.387)</b>	<b>(5.992)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.379)</b>
Financial Derivative Assets	-	346.103	189.180	894	-	-	-	536.177
Financial Derivative Liabilities	-	347.490	195.172	894	-	-	-	543.556
<b>Non-Cash Loans</b>	<b>4.773.783</b>	<b>110.085</b>	<b>464.673</b>	<b>1.523.918</b>	<b>1.222.066</b>	<b>38.099</b>	<b>-</b>	<b>8.132.624</b>
<b>Prior Period</b>								
Total Assets	3.353.916	5.376.599	1.824.902	7.070.372	12.101.289	1.473.542	1.599.233	32.799.853
Total Liabilities	5.430.918	15.034.449	2.978.652	3.460.642	1.412.126	1.495.260	2.987.806	32.799.853
<b>Net Liquidity Gap</b>	<b>(2.077.002)</b>	<b>(9.657.850)</b>	<b>(1.153.750)</b>	<b>3.609.730</b>	<b>10.689.163</b>	<b>(21.718)</b>	<b>(1.388.573)</b>	<b>-</b>
<b>Net Off-Balance Sheet</b>								
<b>Position</b>	<b>-</b>	<b>-</b>	<b>64.824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64.824</b>
Financial Derivative Assets	-	945	538.765	2.178	-	-	-	541.888
Financial Derivative Liabilities	-	945	473.941	2.178	-	-	-	477.064
<b>Non-Cash Loans</b>	<b>8.216.684</b>	<b>7.177</b>	<b>64.783</b>	<b>172.892</b>	<b>221.384</b>	<b>18.273</b>	<b>-</b>	<b>8.701.193</b>

(\*) Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for uninvoiced leasing receivables and net non-performing loans transactions.

(\*\*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here.

(\*\*\*) The unallocated other liabilities column consists of equity, provisions and (if any) deferred tax liabilities.

(\*\*\*\*) The balance represents investment property and other assets.



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**VII. Explanations on consolidated leverage ratio:**

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period<sup>(**)</sup></b>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(*)</sup>	36.123.563	31.300.474
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	-	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	1.868.221	929.857
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	-	589.280
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	36.956	31.590
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
<b>Total Risk Amount</b>	<b>47.233.311</b>	<b>41.275.972</b>

<sup>(\*)</sup> Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements".

<sup>(\*\*)</sup> The arithmetic average of the last 3 months in the related periods.

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**VII. Explanations on consolidated leverage ratio (continued):**

As of December 31, 2017, consolidated leverage ratio of the Group calculated from the arithmetic average of the last three months is 5,02% (December 31, 2016: 5,26%). Leverage ratio is required to remain minimum 3% as per Communiqué on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in consolidated leverage ratio between current and previous period is the average increase ratio of total risk amount is more than the average increase ratio of core capital.

	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
<b>Balance sheet assets</b>		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	35.957.723	31.255.189
2 (Assets deducted from Core capital)	(49.588)	(62.312)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	35.908.135	31.192.877
<b>Derivative financial assets and credit derivatives</b>		
4 Cost of replenishment for derivative financial assets and credit derivatives	18.858	45.286
5 Potential credit risk amount of derivative financial assets and credit derivatives	19.061	9.860
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	37.919	55.146
<b>Financing transactions secured by marketable security or commodity</b>		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	1.469.254	218.594
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	1.469.254	218.594
<b>Off-balance sheet transactions</b>		
10 Gross notional amount of off-balance sheet transactions	9.818.003	9.809.355
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	9.818.003	9.809.355
<b>Capital and total risk</b>		
13 Core Capital	2.369.782	2.169.323
14 Total risk amount (sum of lines 3, 6, 9 and 12)	47.233.311	41.275.972
<b>Leverage ratio</b>		
15 Leverage ratio (%)	5,02	5,26

<sup>(\*)</sup> The arithmetic average of the last three months in the related periods

**VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value:**

**a. Information on fair value of financial assets and liabilities :**

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

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

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**VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value (continued):**

**a. Information on fair value of financial assets and liabilities (continued):**

	Carrying value		Fair value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Financial Assets</b>				
Money market placements	-	-	-	-
Banks	1.511.407	2.158.177	1.511.407	2.158.177
Financial assets at fair value through profit and loss	4.740	66.096	4.740	66.096
Financial assets available for sale	1.357.405	1.342.861	1.357.405	1.342.861
Held to maturity investments	532.803	668.582	549.136	683.944
Loans and financial lease receivables	25.193.463	22.722.054	24.381.770	21.821.559
<b>Financial Liabilities</b>				
Funds collected from banks via current accounts and profit sharing accounts	1.426.241	1.798.016	1.426.241	1.798.016
Other current and profit sharing accounts	23.817.603	21.352.832	23.817.603	21.352.832
Funds provided from other financial institutions	5.257.771	4.528.556	4.907.074	3.637.389
Marketable securities issued	1.732.387	1.366.483	1.682.694	1.351.245
Miscellaneous payables	747.192	702.211	747.192	702.211

**b. Information on fair value measurement recognized in the financial statements:**

TFRS 7 (Financial Instruments: Turkish Financial Reporting Standard Related to Explanations) sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in Level 1 (Level II);
- Data not based on observable data regarding assets and liabilities (Level III).

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**VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value (continued):**

**b. Information on fair value measurement recognized in the financial statements (continued):**

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

<b>Current period <sup>(*)</sup></b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	4.279	461	-	4.740
Public sector debt securities	916	-	-	916
Equity securities	-	-	-	-
Derivative financial assets held for trading	-	225	-	225
Other	3.363	236	-	3.599
Financial assets- available for sale	1.354.594	-	-	1.354.594
Equity securities <sup>(**)</sup>	5.917	-	-	5.917
Public sector debt securities	1.277.075	-	-	1.277.075
Other marketable securities	71.602	-	-	71.602
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	6.418	-	6.418
Derivative financial liabilities for hedging purposes	-	-	-	-
<b>Prior period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	954	65.142	-	66.096
Public sector debt securities	-	-	-	-
Equity securities	954	-	-	954
Derivative financial assets held for trading	-	65.068	-	65.068
Other	-	74	-	74
Financial assets- available for sale	1.340.270	-	-	1.340.270
Equity securities <sup>(**)</sup>	3.759	-	-	3.759
Public sector debt securities	1.285.338	-	-	1.285.338
Other marketable securities	51.173	-	-	51.173
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	88	-	88
Derivative financial liabilities for hedging purposes	-	-	-	-

<sup>(\*)</sup> In the current period, there is no classification between level I and level II.

<sup>(\*\*)</sup> Represent the amount of Visa Inc. accounted in Available For Sale.

Apart from financial assets and financial liabilities, as of December 31, 2017 and 2016 the Parent Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.

**IX. Explanations regarding the activities carried out on behalf and account of other persons:**

The Parent Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has no fiduciary transactions.



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**X. Explanations on consolidated on 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 numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Parent Bank, tables which have to be prepared within the scope of Internal rating-based ("IRB") approach have not been presented.

**a. Consolidated risk management strategy and weighted amounts:**

**a.1. Risk management strategy:**

The aim of the Parent Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

The Board of Directors has a responsibility of establishing and providing compatible, adequate and effective system on internal control, risk management and internal auditing as anticipated by the Banking Law for the purpose of monitoring and controlling risks emerging from operations.

The Board of Directors is responsible for establishing risk management policies and strategies. These policies are revised and evaluated periodically according to prevailing market conditions.

The general manager is responsible from ensuring that departments of the bank operate in accordance with the specified policies and strategies about risk management as determined by the Board of Directors.

The Board of Directors of the Parent Bank takes an important part in the processes of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the Parent Bank. The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the Parent bank. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the bank's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the bank's fund lending.

The risks that the Parent Bank is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the Parent bank's strategies to risk profile. The Parent bank's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact. While a risk profile is being developed, the risk profile is analyzed based on the risk type, the sector and/or the geographic location.

The Parent bank's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the Parent bank's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the Parent bank, is the level of risk it identifies as acceptable.

The Parent bank's risk appetite means the amount of risk that can be accepted by the Parent bank in order to reach the strategic targets, and it includes an acceptable variability around the targets as well.

The common feature of the bank's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

**X. Consolidated explanations on risk management (continued):**

By means of "Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Parent Bank's were identified. Limits, which are determined within the framework of risk profile of the bank in accordance with the Parent bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the Parent bank's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the Parent bank operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the Parent bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the bank.

Aiming to ensure capital allocation compatible with the risks of its functional operations and increase the capital yield set according to these risks to the maximum level, the Parent bank's evaluates risks by classifying them as market risks, liquidity risk, credit risk, operational risk, strategic risk and credibility risk.

**Market Risk**

The Parent Bank's market risk; refers to the probability of loss may be exposed to exchange rate risk, equity position risk, profit rate risk and commodity risk.

Within the coverage of market risk, the Parent bank calculates the foreign currency position risk and the security risk, as well as specific risks associated with market risk, by using the Standard approach and reports to it the authorities accordingly on a regular basis. Additionally, for test-purpose, foreign currency position risk of the Parent Bank is measured by internal models. With backtesting applications, deviations between actual values and daily VaR values, predicted by internal models, are observed in order to control accuracy and performance of these models. Potential strength of portfolio against to unexpected risks is measured with stress tests including stress scenarios.

Whether the market risk of the Parent Bank is in conformity with legal regulations and the determined limits is constantly monitored. Our foreign currency risk is discussed and evaluated at every Assets/Liabilities Committee meeting and our foreign currency strategy is based on holding this risk constant by holding to square foreign currency position (i.e. no short or long positions are taken).

**X. Consolidated explanations on risk management (continued):**

**Liquidity risk**

The Parent Bank's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

The liquidity risk is the situation whereby, as a result of any imbalances in the cash flows, there is a potential for not being able to meet the Participation Funds which have matured or other due liabilities in a timely manner due to shortage of liquid funds.

Market liquidity risk is an expression of the likelihood of the Parent bank's suffering a loss because the Parent bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

In order to manage liquidity risk, the Parent Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis.

The Parent Bank applies a policy whereby liquid assets are kept in sufficient volumes and qualities in consideration of the minimum liquidity coverage ratios determined by the related regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise with unexpected volatilities in the markets.

**Credit risk**

Credit risk is defined as the probability of losses to the Parent Bank due to customers failing to partially or completely pay their commitments to the Parent Bank in a timely manner, in violation of the provisions of their credit contracts. This risk also contains any losses in the market value of the customers due to any deterioration in the financial position of the customer. The definition of credit risk includes not just the portfolios within the balance sheet, but also those kept off balance sheet.

The authority to approve credits belongs to the Board of Directors at the Parent Bank. The Board of Directors determines the policies concerning the utilization, approval, risk management of the credits and other related management principles. It then ensures the implementation and supervision of these policies, taking required measures when necessary. The Board of Directors has transferred some of its authority in approving credit lines to the Credit Committee and General Management within the framework of the procedures and principles determined by the legal provisions. The General Management uses that authority to utilize credits by means of the credit departments and the Parent Bank's branches. At the Parent Bank's, credit allocations are realized within those limits that are determined on the basis of each debtor and group of debtors.

It is systematically not possible for customers to exceed the predetermined and approved limit. Close attention is paid to prevent any sector concentration that might impair the health of the credit portfolio. Utmost care is given to the prevention of risks concentrating on a small number of customers. Credit risks are constantly monitored and reported by the internal systems units and risk management bodies. Credit risks are ensured to be in conformity to "Regulation on Credit Policies and Implementation Procedures".

**X. Consolidated explanations On Risk Management (continued):**

**Operational risk**

Operational risk is a risk of loss caused by insufficient or unsuccessful internal processes, by persons and systems or external events, wherein the legal risks and compliance risks are included while the strategic (making wrong decisions at the wrong time) and reputational risk are excluded.

Operational risk is a type of risk present in all activities of the Parent Bank. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Parent Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

The Parent Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks.

The Parent Bank also takes required measures to maintain operational risks at acceptable levels.

**Other risks**

The other risks that The Parent Bank could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Parent Bank keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

The Parent Bank regards reputational risk as anything that might lead to the Parent Bank's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations.

For the risk of reputation to be avoided and/or controlled by the Parent Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Parent Bank's reputation or image is detected.

Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's cash flow sequence. The Parent Bank manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the Parent bank will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Parent Bank enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the bank itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.



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**X. Consolidated explanations on risk management (continued):**

**a.2. Risk weighted amounts:**

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	20.862.867	20.880.381	1.669.029
2	Standardised approach (SA)	20.862.867	20.880.381	1.669.029
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.271	37.318	182
5	Standardised approach for counterparty credit risk (SA-CCR)	2.271	37.318	182
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	301.123	88.810	24.090
17	Standardised approach (SA)	301.123	88.810	24.090
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	1.998.734	1.720.621	159.899
20	Basic Indicator Approach	1.998.734	1.720.621	159.899
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>23.164.995</b>	<b>22.727.130</b>	<b>1.853.200</b>

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**X. Consolidated explanations on risk management (continued):**

**b. Financial statements and regulatory exposures reconciliation:**

**b.1. Differences and matching between accounting-related consolidation and legal consolidation:**

Current Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk <sup>(1)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances with the central bank	5.756.995	5.756.995	-	-	-	-
Trading financial assets	4.740	-	225	-	1.154	3.361
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	1.511.407	1.511.407	-	-	-	-
Money market placements	-	-	-	-	-	-
Financial assets-available for sale (net)	1.357.405	1.357.405	-	-	-	-
Loans and receivables	24.456.382	24.455.450	-	-	-	932
Factoring receivables	-	-	-	-	-	-
Investments held to maturity (net)	532.803	532.803	-	-	-	-
Investments in associates (net)	4.719	4.719	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Joint ventures (net)	18.470	18.470	-	-	-	-
Lease receivables	737.081	737.081	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-	-
Tangible assets (net)	589.668	565.426	-	-	-	24.242
Intangible assets (net)	28.479	2.011	-	-	-	26.468
Investment property (net)	1.072.540	1.072.540	-	-	-	-
Tax asset	55.506	55.506	-	-	-	-
Assets held for sale and assets of discontinued operations (net)	84.230	84.230	-	-	-	-
Other assets	121.282	121.282	-	-	-	-
<b>Total assets</b>	<b>36.331.707</b>	<b>36.275.325</b>	<b>225</b>	<b>-</b>	<b>1.154</b>	<b>55.003</b>
<b>Liabilities</b>						
Funds collected	25.243.844	-	-	-	-	25.243.844
Derivative financial liabilities held for trading	6.418	-	-	-	6.418	-
Funds borrowed	3.630.608	-	-	-	-	3.630.608
Borrowings from money markets	340.000	-	340.000	-	-	-
Securities issued	1.732.387	-	-	-	-	1.732.387
Funds	-	-	-	-	-	-
Miscellaneous payables	747.192	-	-	-	-	747.192
Other liabilities	-	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	264.865	-	-	-	-	264.865
Tax liability	94.015	-	-	-	-	94.015
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	1.627.163	-	-	-	-	1.627.163
Shareholders' equity	2.645.215	-	-	-	-	2.645.215
<b>Total liabilities</b>	<b>36.331.707</b>	<b>-</b>	<b>340.000</b>	<b>-</b>	<b>6.418</b>	<b>35.985.289</b>

(\*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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**X. Consolidated explanations on risk management (continued):**

**b. Financial statements and regulatory exposures reconciliation (continued):**

**b.1. Differences and matching between accounting-related consolidation and legal consolidation (continued):**

Prior Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk <sup>(*)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances with the central bank	4.999.052	4.999.052	-	-	-	-
Trading financial assets	66.096	-	65.068	-	1.028	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	2.158.177	2.158.177	-	-	-	-
Money market placements	-	-	-	-	-	-
Financial assets-available for sale (net)	1.342.861	1.342.861	-	-	-	-
Loans and receivables	21.843.075	21.839.933	-	-	-	3.142
Factoring receivables	-	-	-	-	-	-
Investments held to maturity (net)	668.582	668.582	-	-	-	-
Investments in associates (net)	4.719	4.719	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Joint ventures (net)	14.319	14.319	-	-	-	-
Lease receivables	878.979	878.979	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-	-
Tangible assets (net)	517.134	489.435	-	-	-	27.699
Intangible assets (net)	35.470	-	-	-	-	35.470
Investment property (net)	-	-	-	-	-	-
Tax asset	25.067	25.067	-	-	-	-
Assets held for sale and assets of discontinued operations (net)	92.317	92.317	-	-	-	-
Other assets	154.005	148.145	-	-	-	5.860
<b>Total assets</b>	<b>32.799.853</b>	<b>32.661.586</b>	<b>65.068</b>	<b>-</b>	<b>1.028</b>	<b>72.171</b>
<b>Liabilities</b>						
Funds collected	23.150.848	23.150.848	-	-	-	-
Derivative financial liabilities held for trading	88	-	88	-	-	-
Funds borrowed	3.017.619	3.017.619	-	-	-	-
Borrowings from money markets	492.784	492.784	-	-	-	-
Securities issued	1.366.483	1.366.483	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous payables	702.211	702.211	-	-	-	-
Other liabilities	-	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	233.874	233.874	-	-	-	-
Tax liability	51.838	51.838	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	1.510.937	1.510.937	-	-	-	-
Shareholders' equity	2.273.171	2.273.171	-	-	-	-
<b>Total liabilities</b>	<b>32.799.853</b>	<b>32.799.765</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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**X. Consolidated explanations on risk management (continued):**

**b.2. Main reasons of the differences between the risk amounts and Carrying Value in accordance with Turkish Accounting Standards (TAS):**

Current Period		Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	36.331.707	36.275.325	-	225	1.154
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	-	6.418
3	<b>Total net amount within the scope of legal consolidation</b>	<b>36.331.707</b>	<b>36.275.325</b>	-	<b>225</b>	<b>7.572</b>
4	Off balance sheet amounts	11.444.709	5.160.655	-	5.362	-
5	Repo and similar transactions <sup>(**)</sup>	-	-	-	384.000	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	-	-	-	-
10	<b>Risk amounts</b>	<b>-</b>	<b>41.435.980</b>	<b>-</b>	<b>389.587</b>	<b>7.572</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

Prior Period		Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	32.799.853	32.661.586	-	65.068	1.028
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	(88)	-
3	<b>Total net amount within the scope of legal consolidation</b>	<b>32.799.853</b>	<b>32.661.586</b>	-	<b>65.156</b>	<b>1.028</b>
4	Off balance sheet amounts	10.951.306	5.622.397	-	70.487	-
5	Repo and similar transactions <sup>(**)</sup>	-	-	-	4.818	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	-	-	-	-
10	<b>Risk amounts</b>	<b>-</b>	<b>38.283.983</b>	<b>-</b>	<b>140.461</b>	<b>1.028</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

**b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards ("TAS") and risk amounts:**

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.



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**X. Explanations on consolidated risk management (continued):**

**c. Consolidated credit risk:**

**c.1. General information on credit risk:**

**c.1.1. General qualitative information on credit risk:**

This information is already included in Explanations on Credit Risk and (a.I) The Bank's risk management approach:

**c.1.2. Credit quality of assets:**

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.212.610	24.764.879	784.026	25.193.463
2 Debt securities	-	1.894.236	8.715	1.885.521
3 Off-balance sheet exposures	49.285	10.315.691	19.478	10.345.498
<b>4 Total</b>	<b>1.261.895</b>	<b>36.974.806</b>	<b>812.219</b>	<b>37.424.482</b>

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.105.954	22.313.281	697.181	22.722.054
2 Debt securities	-	2.012.314	7.170	2.005.144
3 Off-balance sheet exposures	90.015	9.842.339	37.036	9.895.318
<b>4 Total</b>	<b>1.195.969</b>	<b>34.167.934</b>	<b>741.387</b>	<b>34.622.516</b>

**c.1.3. Changes in stock of default loans and debt securities:**

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.195.969</b>	<b>519.163</b>
2 Loans and debt securities that have defaulted since the last reporting period	686.675	790.342
3 Receivables back to non-defaulted status	2.165	287
4 Amounts written off	314.339	76
5 Other changes	304.245	113.173
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>1.261.895</b>	<b>1.195.969</b>

**c.1.4. Additional information on credit quality of assets:**

The scope and definitions of past due receivables and the methods used by the Parent bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Parent Bank may restructure not only non-performing credits and receivables but also the first and the second group credits and other receivables. Restructuring for the first and the second group credits and other receivables are made for improvement the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits and receivables are made for providing collection possibility by establishing a new payment plan.

Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (*Explanations on Credit Risk*).

Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are shown below. The Parent Bank has assigned its non performing loans amount to TL 309.387 to asset management companies. In addition, TL 4.952 has been written off as per the decision of The Parent Bank management.

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**X. Explanations on consolidated risk management (continued):**

**c.1.4. Additional information on credit quality of assets (continued):**

**Aging analysis for past due receivables:**

As per Financial instruments segmentations, aging analysis af past due but not impaired financial assets is as follows:

	0-30 Days	31-60 Days	61-90 Days	Total
<b>Current Period</b>	1.087.281	570.250	406.214	2.063.745
<b>Prior Period</b>	739.521	742.806	575.145	2.057.472

**Receivables that provisions are set in terms of geographical region:**

<b>Current Period</b>	<b>Non-performing Loans<sup>(*)</sup></b>	<b>Specific Provision<sup>(*)</sup></b>
Domestic	1.171.635	680.906
Off-shore Banking Countries	22.781	8.634
Other Countries	18.194	9.897
<b>General Total</b>	<b>1.212.610</b>	<b>699.437</b>

<sup>(\*)</sup> Represents amounts for cash loans.

<b>Prior Period</b>	<b>Non-performing Loans<sup>(*)</sup></b>	<b>Specific Provision<sup>(*)</sup></b>
Domestic	1.043.911	563.492
Off-shore Banking Countries	60.761	13.731
Other Countries	1.282	1.282
<b>General Total</b>	<b>1.105.954</b>	<b>578.505</b>

<sup>(\*)</sup> Represents amounts for cash loans.

**c.2. Credit risk mitigation**

**c.2.1. Qualitative disclosure on credit risk mitigation techniques:**

On and off balance sheet offsetting agreements are not utilized.

The Parent Bank, the risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below.

- a) Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)
- b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Parent Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Parent Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Parent Bank and the market fluctuations are considered in credit activities.

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**X. Explanations on consolidated risk management (continued):**

**c.2.2. Credit risk mitigation techniques:**

Current Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	16.412.347	8.781.116	4.211.764	978.202	242.969	-	-
2	Debt securities	1.885.521	-	-	-	-	-	-
3	<b>Total</b>	<b>18.297.868</b>	<b>8.781.116</b>	<b>4.211.764</b>	<b>978.202</b>	<b>242.969</b>	-	-
4	Of which defaulted	408.285	104.888	64.068	2.176	687	-	-

Prior Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	17.191.241	5.530.813	3.856.520	1.342.508	670.447	-	-
2	Debt securities	2.005.144	-	-	-	-	-	-
3	<b>Total</b>	<b>19.196.385</b>	<b>5.530.813</b>	<b>3.856.520</b>	<b>1.342.508</b>	<b>670.447</b>	-	-
4	Of which defaulted	424.410	103.039	89.234	1.778	916	-	-

**c.3. Credit risk under standardised approach:**

**c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:**

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Consolidated Credit Risk.

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**X. Explanations on consolidated risk management (continued):**

**c.3.2. Credit risk exposure and credit risk mitigation techniques:**

Current Period		Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Risk classes							
1	Receivables from central governments or central banks	5.237.369	1.717	5.237.369	523	171.177	3,27%
2	Receivables from regional or local governments	32	-	32	-	16	50,00%
3	Receivables from administrative units and non-commercial enterprises	182.037	36.888	182.037	17.411	197.226	98,89%
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	1.521.372	266.601	1.521.372	250.345	761.503	42,98%
7	Receivables from corporates	9.700.722	5.489.944	9.700.722	3.258.579	12.323.579	95,09%
8	Retail receivables	4.256.559	3.559.863	4.256.559	1.268.094	3.458.735	62,61%
9	Receivables secured by mortgages on property	845.512	52.355	845.512	22.561	302.913	34,89%
10	Receivables secured by mortgages on commercial property	2.073.506	552.999	2.073.506	342.328	1.236.170	51,17%
11	Past due receivables	305.597	-	305.597	-	390.073	127,64%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	3.159.546	4.069	3.159.546	814	2.021.475	63,96%
17	Equity share investments	-	-	-	-	-	-
18	<b>Total</b>	<b>27.282.252</b>	<b>9.964.436</b>	<b>27.282.252</b>	<b>5.160.655</b>	<b>20.862.867</b>	<b>64,31%</b>



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**X. Explanations on consolidated risk management (continued):**

**c.3.2. Credit risk exposure and credit risk mitigation techniques (continued):**

Prior Period	Risk classes	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average 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	5.289.536	2.377	5.289.536	614	1.449.554	27,40%
2	Receivables from regional or local governments	17	1.049	17	519	268	50,00%
3	Receivables from administrative units and non-commercial enterprises	19.694	38.499	19.694	18.398	37.659	98,86%
4	Receivables from multilateral development banks	-	330	-	66	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	2.193.259	160.958	2.193.259	126.965	974.683	42,01%
7	Receivables from corporates	8.997.366	6.043.517	8.997.365	3.826.074	12.232.754	95,39%
8	Retail receivables	4.045.396	3.073.087	4.045.397	1.237.040	3.796.230	71,87%
9	Receivables secured by mortgages on property	511.962	157.290	511.961	80.985	212.268	35,80%
10	Receivables secured by mortgages on commercial property	1.582.322	410.034	1.582.323	331.130	977.531	51,09%
11	Past due receivables	340.793	-	340.793	-	393.759	115,54%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	1.416.842	3.992	1.416.842	606	805.675	56,84%
17	Equity share investments	-	-	-	-	-	-
18	<b>Total</b>	<b>24.397.187</b>	<b>9.891.133</b>	<b>24.397.187</b>	<b>5.622.397</b>	<b>20.880.381</b>	<b>69,56%</b>

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**X. Explanations on consolidated risk management (continued):**

**c.3.3. Exposures by asset classes and risk weights:**

Current Period		35% secured by property mortgage							Total risk amount (post-CCF and CRM)			
	Risk Classes/Risk Weighted	0%	10%	20%	50%	75%	100%	150%	200%	Others		
1	Receivables from central governments or central banks	4.895.772	-	-	341.885	-	235	-	-	-	5.237.892	
2	Receivables from regional or local governments	-	-	-	32	-	-	-	-	-	32	
3	Receivables from administrative units and non-commercial enterprises	2.215	-	9	-	-	197.224	-	-	-	199.448	
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	
6	Receivables from banks and brokerage houses	9.093	-	1.078.597	276.487	-	407.540	-	-	-	1.771.717	
7	Receivables from corporates	558.851	-	58.360	60.367	-	12.281.723	-	-	-	12.959.301	
8	Retail receivables	875.843	-	43.870	14.974	4.589.966	-	-	-	-	5.524.653	
9	Receivables secured by mortgages on property	13.737	-	899	1.663	-	5.816	-	-	-	868.073	
10	Receivables secured by mortgages on commercial property	-	-	-	2.359.328	-	56.506	-	-	-	2.415.834	
11	Past due receivables	472	-	276	55.607	-	23.298	225.944	-	-	305.597	
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	
16	Other receivables	448.373	-	863.140	-	-	1.848.847	-	-	-	3.160.360	
17	Equity share investments	-	-	-	-	-	-	-	-	-	-	
18	Total	6.804.356	-	2.045.151	845.958	4.589.966	14.821.189	225.944	-	-	32.442.907	

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**X. Explanations on consolidated risk management (continued):**

**c.3.3. Exposures by asset classes and risk weights (continued):**

	Prior Period	35% secured by property mortgage							Total risk amount (post-CCF and CRM)	
		0%	10%	20%	50%	75%	100%	150%	200%	Others
1	Risk Classes/Risk Weighted									
2	Receivables from central governments or central banks	2.391.042	-	-	2.899.108	-	-	-	-	-
3	Receivables from regional or local governments	-	-	-	536	-	-	-	-	-
4	Receivables from administrative units and non-commercial enterprises	385	-	61	-	-	37.646	-	-	-
5	Receivables from multilateral development banks	66	-	-	-	-	-	-	-	-
6	Receivables from international organizations	-	-	-	-	-	-	-	-	-
7	Receivables from banks and brokerage houses	11.502	-	888.583	1.246.346	-	173.793	-	-	-
8	Receivables from corporates	392.535	-	131.612	185.715	-	12.113.577	-	-	-
9	Retail receivables	186.598	-	35.901	23.616	5.036.322	-	-	-	-
10	Receivables secured by mortgages on property	10.334	-	6.507	3.479	-	13.550	-	-	-
11	Receivables secured by mortgages on commercial property	-	-	-	1.871.842	-	41.611	-	-	-
12	Past due receivables	763	-	255	80.367	-	71.176	188.232	-	-
13	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
14	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
15	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
16	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
17	Other receivables	300.824	-	388.688	-	-	727.936	-	-	-
18	Equity share investments	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>3.294.049</b>	<b>-</b>	<b>1.451.607</b>	<b>6.311.009</b>	<b>5.036.322</b>	<b>13.179.289</b>	<b>188.232</b>	<b>-</b>	<b>-</b>
										<b>30.019.584</b>

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**X. Explanations on consolidated risk management (continued):**

**ç. Consolidated counterparty credit risk:**

**ç.1. Qualitative disclosure on counterparty credit risk (CCR):**

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated October 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The bank prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

**ç.2. Counterparty credit risk (CCR) approach analysis:**

Current Period		Replacement cost	Potential future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	225	5.362		-	5.587	2.215
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					384.000	-
6	<b>Total</b>						<b>2.215</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

Prior Period		Replacement cost	Potential future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	65.068	5.419		-	70.487	35.278
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					125.130	-
6	<b>Total</b>						<b>35.278</b>

<sup>(\*)</sup> Effective Expected Positive Exposure



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**X. Explanations on consolidated risk management (continued):**

**ç.3. Capital requirement for credit valuation adjustment (CVA):**

	Current Period		Prior Period	
	EAD post- CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3 All portfolios subject to the Standardised CVA capital obligation	5.587	56	70.487	2.040
<b>4 Total subject to the CVA capital obligation</b>	<b>5.587</b>	<b>56</b>	<b>70.487</b>	<b>2.040</b>

**ç.4. CCR exposures by risk class and risk weights:**

Current Period									
Risk Classes	Risk Weighted								Total credit exposure <sup>(*)</sup>
	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from central governments or central banks	384.000	-	-	-	-	-	-	-	384.000
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	2.093	3.396	-	-	-	-	5.489
Receivables from corporates	-	-	-	-	-	98	-	-	98
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>384.000</b>	<b>-</b>	<b>2.093</b>	<b>3.396</b>	<b>-</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>389.587</b>

<sup>(\*)</sup> Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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**X. Explanations on consolidated risk management (continued):**

**ç.4. CCR exposures by risk class and risk weights (continued):**

Prior Period	Risk Weighted									Total credit exposure <sup>(*)</sup>
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other		
Receivables from central governments or central banks	125.130	-	-	-	-	-	-	-	125.130	
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	
Receivables from international organizations	-	-	-	-	-	-	-	-	-	
Receivables from banks and brokerage houses	-	-	10	70.401	-	-	-	-	70.411	
Receivables from corporates	-	-	-	-	-	76	-	-	76	
Retail receivables	-	-	-	-	-	-	-	-	-	
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	
Past due receivables	-	-	-	-	-	-	-	-	-	
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	
Securitisation positions	-	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	
Equity share investments	-	-	-	-	-	-	-	-	-	
Other receivables	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	
Total	125.130	-	10	70.401	-	76	-	-	195.617	

<sup>(\*)</sup> Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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**X. Explanations on consolidated risk management (continued):**

**ç.5. Collaterals for CCR**

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	384.000
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>384.000</b>

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	125.130
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>125.130</b>

**ç.6. Information on the risks of the Parent Bank arising from purchased or sold credit derivatives**

The Parent Bank does not have any risks arising from purchased or sold credit derivatives (December 31, 2016: None).

**ç.7. Information on risks of the Parent Bank arising from central counterparty**

The Parent Bank does not have any risks arising from central counterparty (December 31, 2016: None).

**d. Consolidated securitization explanations:**

There is not any information to be announced to public on securitization (December 31, 2016: None).

**e. Consolidated market risk**

**e.1. Qualitative disclosure on market risk:**

The Parent Bank measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and the Parent Bank's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, to measure, to prioritize, to reduce at an acceptable level and to manage the various risks that the Parent Bank is exposed to.

Risks that positions held by the Parent Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

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**X. Explanations on consolidated risk management (continued):**

**e.2. Market risk under standardised approach:**

		Current Period	Prior Period
		RWA	RWA
<b>Outright products</b>			
1	Profit rate risk (general and specific)	1.196	37
2	Equity risk (general and specific)	-	1.908
3	Foreign exchange risk	299.466	86.865
4	Commodity risk	461	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	<b>Total</b>	<b>301.123</b>	<b>88.810</b>

**f. Consolidated Operational risk:**

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. As of December 31, 2017, amount subject to operational risk and the calculation information are given below:

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	887.798	1.082.464	1.227.713	1.065.992	15	159.899
Amount subject to Operational Risk (Total*12,5)						1.998.734

**g. Qualitative disclosure on profit rate risk arising from banking books**

**a) Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk**

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and off-balance sheet positions in the Parent Bank's banking books by standard shock method.

The Parent Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

Profit share-yield assets, liabilities that profit share is paid, restructuring risk, yield curve risk in banking books and changes in profit rates occurred in market conditions are monitored, assessed, measured and managed by the Parent Bank in the calculations made within the scope of the related regulation.

Against the risk that these matters may affect the Parent Bank's capital negatively, these risks are assessed and managed on a weekly basis within the scope of the Charters established by the Board of Directors.



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**X. Consolidated Explanations On Risk Management (continued):**

**b) Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method:**

Currency	Applied Shock (+/-x basis point)	Gains/ (Losses)	Gains/Equity (Losses/Equity) (%)
TL	(+) 500bp	(493.525)	(12,01)
TL	(-) 400bp	481.259	11,71
USD	(+) 200bp	(39.604)	(0,96)
USD	(-) 200bp	46.447	1,13
EUR	(+) 200bp	(32.100)	(0,78)
EUR	(-) 200bp	503	0,01
<b>Total (For Negative Shocks)</b>	-	<b>528.209</b>	<b>12,86</b>
<b>Total (For Positive Shocks)</b>	-	<b>(565.229)</b>	<b>(13,76)</b>

**XI. Explanations on consolidated business segments:**

The Parent Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
<b>Total Assets</b>	<b>3.274.207</b>	<b>22.561.322</b>	<b>8.917.201</b>	<b>1.578.977</b>	<b>36.331.707</b>
<b>Total Liabilities</b>	<b>16.715.105</b>	<b>9.490.256</b>	<b>7.315.945</b>	<b>165.186</b>	<b>33.686.492</b>
<b>Total Equity</b>	-	-	-	<b>2.645.215</b>	<b>2.645.215</b>
Net profit share income/(expense) <sup>(*)</sup> (**)	(367.131)	1.257.969	228.239	155.105	1.274.182
Net fees and commissions income/(expense)	34.825	264.869	948	(152.185)	148.457
Other operating income/(expense)	6.269	86.981	48.989	(786.916)	(644.677)
Provision for loan losses and other receivables	(3.077)	(358.419)	(441)	(98.821)	(460.758)
Profit/(loss) before tax	(329.114)	1.251.400	277.735	(882.817)	317.204
Provision for tax	-	-	-	(51.707)	(51.707)
<b>Net profit/(loss) for the period</b>	<b>(329.114)</b>	<b>1.251.400</b>	<b>277.735</b>	<b>(934.524)</b>	<b>265.497</b>

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
<b>Total Assets</b>	<b>3.143.273</b>	<b>19.942.724</b>	<b>8.599.303</b>	<b>1.114.553</b>	<b>32.799.853</b>
<b>Total Liabilities</b>	<b>14.306.903</b>	<b>9.434.349</b>	<b>6.398.938</b>	<b>386.492</b>	<b>30.526.682</b>
<b>Total Equity</b>	-	-	-	<b>2.273.171</b>	<b>2.273.171</b>
Net profit share income/(expense) <sup>(*)</sup> (**)	(312.738)	996.126	177.275	163.381	1.024.044
Net fees and commissions income/(expense)	27.659	276.025	613	(158.362)	145.935
Other operating income/(expense)	(352)	24.187	48.338	(619.960)	(547.787)
Provision for loan losses and other receivables	(2.563)	(322.627)	-	(31.084)	(356.274)
Profit/(loss) before tax	(287.994)	973.711	226.226	(646.025)	265.918
Provision for tax	-	-	-	(46.311)	(46.311)
<b>Net profit/(loss) for the period</b>	<b>(287.994)</b>	<b>973.711</b>	<b>226.226</b>	<b>(692.336)</b>	<b>219.607</b>

<sup>(\*)</sup> The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Parent Bank.

<sup>(\*\*)</sup> Since the Parent Bank uses net profit share income/(expense) as a performance measurement criteria, profit share income and expense is presented net

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**SECTION FIVE**

**Explanations and notes on the consolidated financial statements**

**I. Explanations and notes related to consolidated assets:**

**1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign currency	138.354	227.082	123.254	148.150
CBRT	193.426	4.307.563	735.118	3.599.536
Other <sup>(*)</sup>	90.325	800.245	81.875	311.119
<b>Total</b>	<b>422.105</b>	<b>5.334.890</b>	<b>940.247</b>	<b>4.058.805</b>

<sup>(\*)</sup> As of December 31, 2017, includes precious metals amounting to TL 27.429 (December 31, 2016: TL 4.306) and cash in transit amounting to TL 863.141 (December 31, 2016: TL 388.688).

**b) Information related to CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	192.354	580.192	733.965	522.979
Unrestricted time deposit	-	-	-	-
Restricted time deposit <sup>(*)</sup>	1.072	3.727.371	1.153	3.076.557
<b>Total</b>	<b>193.426</b>	<b>4.307.563</b>	<b>735.118</b>	<b>3.599.536</b>

<sup>(\*)</sup> As of December 31, 2017, the reserve requirement held in standard gold is TL 945.884 (December 31, 2016: TL 786.181).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EUR and standard gold.

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on maturity of deposits.

The Central Bank of Republic of Turkey has launched to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

**2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:**

None (December 31, 2016: None).

**b) Table of positive differences related to derivative financial assets held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	95	-	55	65.013
Swap Transactions	130	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>225</b>	<b>-</b>	<b>55</b>	<b>65.013</b>

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**I. Explanations and notes related to consolidated assets (continued):**

**3. a) Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic <sup>(*)</sup>	706.186	259.348	656.410	1.230.805
Abroad	-	545.873	-	270.962
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>706.186</b>	<b>805.221</b>	<b>656.410</b>	<b>1.501.767</b>

<sup>(\*)</sup> Includes blockaged amount TL 622.752 (December 31, 2016: TL 610.730) booked under TL accounts arising from POS transactions.

**b) Information on foreign bank accounts:**

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	215.353	-	117.081	-
USA and Canada	121.241	-	85.415	-
OECD Countries <sup>(*)</sup>	9.056	-	6.656	-
Off-shore banking regions	19.572	-	3.367	-
Other <sup>(**)</sup>	170.196	10.455	58.443	-
<b>Total</b>	<b>535.418</b>	<b>10.455</b>	<b>270.962</b>	<b>-</b>

<sup>(\*)</sup> OECD countries other than EU countries, USA and Canada.

<sup>(\*\*)</sup> Represents the balance amounts to TL 149.742 (December 31, 2016: TL 43.106) in Iraq Banks belonging to Parent Bank's foreign branch "Erbil".

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

**a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:**

The Parent Bank does not have any sukuk investments with respect to money market transactions and subject to repurchase agreements (December 31, 2016: TL 292.937).

As of December 31, 2017, available for sale investments' nominal amount given as a guarantee or blocked is TL 1.252.731 (December 31, 2016: TL 223.346).

**b) Information on financial assets available-for-sale:**

	Current Period	Prior Period
Debt securities	1.356.360	1.343.681
Quoted on a stock exchange <sup>(*)</sup>	1.356.360	1.343.681
Unquoted	-	-
Share certificates	8.728	6.350
Quoted on a stock exchange	-	-
Unquoted	8.728	6.350
Impairment provision (-)	7.683	7.170
<b>Total</b>	<b>1.357.405</b>	<b>1.342.861</b>

<sup>(\*)</sup> Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

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**I. Explanations and notes related to consolidated assets (continued):**

**5. Information on loans and receivables:**

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	133.994	7.593	272	62.130
Corporate shareholders	133.664	7.243	-	61.780
Real person shareholders	330	350	272	350
Indirect loans granted to shareholders	118.658	22.039	35.550	24.249
Loans granted to employees	12.548	2	8.905	28
<b>Total</b>	<b>265.200</b>	<b>29.634</b>	<b>44.727</b>	<b>86.407</b>

**b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:**

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
Cash loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	23.029.443	469.344	33.672	913.766	252.361	16.649
Export loans	946.953	22.861	-	10.655	-	-
Import loans	1.749.578	24.857	25	3.623	598	-
Business loans	12.084.833	371.776	17.916	664.272	132.896	12.223
Consumer loans	3.114.308	11.613	9.917	66.049	8.348	3.557
Credit cards	253.695	-	-	2.383	-	-
Loans given to financial sector	145.426	-	-	-	-	-
Other(*)	4.734.650	38.237	5.814	166.784	110.519	869
Other receivables	-	-	-	-	-	-
Total	23.029.443	469.344	33.672	913.766	252.361	16.649

<sup>(\*)</sup> Details of other loans are provided below:

Commercial loans with installments	1.941.518
Other investment credits	763.078
Loans given to abroad	761.586
Profit and loss sharing investments <sup>(**)</sup>	1.052.340
Loans for purchase of marketable securities for customer	375.627
Other	7.285
<b>Total</b>	<b>4.901.434</b>

<sup>(\*\*)</sup> As of December 31, 2017, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Parent Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Parent Bank's share of loss is limited with the funds invested in the project by the Parent Bank. In the current period the Parent Bank recognized TL 233.165 (December 31, 2016: TL 63.818) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.



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**I. Explanations and notes related to consolidated assets (continued):**

**b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables (continued):**

<b>Extension of Repayment Plan</b>		
	<b>Standard loans and other receivables</b>	<b>Loans and other receivables under close monitoring</b>
1 or 2 times	469.344	252.361
3, 4 or 5 times	-	-
Over 5 times	-	-

<b>Extension Periods</b>	<b>Standard loans and other receivables</b>	<b>Loans and other receivables under close monitoring</b>
6 months	167.629	103.996
6 - 12 months	16.647	21.767
1 - 2 years	98.887	32.692
2 - 5 years	120.176	62.911
5 years and over	66.005	30.995

**c) Maturity analysis of cash loans:**

	<b>Standard Loans and Other Receivables</b>		<b>Loans and Other Receivables Under Close Monitoring</b>	
	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled (*)</b>	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>
<b>Cash Loans</b>				
Short term loans and other receivables	<b>3.914.147</b>	<b>1.754</b>	<b>176.234</b>	<b>56</b>
Loans	3.914.147	1.754	176.234	56
Other receivables	-	-	-	-
Medium and long-term loans and other receivables (*)	<b>18.612.280</b>	<b>501.262</b>	<b>468.522</b>	<b>268.954</b>
Loans	18.612.280	501.262	468.522	268.954
Other receivables	-	-	-	-
<b>Total</b>	<b>22.526.427</b>	<b>503.016</b>	<b>644.756</b>	<b>269.010</b>

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

(\*\*) Includes extensions, reductions and other changes in payment plans.

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**I. Explanations and notes related to consolidated assets (continued):**

**ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:**

	Short-term	Medium and long-term	Total
<b>Consumer loans-TL</b>	<b>48.674</b>	<b>3.123.746</b>	<b>3.172.420</b>
Housing loans	5.682	2.886.619	2.892.301
Vehicle loans	4.211	112.738	116.949
Consumer loans	38.781	124.389	163.170
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>476</b>	<b>101</b>	<b>577</b>
Housing loans	476	101	577
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>75.643</b>	<b>-</b>	<b>75.643</b>
With installment	26.885	-	26.885
Without installment	48.758	-	48.758
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>5.422</b>	<b>1.938</b>	<b>7.360</b>
Housing loans	-	210	210
Vehicle loans	35	1.444	1.479
Consumer loans	5.387	284	5.671
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>5.188</b>	<b>-</b>	<b>5.188</b>
With installment	2.285	-	2.285
Without installment	2.903	-	2.903
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC(real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>135.403</b>	<b>3.125.785</b>	<b>3.261.188</b>

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**I. Explanations and notes related to consolidated assets (continued):**

**d) Information on commercial loans with installments and corporate credit cards:**

	Short-term	Medium and long-term	Total
<b>Commercial installment loans-TL</b>	<b>50.341</b>	<b>1.164.053</b>	<b>1.214.394</b>
Business loans	3.694	337.217	340.911
Vehicle loans	16.908	281.050	297.958
Consumer loans	29.739	545.786	575.525
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	<b>6.122</b>	<b>500.595</b>	<b>506.717</b>
Business loans	2.869	245.232	248.101
Vehicle loans	1.523	89.010	90.533
Consumer loans	1.730	166.353	168.083
Other	-	-	-
<b>Commercial installment Loans-FC</b>	<b>-</b>	<b>220.407</b>	<b>220.407</b>
Business loans	-	122.679	122.679
Vehicle loans	-	-	-
Consumer loans	-	97.728	97.728
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>175.247</b>	<b>-</b>	<b>175.247</b>
With installment	44.961	-	44.961
Without installment	130.286	-	130.286
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>231.710</b>	<b>1.885.055</b>	<b>2.116.765</b>

**e) Allocation of loans by customers:**

	Current Period	Prior Period
Public	-	-
Private	23.943.209	21.315.626
<b>Total</b>	<b>23.943.209</b>	<b>21.315.626</b>

**f) Breakdown of domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	23.181.623	20.731.548
Foreign loans	761.586	584.078
<b>Total</b>	<b>23.943.209</b>	<b>21.315.626</b>

**g) Loans granted to subsidiaries and associates:**

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

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**I. Explanations and notes related to consolidated assets (continued):**

**ğ) Specific provisions for loans:**

	Current Period	Prior Period
Loans and receivables with limited collectability	7.198	31.504
Loans and receivables with doubtful collectability	94.536	140.892
Uncollectible loans and receivables	582.484	387.789
<b>Total</b>	<b>684.218</b>	<b>560.185</b>

In addition to specific provision for loans amounting TL 684.218 (December 31, 2016: TL 560.185), provision amounting to TL 15.219 (December 31, 2016: TL 18.320) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 699.437 (December 31, 2016: TL 578.505). Specific provision for loans amounting to TL 356.615 (December 31, 2016: TL 316.517) represents participation account share of specific provisions of loans provided from participation accounts.

**h) Information on non-performing loans and receivables (net):**

**h.1) Non-performing loans and receivables which are restructured or rescheduled:**

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period</b>			
(Gross amount before specific provisions)	191	11.137	47.302
Restructured loans and other receivables	191	11.137	47.302
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before specific provisions)	464	3.973	10.726
Restructured loans and other receivables	464	3.973	10.726
Rescheduled loans and other receivables	-	-	-

**h.2) Movements of non-performing loans:**

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Closing balance of prior period	236.903	355.038	495.693
Additions in the current period (+)	547.618	69.963	69.094
Transfers from other categories of non-performing loans (+)	-	668.162	725.265
Transfers to other categories of non-performing loans (-)	668.162	725.265	-
Transfers to standard loans (-)	82	2.083	-
Collections in the current period (-)	46.971	95.054	118.389
Write offs (-)	1.040	5.018	308.281
Corporate and commercial loans	-	-	4.949
Retail loans	-	-	3
Credit cards	-	-	-
Other (*)	1.040	5.018	303.329
<b>Closing balance of the current period</b>	<b>68.266</b>	<b>265.743</b>	<b>863.382</b>
Specific provisions (-)	7.198	94.536	582.484
<b>Net balance at the balance sheet</b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>

(\*) The Parent Bank has assigned TL 309.387 from its non performing loan portfolio to the Asset Management companies.



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**I. Explanations and notes related to consolidated assets (continued):**

**h.2) Movements of non-performing loans (continued):**

Non-performing loans and receivables in the amount of TL 1.197.391 (December 31, 2016: TL 1.087.634) comprise TL 646.203 (December 31, 2016: TL 572.551) of participation account share of loans and receivables provided from participation accounts.

In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 15.219 (December 31, 2016: TL 18.320).

**h.3) Non-performing loans and other receivables in foreign currencies:**

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period:</b>			
Period end balance	10.392	23.678	52.562
Specific provision (-)	1.005	11.038	24.859
<b>Net balance</b>	<b>9.387</b>	<b>12.640</b>	<b>27.703</b>
<b>Prior period:</b>			
Period end balance	62.883	1.885	20.518
Specific provision (-)	8.006	298	12.845
<b>Net balance</b>	<b>54.877</b>	<b>1.587</b>	<b>7.673</b>

**h.4) Gross and net non-performing loans and other receivables per customer categories:**

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period (net)<sup>(*)</sup></b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>
Loans to individuals and corporates (gross)	68.266	265.743	863.382
Specific provision (-)	7.198	94.536	582.484
<b>Loans to individuals and corporates (net)</b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (net)<sup>(*)</sup></b>	<b>205.399</b>	<b>214.146</b>	<b>107.904</b>
Loans to individuals and corporates (gross)	236.903	355.038	495.588
Specific provision (-)	31.504	140.892	387.684
<b>Loans to individuals and corporates (net)</b>	<b>205.399</b>	<b>214.146</b>	<b>107.904</b>
Banks (gross)	-	-	105
Specific provision (-)	-	-	105
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability and their full specific provision both amounting to TL 15.219 (December 31, 2016: TL 18.320).

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**I. Explanations and notes related to consolidated assets (continued):**

**i) Liquidation policy for uncollectible loans and receivables:**

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

**i) Information on "Write-off" policies:**

The write-off policy of the Parent Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of the Parent Bank management.

Loans and other receivables amount to TL 309.387, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated November 01, 2006 have been assigned to asset management companies. TL 4.952 have been written off as per the decision of the Parent Bank management (December 31, 2016: TL 76).

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

**a) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:**

As of December 31, 2017, nominal value of held to maturity investments given as a guarantee/blocked is TL 503.500. The Parent Bank does not have any held to maturity investments subject to repurchase transactions (December 31, 2016: The Parent Bank does not have any held to maturity investments given as a guarantee/blocked. Nominal value of held to maturity investments subject to repurchase agreements is TL 188.888).

**b) Information related to government securities held to maturity:**

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities <sup>(*)</sup>	532.803	668.582
<b>Total</b>	<b>532.803</b>	<b>668.582</b>

<sup>(\*)</sup> Consists of Sukuk certificates issued by Under Secretariat of Treasury of Turkey.

**c) Information on held-to-maturity investments:**

	Current Period	Prior Period
Debt Securities	532.803	668.582
Quoted on a stock exchange <sup>(*)</sup>	532.803	668.582
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>532.803</b>	<b>668.582</b>

<sup>(\*)</sup> Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

**ç) Movement of held-to-maturity investments:**

	Current Period	Prior Period
Balance at beginning of period	668.582	762.890
Foreign currency differences on monetary assets	-	-
Purchases during period	244.500	259.396
Disposals through sales and redemptions	(419.226)	(383.880)
Impairment provision (-)	-	-
Income accruals	38.947	30.176
<b>Closing balance</b>	<b>532.803</b>	<b>668.582</b>

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**I. Explanations and notes related to consolidated assets (continued):**

**7. Associates (net):**

**a) Information on unconsolidated associates:**

Since the Parent Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/Country)	Parent Bank's share percentage-If different voting percentage (%)	Parent Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara/Turkey	1,54	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2016.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
296.098	268.121	7.898	-	-	372	(12.443)	-

**b) Information on consolidated associates:**

As of balance sheet date, the Group does not have any consolidated associates.

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

**a) Information on unconsolidated subsidiaries:**

As of balance sheet date, the Group does not have any unconsolidated subsidiary.

**b) Information on consolidated subsidiaries:**

i) Bereket Varlık Kiralama A.Ş. which is subject to consolidation by the Parent Bank founded on October 14, 2011, the purpose of which is to obtain rental income by taking over the assets of the source institution and leasing them back to the source institution, issue rent certificates based on said rental income and pass on the related assets to source institution by the end of the rental period. Bereket Varlık Kiralama A.Ş. has been founded to operate according to rulings of Turkish Trade Law about foundations of incorporations and complying with Communiqué on "Principles Related to Rent Certificates and Asset Leasing Companies "dated April 1, 2010 and numbered 27539 serial: 3 no:43 published in Official Gazette by Capital Markets Board of Turkey and other related regulations, upon BRSA's opinion dated September 22, 2011, numbered B.02.1.BDK.0.13.00.0-91.11-20564 and permission of Capital Markets Board of Turkey dated October 6, 2011 numbered 32/923. The founding capital of the Company is TL 50. As of December 31, 2017 the capital of the Company is TL 400. Bereket Varlık Kiralama A.Ş. is consolidated using full consolidation method as of December 31, 2017.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2017.

Name	Address (City/Country)	Parent Bank's share percentage-If different voting percentage (%)	Risk share percentage of other shareholders (%)
Bereket Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
1.780.852	421	3	-	-	230	(209)	-

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**I. Explanations and notes related to consolidated assets (continued):**

**b) Information on consolidated subsidiaries (continued):**

ii) In the Board of Directors meeting dated February 25, 2015, the Parent Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş." whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The title of the company was changed to "Albaraka Portföy Yönetimi A.Ş." upon the decision of "2018 Extraordinary General Assembly" dated December 20, 2017. Albaraka Portföy Yönetimi A.Ş. is consolidated using full consolidation method as of December 31, 2017.

The balances of Albaraka Portföy Yönetimi A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2017.

Name	Address (City/Country)	Parent Bank's share percentage-If different voting percentage (%)	Risk share percentage of other shareholders (%)
Albaraka Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
10.337	9.614	3	355	177	5.358	(744)	-

**iii) Movement and Sectoral Information on consolidated subsidiaries:**

	Current Period	Prior Period
Amount at the beginning of the period	5.400	5.250
Movements inside the term	-	-
Purchases/new incorporations/capital increases	-	150
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	5.400	5.400
Capital commitments	-	-
<b>Share of the capital at the end of the period (%)</b>	<b>100,00</b>	<b>100,00</b>

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Subsidiaries	5.400	5.400



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**I. Explanations and notes related to consolidated assets (continued):**

**9. Information on investments in joint- ventures:**

**a) Information on unconsolidated investments in joint-ventures:**

The Group does not have unconsolidated investments in joint-ventures as of the balance sheet date.

**b) Information on consolidated investments in joint- ventures:**

The Parent Bank has founded Katılım Emeklilik ve Hayat A.Ş. ("Company") – a private pension and insurance company – through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company is registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. As of December 31, 2017, Katılım Emeklilik ve Hayat A.Ş. has been consolidated by the Parent Bank using equity method. The financial data from audited financial statements as of December 31, 2017 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non-Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	79.802	1.055.496	1.064.760	69.337	61.129

**c. Information on consolidated real estate investment funds:**

"Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" have been fully consolidated by the Parent Bank as of December 31, 2017. Information on audited financial statements of the related funds is as follows:

Real Estate Investment Funds	Share of Parent Bank (%)	Share of Group (%)	Net Investment Amount (TL)	Income	Expenses	Net Profit /(Loss)
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu	100,00	100,00	395.000	41.630	18.712	22.918
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu	100,00	100,00	390.000	21.545	4.697	16.848
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu	52,275	52,275	295.000	44.521	12.551	31.970

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

**a) Presentation of remaining maturities of funds lent under finance lease method:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	302.955	255.990	377.436	300.158
1 to 4 years	491.302	469.172	489.465	453.402
More than 4 years	13.283	11.919	129.305	125.419
<b>Total</b>	<b>807.540</b>	<b>737.081</b>	<b>996.206</b>	<b>878.979</b>

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**I. Explanations and notes related to consolidated assets (continued):**

**b) Information on net investments through finance lease:**

	Current Period	Prior Period
Financial lease receivables (Gross)	807.540	996.206
Unearned financial lease receivable (-)	70.459	117.227
<b>Net receivable from financial leases</b>	<b>737.081</b>	<b>878.979</b>

**c) General explanation on finance lease contracts:**

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
		Extension of Repayment Plan			Extension of Repayment Plan	
			Other			Other
Financial lease receivables (Net)	674.383	119.219	17	62.698	5.212	4.544

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

None (December 31, 2016: None).

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**I. Consolidated explanations and notes related to assets (continued):**

**12. Information on tangible assets:**

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
Opening balance: January 1, 2017	395.798	-	970	229.434	82.088	708.290
Additions	3.288	-	62	17.929	18	21.297
Revaluation differences	31.993	-	-	-	-	31.993
Disposals	(10.250)	-	(224)	(1.796)	(15.512)	(27.782)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	-	-
Transfers	-	-	-	-	78.680	78.680
Ending balance: December 31, 2017	420.829	-	808	245.567	145.274	812.478
<b>Accumulated depreciation(-)</b>						
Opening balance: January 1, 2017	38.971	-	811	147.845	3.529	191.156
Depreciation expense	8.995	-	54	28.549	-	37.598
Reversal of depreciation of the disposed assets	(1.728)	-	(212)	(3.675)	(329)	(5.944)
Transfers	-	-	-	-	-	-
Ending balance: December 31, 2017	46.238	-	653	172.719	3.200	222.810
<b>Total cost at the end of the year</b>	<b>420.829</b>	<b>-</b>	<b>808</b>	<b>245.567</b>	<b>145.274</b>	<b>812.478</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(46.238)</b>	<b>-</b>	<b>(653)</b>	<b>(172.719)</b>	<b>(3.200)</b>	<b>(222.810)</b>
<b>Closing net book value</b>	<b>374.591</b>	<b>-</b>	<b>155</b>	<b>72.848</b>	<b>142.074</b>	<b>589.668</b>
<b>Prior period</b>	<b>Immovables</b>	<b>Leased tangible assets</b>	<b>Vehicles</b>	<b>Other</b>	<b>Assets held for sale</b>	<b>Total</b>
<b>Cost</b>						
Opening balance: January 1, 2016	364.021	-	1.647	215.973	73.963	655.604
Additions	2.552	-	126	14.820	-	17.498
Revaluation differences	34.580	-	-	-	-	34.580
Disposals	(5.355)	-	(803)	(1.359)	(7.224)	(14.741)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(3.804)	(3.804)
Transfers	-	-	-	-	19.153	19.153
Ending balance: December 31, 2016	395.798	-	970	229.434	82.088	708.290
<b>Accumulated depreciation(-)</b>						
Opening balance: January 1, 2016	32.687	-	899	118.344	2.535	154.465
Depreciation expense	7.523	-	70	29.501	1.593	38.687
Reversal of depreciation of the disposed assets	(1.239)	-	(158)	-	(599)	(1.996)
Transfers	-	-	-	-	-	-
Ending balance: December 31, 2016	38.971	-	811	147.845	3.529	191.156
<b>Total cost at the end of the year</b>	<b>395.798</b>	<b>-</b>	<b>970</b>	<b>229.434</b>	<b>82.088</b>	<b>708.290</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(38.971)</b>	<b>-</b>	<b>(811)</b>	<b>(147.845)</b>	<b>(3.529)</b>	<b>(191.156)</b>
<b>Closing net book value</b>	<b>356.827</b>	<b>-</b>	<b>159</b>	<b>81.589</b>	<b>78.559</b>	<b>517.134</b>

As of December 31, 2017, the immovables of the Parent Bank have been revalued by an independent valuer and revaluation fund of TL 238.121 (December 31, 2016: TL 211.642) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 115.278 (December 31, 2016: TL 110.342) if revaluation method had not been adopted.

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**I. Consolidated explanations and notes related to assets (continued):**

**13. Information on intangible assets:**

a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Period
Cost	124.749	101.702
Accumulated depreciation (-)	96.270	66.232
<b>Total (net)</b>	<b>28.479</b>	<b>35.470</b>

b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	35.470	44.283
Additions	16.256	14.990
Disposals (-) (net)	-	-
Depreciation expense (-)	23.247	23.803
<b>Closing net book value</b>	<b>28.479</b>	<b>35.470</b>

**14. Information on investment property:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Investment properties <sup>(*)</sup>	1.072.540	-	-	-
<b>Total</b>	<b>1.072.540</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> Includes investment properties of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

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**I. Explanations and notes related to consolidated assets (continued):**

**15. Information related to deferred tax asset:**

As of December 31, 2017, the Group calculated net deferred tax asset of TL 52.589 (December 31, 2016: TL 20.044) by netting off deferred tax asset of TL 85.798 (December 31, 2016: TL 52.524) and deferred tax liability of TL 33.209 (December 31, 2016: TL 32.480) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	Current Period	Prior Period
Rediscount on profit share and prepaid fees and commission income and unearned revenues	40.816	37.806
Provisions for retirement premium and vacation pay liabilities	17.844	8.652
Difference between carrying value and tax base of tangible assets	4.920	3.013
Revaluation difference of available for sale	4.692	2.087
Derivative Financial Instruments	14.271	-
Provision for impairment	2.300	772
Other	955	194
<b>Deferred tax asset</b>	<b>85.798</b>	<b>52.524</b>
Revaluation difference of property	14.445	22.183
Trading securities valuation difference	-	8
Rediscount on profit share	15.487	7.662
Other	3.277	2.627
<b>Deferred tax liability</b>	<b>33.209</b>	<b>32.480</b>
<b>Deferred tax asset (net)</b>	<b>52.589</b>	<b>20.044</b>

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

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans.

	Current Period	Prior Period
Opening balance	92.317	22.819
Additions	100.284	117.190
Disposals	(26.758)	(28.834)
Transfers <sup>(*)</sup>	(78.680)	(19.153)
Impairment provision(-)/Reversal of Impairment Provision	(2.933)	295
<b>Net closing balance</b>	<b>84.230</b>	<b>92.317</b>

<sup>(\*)</sup> The balance has been transferred from assets held for sale to assets to be sold.

As of December 31, 2017, TL 81.252 (December 31, 2016: TL 88.341) of the assets held for sale is comprised of real estates, TL 2.978 (December 31, 2016: TL 3.976) is comprised of other tangible assets.

The Group has not any discontinued operations and assets of discontinued operations (December 31, 2016: None).

**17. Information on other assets:**

As of the balance sheet date, the Group's other assets balance is TL 121.282 (December 31, 2016: TL 154.005) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.



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**II. Explanations and notes related to consolidated liabilities:**

**1. Information on funds collected:**

**a) Information on maturity structure of funds collected:**

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>1.210.837</b>	-	-	-	-	-	-	-	<b>1.210.837</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	<b>2.687.839</b>	<b>4.459.640</b>	<b>136.450</b>	-	<b>34.112</b>	<b>409.812</b>	<b>6.974</b>	<b>7.734.827</b>
<b>III. Current Account other-TL</b>	<b>1.984.397</b>	-	-	-	-	-	-	-	<b>1.984.397</b>
Public Sector	18.088	-	-	-	-	-	-	-	18.088
Commercial Institutions	1.867.530	-	-	-	-	-	-	-	1.867.530
Other Institutions	93.305	-	-	-	-	-	-	-	93.305
Commercial and Other Institutions	3.956	-	-	-	-	-	-	-	3.956
Banks and Participation Banks	1.518	-	-	-	-	-	-	-	1.518
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	97	-	-	-	-	-	-	-	97
Foreign Banks	1.388	-	-	-	-	-	-	-	1.388
Participation Banks	33	-	-	-	-	-	-	-	33
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>333.186</b>	<b>1.783.083</b>	<b>42.977</b>	-	<b>7.375</b>	<b>54.191</b>	<b>26</b>	<b>2.220.838</b>
Public Sector	-	149	-	-	-	-	-	-	149
Commercial Institutions	-	314.493	1.650.050	39.880	-	3.777	46.480	26	2.054.706
Other Institutions	-	18.517	131.518	3.097	-	3.598	6.047	-	162.777
Commercial and Other Institutions	-	27	1.011	-	-	-	1.664	-	2.702
Banks and Participation Banks	-	-	504	-	-	-	-	-	504
<b>V. Real Persons Current Accounts Non-Trade FC</b>	<b>1.561.961</b>	-	-	-	-	-	-	-	<b>1.561.961</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>1.625.686</b>	<b>2.818.937</b>	<b>226.199</b>	-	<b>22.495</b>	<b>570.529</b>	<b>30</b>	<b>5.263.876</b>
<b>VII. Other Current Accounts FC</b>	<b>2.130.281</b>	-	-	-	-	-	-	-	<b>2.130.281</b>
Residents in Turkey-Corporate	1.447.642	-	-	-	-	-	-	-	1.447.642
Residents Abroad-Corporate	120.901	-	-	-	-	-	-	-	120.901
Banks and Participation Banks	561.738	-	-	-	-	-	-	-	561.738
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	560.807	-	-	-	-	-	-	-	560.807
Participation Banks	931	-	-	-	-	-	-	-	931
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	<b>826.424</b>	<b>1.254.293</b>	<b>110.653</b>	-	<b>53.276</b>	<b>11.734</b>	-	<b>2.256.380</b>
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	230.375	735.810	6.128	-	43.587	11.716	-	1.027.616
Other institutions	-	1.873	27.682	25	-	-	-	-	29.580
Commercial and Other Institutions	-	153.935	182.180	-	-	570	18	-	336.703
Banks and Participation Banks	-	440.241	308.621	104.500	-	9.119	-	-	862.481
<b>IX. Precious Metals Deposits</b>	<b>265.241</b>	<b>141.931</b>	<b>410.938</b>	<b>15.588</b>	-	<b>1.091</b>	<b>14.804</b>	<b>34</b>	<b>849.627</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	<b>30.820</b>	-	-	-	-	<b>30.820</b>
Residents in Turkey	-	-	-	30.820	-	-	-	-	30.820
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+...+IX+X+XI)</b>	<b>7.152.717</b>	<b>5.615.066</b>	<b>10.726.891</b>	<b>562.687</b>	-	<b>118.349</b>	<b>1.061.070</b>	<b>7.064</b>	<b>25.243.844</b>

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**II. Explanations and notes related to consolidated liabilities (continued):**

**a) Information on maturity structure of funds collected (continued):**

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts</b>									
Non-Trade TL	996.122	-	-	-	-	-	-	-	996.122
<b>II. Real Persons Participation</b>									
Accounts Non-Trade TL	-	1.287.069	5.505.341	79.907	-	93.100	545.201	2.136	7.512.754
<b>III. Current Account other-TL</b>	1.670.386	-	-	-	-	-	-	-	1.670.386
Public Sector	25.325	-	-	-	-	-	-	-	25.325
Commercial Institutions	1.591.494	-	-	-	-	-	-	-	1.591.494
Other Institutions	49.820	-	-	-	-	-	-	-	49.820
Commercial and Other Institutions	1.857	-	-	-	-	-	-	-	1.857
Banks and Participation Banks	1.890	-	-	-	-	-	-	-	1.890
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	13	-	-	-	-	-	-	-	13
Foreign Banks	1.866	-	-	-	-	-	-	-	1.866
Participation Banks	11	-	-	-	-	-	-	-	11
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	266.653	2.027.700	27.837	-	15.105	36.263	37	2.373.595
Public Sector	-	2.512	3	-	-	-	-	-	2.515
Commercial Institutions	-	254.779	1.848.641	15.773	-	13.411	33.044	37	2.165.685
Other Institutions	-	9.358	151.778	12.064	-	1.694	3.219	-	178.113
Commercial and Other Institutions	-	4	26.832	-	-	-	-	-	26.836
Banks and Participation Banks	-	-	446	-	-	-	-	-	446
<b>V. Real Persons Current Accounts</b>									
Non-Trade FC	888.794	-	-	-	-	-	-	-	888.794
<b>VI. Real Persons Participation</b>									
Accounts Non-Trade FC	-	712.667	2.864.441	92.024	-	159.176	575.077	-	4.403.385
<b>VII. Other Current Accounts FC</b>	1.685.795	-	-	-	-	-	-	-	1.685.795
Residents in Turkey-Corporate	922.978	-	-	-	-	-	-	-	922.978
Residents abroad-Corporate	86.906	-	-	-	-	-	-	-	86.906
Banks and Participation Banks	675.911	-	-	-	-	-	-	-	675.911
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	583.218	-	-	-	-	-	-	-	583.218
Participation Banks	92.693	-	-	-	-	-	-	-	92.693
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	612.934	1.942.665	256.436	-	60.743	147.506	-	3.020.284
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	215.473	936.309	107.745	-	59.170	8.315	-	1.327.012
Other Institutions	-	2.749	127.976	-	-	18	-	-	130.743
Commercial and Other Institutions	-	24.224	279.641	-	-	1.555	137.340	-	442.760
Banks and Participation Banks	-	370.488	598.739	148.691	-	-	1.851	-	1.119.769
Other	-	-	-	-	-	-	-	-	-
<b>IX. Precious Metals Deposits</b>	189.821	68.938	323.920	4.833	-	4.696	7.525	-	599.733
<b>X. Participation Accounts Special</b>									
Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special</b>									
Fund Pools – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>5.430.918</b>	<b>2.948.261</b>	<b>12.664.067</b>	<b>461.037</b>	<b>-</b>	<b>332.820</b>	<b>1.311.572</b>	<b>2.173</b>	<b>23.150.848</b>

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**II. Explanations and notes related to consolidated liabilities (continued):**

**b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:**

**b.1) Exceeding the limit of insurance fund:**

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	4.723.871	4.644.005	4.251.791	3.864.868
Foreign currency accounts	2.023.522	1.563.947	5.546.939	4.259.604
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law Numbered 5411.

**b.2) Funds collected which are not under the guarantee of insurance fund:**

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	13.179	26.805
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	9.787	10.556
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated September 26, 2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	-	-

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**II. Explanations and notes related to consolidated liabilities (continued):**

**2. Information on derivative financial liabilities held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	76	-	88	-
Swap transactions	-	6.342	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>76</b>	<b>6.342</b>	<b>88</b>	<b>-</b>

**3. Information on borrowings:**

The Parent Bank has obtained Syndicated Murabaha Loans from international markets amounting to USD 314.000.000 with maturity of more than one year (December 31, 2016: More than one-year maturity: USD 458.500.000 and EUR 56.250.000).

As of December 31, 2017, the Parent Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 197.595.236 and EUR 232.150.880 (December 31, 2016: USD 84.171.095 and EUR 132.496.602).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	26.815	295.054	3.937	282.495
Loans from foreign banks, institutions and funds	314.258	2.994.481	-	2.731.187
<b>Total</b>	<b>341.073</b>	<b>3.289.535</b>	<b>3.937</b>	<b>3.013.682</b>

**b) Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	183.777	1.803.899	3.937	996.686
Medium and Long-Term	157.296	1.485.636	-	2.016.996
<b>Total</b>	<b>341.073</b>	<b>3.289.535</b>	<b>3.937</b>	<b>3.013.682</b>

**c) Additional disclosures on concentration areas of The Parent Bank's liabilities:**

The Parent Bank does not have concentration on customer or sector group providing funds.

**4. Information on securities issued:**

The table below represents the sukuk issued by the parent bank through its subsidiary Bereket Varlık Kiralama A.Ş. to collect funds from various investors:

Issue Date	Amount <sup>(*)</sup>	FC	Maturity	Profit Share % (Yearly)	Profit Share % (92/175/178 days)
June 30, 2014	350.000.000	USD	5 Years	6,25	
September 26, 2017	150.000.000	TL	178 Days		5,85
November 16, 2017	150.000.000	TL	92 Days		3,10
December 19, 2017	150.000.000	TL	175 Days		6,02

<sup>(\*)</sup> Represented in full amount

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**II. Explanations and notes related to consolidated liabilities (continued):**

**a) Breakdown of sukuk issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Sukuk issued	450.962	1.281.425	175.695	1.190.788
<b>Total</b>	<b>450.962</b>	<b>1.281.425</b>	<b>175.695</b>	<b>1.190.788</b>

**5. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:**

None (December 31, 2016: None).

**6. Lease payables:**

**a) Information on finance lease transactions:**

**a.1) Information on financial lease agreements:**

The Group has not any obligation from finance lease operations as of balance sheet date.

**a.2) Explanations on the changes in agreements and new obligations originating from these changes:**

None.

**a.3) Explanations on the obligations originating from finance leases:**

None.

**b) Explanations on operational leases:**

The Parent Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Parent Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Parent Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	53.352	44.067
1 to 4 years	145.089	118.697
Over 4 years	120.905	104.791
<b>Total</b>	<b>319.346</b>	<b>267.555</b>

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

None (December 31, 2016: None).



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**II. Explanations and notes related to consolidated liabilities (continued):**

**8. Information on provisions:**

**a) Information on general provisions:**

	Current Period	Prior Period
<b>General provisions</b>	<b>142.420</b>	<b>136.263</b>
<b>I. Group loans and receivables (Total)</b>	<b>116.470</b>	<b>107.707</b>
Participation Accounts' Share	63.406	64.059
Bank's Share	53.064	43.648
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group I</b>	<b>8.069</b>	<b>3.821</b>
Participation Accounts' Share	3.327	2.295
Bank's Share	4.742	1.526
Others	-	-
<b>II. Group loans and receivables (Total)</b>	<b>14.242</b>	<b>17.086</b>
Participation Accounts' Share	7.184	11.248
Bank's Share	7.058	5.838
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group II</b>	<b>5.223</b>	<b>3.104</b>
Participation Accounts' Share	2.409	1.422
Bank's Share	2.814	1.682
Others	-	-
<b>Non-cash loans</b>	<b>11.708</b>	<b>11.470</b>
<b>Others</b>	<b>-</b>	<b>-</b>

**b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:**

As of December 31, 2017, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 14.130 (December 31, 2016: TL 1.449) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

**c) Information on specific provisions for non-cash loans that are not indemnified:**

As of December 31, 2017, the Parent Bank has provided specific provisions amounting to TL 29.905 (December 31, 2016: TL 37.036) for non-cash loans that are not indemnified.

**ç) Other provisions:**

**ç.1) Information on provisions for cases on trial:**

	Current Period	Prior Period
Provisions for cases on trial	2.264	14
<b>Total</b>	<b>2.264</b>	<b>14</b>

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**II. Explanations and notes related to consolidated liabilities (continued):**

**ç) Other provisions (continued):**

**ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:**

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts <sup>(*)</sup>	-	15.884
Provision for unindemnified letter of guarantees	19.479	27.822
Payment commitments for cheques	10.426	9.214
Provision for promotions related with credit cards and promotion of banking services	205	172
Provisions for cases on trial	2.264	14
Financial assets at fair value through profit and loss	232	3
Other	687	1.217
<b>Total</b>	<b>33.293</b>	<b>54.326</b>

<sup>(\*)</sup> Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

**d) Information on provisions for employee rights:**

The Group's Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 50.664 (December 31, 2016: TL 35.947), vacation pay liability amounting to TL 8.488 (December 31, 2016: TL 7.338) totaling to TL 59.152 (December 31, 2016: TL 43.285). Moreover, provisions for performance premium has been allocated amounting to TL 30.000 (December 31, 2016: None). The Group has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	11,70	11,60
Estimated increase rate of salary ceiling (%)	8,50	7,50

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	35.947	30.241
Change in the period	10.752	8.304
Actuarial (gain)/loss	8.928	2.833
Paid during the period	(4.963)	(5.431)
<b>Balance at the end of the period</b>	<b>50.664</b>	<b>35.947</b>

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**II. Explanations and notes related to consolidated liabilities (continued):**

**9. Information on taxes payable:**

**a) Explanations on current tax liability:**

**a.1) Explanations on tax provisions:**

As of December 31, 2017, the Group's corporate tax payable is TL 46.455 after offsetting prepaid corporate tax (December 31, 2016: TL 7.091).

**a.2) Information on taxes payable:**

	Current Period	Prior Period
Corporate taxes payable	46.455	7.091
Banking insurance transaction tax	16.087	16.364
Taxation on securities income	12.769	11.162
Value added tax payable	1.128	1.278
Taxation on real estate income	887	754
Foreign exchange transaction tax	-	-
Other	8.167	8.083
<b>Total</b>	<b>85.493</b>	<b>44.732</b>

**a.3) Information on premiums:**

	Current Period	Prior Period
Social security premiums-employee	3.719	3.103
Social security premiums-employer	4.015	3.346
Bank pension fund premium- employees	-	-
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions-employees	-	-
Pension fund membership fees and provisions- employer	-	-
Unemployment insurance-employee	263	219
Unemployment insurance-employer	525	438
Other	-	-
<b>Total</b>	<b>8.522</b>	<b>7.106</b>

**10. Liabilities for assets held for sale and discontinued operations:**

None (December 31, 2016: None).

**11. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Domestic Banks	-	-	-	-
Loans from other Institutions	-	-	-	-
Loans from Foreign Banks	-	-	-	-
Loans from other Foreign Institutions	-	1.627.163	-	1.510.937
<b>Total</b>	<b>-</b>	<b>1.627.163</b>	<b>-</b>	<b>1.510.937</b>

The Parent Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity ABT Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of five years. The profit rate of the subordinated loan with grace period of 5 years' with 10 years total maturity was determined as 7,75%.

The Parent Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Parent Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

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**II. Explanations and notes related to consolidated liabilities (continued):**

**12. Information on shareholders' equity:**

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

	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	-	-

**b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Parent Bank and if so, amount of the registered share capital ceiling:**

In the Board of Directors meeting dated February 28, 2013, the Parent Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2021.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

**c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:**

There is no capital increase in the current period.

**ç) Information on share capital increases from capital reserves during the current period:**

There is no share capital increase from capital reserves during the current period.

**d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:**

There are no capital commitments till the end of the last fiscal year and following interim period.

**e) Estimated effects on the shareholders equity of the Parent Bank, of predictions to be made by taking into account previous period indicators regarding the Parent Bank's income, profitability and liquidity, and uncertainties regarding such indicators:**

The Parent Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Parent Bank's shareholders' equity is invested in liquid and earning assets.

**f) Information on privileges given to stocks representing the capital:**

There is no privilege given to stocks representing the capital.

**g) Information on marketable securities valuation reserve:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference <sup>(*)</sup>	(18.727)	1.114	212	(8.556)
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>(18.727)</b>	<b>1.114</b>	<b>212</b>	<b>(8.556)</b>

<sup>(\*)</sup> The amount represents the net balance after deferred tax calculation.

**h) Information on minority interests:**

As of December 31, 2017, the Group has minority interest amounts to TL 156.047 arising from the consolidation of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" (December 31, 2016: None).

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**III. Explanations and notes related to consolidated off-balance sheet:**

**1. Consolidated explanations on off-balance sheet:**

**a) Type and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Commitments for credit card limits	528.560	475.270
Payment commitments for cheques	528.094	588.983
Asset purchase and sale commitments	381.062	13.399
Loan granting commitments	348.871	111.042
Tax and funds liabilities arising from export commitments	4.069	3.029
Commitments for promotions related with credit cards and banking activities	363	963
Other irrevocable commitments	441.333	38.475
<b>Total</b>	<b>2.232.352</b>	<b>1.231.161</b>

**b) Type and amount of possible losses and commitments arising from off-balance sheet items:**

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

	Current Period	Prior Period
Letters of guarantees	7.024.344	7.809.811
Bank loans	21.824	20.711
Letters of credit	1.030.808	752.679
Other guaranties and sureties	55.648	117.992
<b>Total</b>	<b>8.132.624</b>	<b>8.701.193</b>

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

	Current Period	Prior Period
Letters of guarantees	7.024.344	7.809.811
Long standing letters of guarantees	4.441.424	4.845.313
Temporary letters of guarantees	229.023	240.046
Advance letters of guarantees	229.973	257.462
Letters of guarantees given to customs	238.333	229.514
Letters of guarantees given for obtaining cash loans	1.885.591	2.237.476
Sureties and similar transactions	55.648	117.992
<b>Total</b>	<b>7.079.992</b>	<b>7.927.803</b>



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**III. Explanations and notes related to consolidated off-balance sheet (continued):**

**c) Within the non-cash loans**

**c.1) Total amount of non-cash loans:**

	Current Period	Prior Period
Non-cash loans given against cash loans	1.885.591	2.237.476
With original maturity of 1 year or less	346.696	369.164
With original maturity of more than 1 year	1.538.895	1.868.312
Other non-cash loans	6.247.033	6.463.717
<b>Total</b>	<b>8.132.624</b>	<b>8.701.193</b>

**c.2) Sectoral risk concentration of non-cash loans:**

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>48.093</b>	<b>1,16</b>	<b>25.832</b>	<b>0,65</b>	<b>58.865</b>	<b>1,47</b>	<b>51.815</b>	<b>1,10</b>
Farming and stockbreeding	29.916	0,72	19.865	0,50	42.142	1,05	15.099	0,32
Forestry	16.977	0,41	5.967	0,15	16.289	0,41	28.643	0,61
Fishery	1.200	0,03	-	-	434	0,01	8.073	0,17
<b>Manufacturing</b>	<b>1.002.554</b>	<b>24,24</b>	<b>2.224.375</b>	<b>55,66</b>	<b>966.599</b>	<b>24,14</b>	<b>2.756.795</b>	<b>58,69</b>
Mining	19.474	0,47	17.856	0,45	27.815	0,69	101.604	2,16
Production	506.728	12,25	1.798.977	45,01	742.159	18,54	1.937.520	41,25
Electricity, gas and water	476.352	11,52	407.542	10,20	196.625	4,91	717.671	15,28
<b>Construction</b>	<b>1.370.455</b>	<b>33,13</b>	<b>499.958</b>	<b>12,51</b>	<b>1.237.368</b>	<b>30,90</b>	<b>618.243</b>	<b>13,16</b>
<b>Services</b>	<b>1.615.178</b>	<b>39,05</b>	<b>1.182.673</b>	<b>29,60</b>	<b>1.374.381</b>	<b>34,33</b>	<b>1.107.492</b>	<b>23,58</b>
Wholesale and retail trade	766.658	18,54	594.046	14,86	558.903	13,96	472.816	10,07
Hotel, food and beverage services	28.618	0,69	67.206	1,68	27.885	0,70	102.249	2,18
Transportation and telecommunication	77.651	1,88	108.913	2,73	66.772	1,67	113.148	2,41
Financial Institutions	48.832	1,18	232.100	5,81	24.247	0,61	78.803	1,68
Real estate and renting services	395.337	9,56	91.794	2,30	438.701	10,96	98.139	2,09
Self-employment services	126.499	3,06	51.682	1,29	83.412	2,08	220.644	4,70
Education services	35.345	0,85	346	0,01	29.779	0,74	1.792	0,04
Health and social services	136.238	3,29	36.586	0,92	144.682	3,61	19.901	0,41
<b>Other</b>	<b>100.185</b>	<b>2,42</b>	<b>63.321</b>	<b>1,58</b>	<b>366.665</b>	<b>9,16</b>	<b>162.970</b>	<b>3,47</b>
<b>Total</b>	<b>4.136.465</b>	<b>100,00</b>	<b>3.996.159</b>	<b>100,00</b>	<b>4.003.878</b>	<b>100,00</b>	<b>4.697.315</b>	<b>100,00</b>

**c.3) Information on the non-cash loans classified in Group I and Group II:**

	Current Period		I st Group		II nd Group	
	TL	FC	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>4.040.156</b>	<b>3.883.488</b>	<b>63.239</b>	<b>95.041</b>		
Letters of guarantee	4.027.185	2.788.179	63.239	95.041		
Bank acceptances	-	21.824	-	-		
Letters of credit	1.517	1.029.291	-	-		
Endorsements	-	-	-	-		
Underwriting commitments	-	-	-	-		
Factoring commitments	-	-	-	-		
Other commitments and contingencies	11.454	44.194	-	-		

	Prior Period		I st Group		II nd Group	
	TL	FC	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>3.892.986</b>	<b>4.445.491</b>	<b>70.902</b>	<b>213.354</b>		
Letters of guarantee	3.881.125	3.568.248	70.902	211.076		
Bank acceptances	-	20.711	-	-		
Letters of credit	2.073	748.328	-	2.278		
Endorsements	-	-	-	-		
Underwriting commitments	-	-	-	-		
Factoring commitments	-	-	-	-		
Other commitments and contingencies	9.788	108.204	-	-		

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**III. Consolidated explanations and notes related to off-balance sheet (continued):**

**2. Explanations on derivative transactions:**

	Derivative transactions according to purpose	
	December 31, 2017	December 31, 2016
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>1.079.733</b>	<b>1.018.952</b>
Currency Forwards-Purchases, sales	43.577	1.018.952
Currency Swaps-Purchases, sales	1.036.156	-
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Profit Share Rate Related Derivative Transactions (II)</b>	<b>-</b>	<b>-</b>
Profit share rates forwards-Purchase, sales	-	-
Profit share rates swaps-Purchases, sales	-	-
Profit share rates options-Purchases, sales	-	-
Profit share rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total Trading Derivatives (I + II + III)</b>	<b>1.079.733</b>	<b>1.018.952</b>
<b>Hedging Derivatives</b>	<b>-</b>	<b>-</b>
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>1.079.733</b>	<b>1.018.952</b>

**3. Explanations on contingent assets and liabilities:**

The Parent Bank has made a provision amounting to TL 2.264 (December 31, 2016: TL 14), as presented under "Other Provisions" note in Section Five Note II.8.ç.1, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Parent Bank, the Parent Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

**4. Explanations on services rendered on behalf of third parties:**

The Group has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

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**IV. Explanations and notes related to consolidated statement of income:**

**1. Information on profit share income:**

**a) Information on profit share income received from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share received from loans<sup>(*)</sup></b>				
Short Term Loans	417.701	24.609	460.671	23.155
Medium and Long Term Loans	1.577.475	313.058	1.267.637	197.539
Profit Share on Non-Performing Loans	27.255	-	16.133	-
<b>Total</b>	<b>2.022.431</b>	<b>337.667</b>	<b>1.744.441</b>	<b>220.694</b>

<sup>(\*)</sup> Includes fees and commission income on cash loans.

**b) Information on profit share income received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	4.019	28.528	6.902	11.909
Domestic Banks	-	1.362	-	779
Foreign Banks	-	-	-	31
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>4.019</b>	<b>29.890</b>	<b>6.902</b>	<b>12.719</b>

**c) Information on profit share income received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets held for trading	1.115	349	-	5
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets available-for-sale	105.145	23.340	79.323	13.166
From held-to-maturity investments	62.612	-	65.176	-
<b>Total</b>	<b>168.872</b>	<b>23.689</b>	<b>144.499</b>	<b>13.171</b>

**ç) Information on profit share income received from associates and subsidiaries:**

None (December 31, 2016: None).

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**IV. Explanations and notes related to consolidated statement of income (continued):**

**2. Explanations on profit share expenses:**

**a) Information on profit share expense paid to funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	21.012	64.473	-	53.314
CBRT	-	-	-	-
Domestic banks	-	7.745	-	6.360
Foreign banks	21.012	56.728	-	46.954
Head offices and branches abroad	-	-	-	-
Other institutions	983	157.773	-	130.358
<b>Total</b>	<b>21.995</b>	<b>222.246</b>	<b>-</b>	<b>183.672</b>

**b) Profit share expense paid to associates and subsidiaries:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share paid to investments in associates and subsidiaries	9	-	127	-
<b>Total</b>	<b>9</b>	<b>-</b>	<b>127</b>	<b>-</b>

**c) Profit share expenses paid to marketable securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share expenses paid to marketable securities issued	32.687	76.846	2.656	77.679
<b>Total</b>	<b>32.687</b>	<b>76.846</b>	<b>2.656</b>	<b>77.679</b>

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**IV. Explanations and notes related to consolidated statement of income (continued):**

**ç) Distribution of profit share expense on funds collected based on maturity of funds collected:**

Current Period		Profit sharing accounts						Accumulated profit sharing account	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year			
TL									
Funds collected from banks through current and profit sharing accounts	-	38	-	-	-	-	-	-	38
Real persons' non-trading profit sharing accounts	197.303	381.652	13.696	-	4.261	42.233	446	-	639.591
Public sector profit sharing accounts	4	-	-	-	-	-	-	-	4
Commercial sector profit sharing accounts	31.870	150.603	6.126	-	535	3.340	-	-	192.474
Other institutions profit sharing accounts	1.199	19.384	984	-	167	646	-	-	22.380
Total	230.376	551.677	20.806	-	4.963	46.219	446	-	854.487
FC									
Banks	5.253	7.864	2.436	-	165	43	-	-	15.761
Real persons' non-trading profit sharing accounts	23.909	50.701	3.404	-	806	11.781	-	-	90.601
Public sector profit sharing accounts	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	6.564	15.780	1.185	-	675	242	-	-	24.446
Other institutions profit sharing accounts	1.069	5.121	1	-	16	3.024	-	-	9.231
Precious metals deposits	854	4.401	149	-	20	206	-	-	5.630
Total	37.649	83.867	7.175	-	1.682	15.296	-	-	145.669
Grand total	268.025	635.544	27.981	-	6.645	61.515	446	-	1.000.156
Prior Period		Profit sharing accounts						Accumulated profit sharing account	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year			
TL									
Funds collected from banks through current and profit sharing accounts	-	938	-	-	-	-	-	-	938
Real persons' non-trading profit sharing accounts	94.177	410.685	7.218	-	7.565	51.339	37	-	571.021
Public sector profit sharing accounts	34	63	-	-	-	-	-	-	97
Commercial sector profit sharing accounts	16.497	138.630	2.980	-	1.327	6.788	-	-	166.222
Other institutions profit sharing accounts	1.102	19.958	984	-	136	158	-	-	22.338
Total	111.810	570.274	11.182	-	9.028	58.285	37	-	760.616
FC									
Banks	1.602	5.548	1.344	-	98	1	-	-	8.593
Real persons' non-trading profit sharing accounts	10.897	43.795	1.535	-	2.882	11.397	-	-	70.506
Public sector profit sharing accounts	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	2.466	15.401	303	-	801	179	-	-	19.150
Other institutions profit sharing accounts	364	6.627	65	-	96	1.206	-	-	8.358
Precious metals deposits	474	1.784	58	-	66	101	-	-	2.483
Total	15.803	73.155	3.305	-	3.943	12.884	-	-	109.090
Grand total	127.613	643.429	14.487	-	12.971	71.169	37	-	869.706



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**3. Information on dividend income:**

None (December 31, 2016: None).

**4. Explanations on trading income/loss (net):**

	Current Period	Prior Period
<b>Income</b>	<b>6.647.461</b>	<b>7.412.267</b>
Income from capital market transactions	8.861	212
Income from derivative financial instruments	17.992	104.570
Foreign exchange income	6.620.608	7.307.485
<b>Loss (-)</b>	<b>6.647.127</b>	<b>7.367.128</b>
Loss on capital market transactions	859	12
Loss on derivative financial instruments	39.011	1.576
Foreign exchange losses	6.607.257	7.365.540
<b>Trading income/loss (net)</b>	<b>334</b>	<b>45.139</b>

**5. Explanations related to other operating income:**

	Current Period	Prior Period
Reversal of prior year provisions	73.460	98.473
Income from sale of assets	37.845	20.581
Reimbursement for communication expenses	5.380	4.334
Reimbursement of vacation pay expenses	-	-
Cheque book charges	1.315	1.316
Real estate revaluation income <sup>(*)</sup>	78.818	-
Real estate rental income <sup>(*)</sup>	9.661	-
Real estate sales profit <sup>(*)</sup>	8.702	-
Other income	9.419	16.924 <sup>(**)</sup>
<b>Total</b>	<b>224.600</b>	<b>141.628</b>

<sup>(\*)</sup> Represents the income from real estates' portfolio under real estate investment funds.

<sup>(\*\*)</sup> Visa Inc has purchased Visa Europe Ltd. on June 21, 2016. Following this transaction, TL 8.692 has been transferred to bank accounts and accounted as "Other Operating Income".

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**IV. Explanations and notes related to consolidated statement of income (continued):**

**6. Provisions for loan losses and other receivables of the Parent Bank:**

	Current Period	Prior Period
<b>Specific provisions for loans and other receivables</b>	<b>442.637</b>	<b>305.593</b>
Loans and receivables in III. Group	7.989	32.470
Loans and receivables in IV. Group	84.021	131.925
Loans and receivables in V. Group	339.310	129.671
Doubtful commission, fee and other receivables	11.317	11.527
<b>General provision expenses</b>	<b>15.416</b>	<b>17.856</b>
<b>Provision expenses for ongoing lawsuit</b>	<b>2.264</b>	<b>-</b>
<b>Impairment losses on marketable securities</b>	<b>441</b>	<b>154</b>
Financial assets at fair value through profit and loss	441	-
Financial assets available for sale	-	154
<b>Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments</b>	<b>-</b>	<b>-</b>
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
<b>Other<sup>(*)</sup></b>	<b>-</b>	<b>32.671</b>
<b>Total</b>	<b>460.758</b>	<b>356.274</b>

TL 173.161 (December 31, 2016: TL 139.990) of the total specific provisions provided for loan and other receivables amounting to TL 442.637 (December 31, 2016: TL 305.593) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 2.896 (December 31, 2016: TL 17.683) participation accounts portion of general loan loss provision provided for loans and other receivables of the total general loan loss provisions amounts to TL 15.416 (December 31, 2016: TL 17.856).

<sup>(\*)</sup> Details of the "other" amount is as follows:

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified <sup>(*)</sup>	-	14.972
Provisions allocated from profit shares to be distributed to profit sharing accounts	-	17.455
Other	-	244
<b>Total</b>	<b>-</b>	<b>32.671</b>

<sup>(\*)</sup> Specific provisions (reversals) for non-cash loans that are not indemnified and Provisions (reversals) allocated from profit shares to be distributed to profit sharing accounts are represented net.

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**IV. Explanations and notes related to consolidated statement of income (continued):**

**7. Information on other operating expenses:**

	Current Period	Prior Period
Personnel expenses	444.841	417.031
Provision for retirement pay liability	5.789	2.873
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	37.598	38.687
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	23.247	23.803
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	255	2.264
Depreciation expenses of assets to be disposed	-	1.592
Impairment expenses of assets held for sale and assets of discontinued operations	2.988	55
Other operating expenses	174.789	157.173
<i>Operating lease expenses</i>	69.461	60.477
<i>Maintenance expenses</i>	12.374	12.213
<i>Advertisement expenses</i>	23.292	18.264
<i>Other expenses<sup>(*)</sup></i>	69.662	66.219
Loss on sale of assets	234	677
Other <sup>(**)</sup>	184.144	92.951
<b>Total</b>	<b>873.885</b>	<b>737.106</b>

<sup>(\*)</sup> "Other expenses" under other business expenses are provided as below:

	Current Period	Prior Period
Communication Expenses	13.622	11.439
Donations	5.718	10.604
Cleaning expenses	12.215	11.703
Heating, lighting and water expenses	7.497	6.643
Representation and Hosting expenses	6.316	5.282
Vehicle expenses	4.940	3.615
Lawsuit and court expenses	3.125	4.125
Movables Insurance Expenses	2.290	2.060
Stationery Expenses	2.615	2.128
Expense Share for Common Expenses	1.250	967
Other	10.074	7.653
<b>Total</b>	<b>69.662</b>	<b>66.219</b>

<sup>(\*\*)</sup> Details of "other" balance are provided as below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	39.372	36.192
Taxes, Duties, Charges and Funds	32.816	27.352
Bonus Reserve Expenses	30.000	-
Expertise and Information Expenses	10.761	13.099
Audit and Consultancy Fees	22.602	8.654
Vacation Pay Provision Expense	1.149	291
Title Deed Fees <sup>(*)</sup>	10.940	-
Fund Management Fees <sup>(*)</sup>	8.575	-
Shopping Mall Expenses <sup>(*)</sup>	7.692	-
Other	20.237	7.363
<b>Total</b>	<b>184.144</b>	<b>92.951</b>

<sup>(\*)</sup> Represents the expenses from real estates' portfolio under real estate investment funds.

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**IV. Explanations and notes related to consolidated statement of income (continued):**

**8. Explanations on income/loss from continued operations before taxes:**

As the Parent Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Parent Bank's income before tax increased by 19% compared to prior period and is realized as TL 317.204 (December 31, 2016: TL 265.918). Income before tax comprises net profit share income in the amount of TL 1.274.182 (December 31, 2016: TL 1.024.044) and fees and commission income in the amount of TL 148.457 (December 31, 2016: TL 145.935). Total other operating expenses amount to TL 873.885 (December 31, 2016: TL 737.106).

**9. Explanations on tax provision for continued and discontinued operations:**

Tax provision of the Parent Bank for continued operations:

	Current Period	Prior Period
Income before tax	317.204	265.918
Tax calculated with tax rate of 20%	63.442	53.184
Other additions and disallowable expenses	36.185	15.216
Deductions	(17.689)	(14.001)
Financial losses not considered in deferred tax calculation	(5.682)	(400)
Provision for current taxes	76.256	53.999
Provision for deferred taxes	(24.549)	(7.688)
Continuing Operations Tax Provision	51.707	46.311

Since the Group does not have any discontinued operations, there is no tax provision for discontinued operations.

**10. Explanations on net income/loss from continued and discontinued operations:**

The Parent Bank has not discontinued operations. Net income for the period has been realized as TL 265.497 (December 31, 2016: TL 219.607) by deducting tax provision expense amounting to TL 51.707 (December 31, 2016: TL 46.311) from profit from continued operations amounting to TL 317.204 (December 31, 2016: TL 265.918).

**11. Explanations on net income/loss:**

**a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Parent Bank's performance for the period:**

None.

**b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:**

None.

**c) Income/loss of minority shares:**

	Current Period	Prior Period
Net profit/(loss) of minority shares	15.258	-

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**12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:**

Other fees and commissions received	Current Period	Prior Period
Member firm-POS fees and commissions	34.916	37.212
Clearing room fees and commissions	22.048	18.604
Commissions on money orders	13.431	11.184
Appraisal fees	11.256	11.151
Insurance and brokerage commissions	11.173	9.569
Other	21.317	15.539
<b>Total</b>	<b>114.141</b>	<b>103.259</b>

Other fees and commissions paid	Current Period	Prior Period
Funds borrowed fees and commissions	26.167	27.320
Credit cards fees and commissions	10.092	8.645
Member firm-POS fees and commissions	16.814	14.398
Fees and commissions for Swift, EFT and money orders	7.211	3.866
Other	7.783	7.629
<b>Total</b>	<b>68.067</b>	<b>61.858</b>

**V. Explanations and notes related to consolidated statement of changes in shareholders' equity:**

- a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.
- Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.
- b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 11.883 decrease has occurred after the revaluation of available-for-sale securities (December 31, 2016: TL 24.199 decrease).
- c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Parent Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- d) Foreign exchange differences arising from translation of income statement of foreign branch of the Parent Bank are accounted in other capital reserves amounts to TL 6.936 as increase. (December 31, 2016: TL 7.606 increase).



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**VI. Consolidated explanations and notes related to the statement of cash flows:**

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

"Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

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

	Current Period	Prior Period
<b>Cash</b>	<b>1.917.036</b>	<b>1.895.062</b>
Cash in TL/foreign currency	271.404	408.213
Cash in transit	388.688	414.294
CBRT	1.256.944	1.072.555
<b>Cash equivalents</b>	<b>1.547.447</b>	<b>1.912.992</b>
Domestic banks	1.276.485	1.486.902
Foreign banks	270.962	426.090
<b>Total cash and cash equivalents</b>	<b>3.464.483</b>	<b>3.808.054</b>

**(b). Cash and cash equivalents at the end of the period:**

	Current Period	Prior Period
<b>Cash</b>	<b>2.001.123</b>	<b>1.917.036</b>
Cash in TL/foreign currency	365.436	271.404
Cash in transit	863.141	388.688
CBRT	772.546	1.256.944
<b>Cash equivalents</b>	<b>888.600</b>	<b>1.547.447</b>
Domestic banks	342.727	1.276.485
Foreign banks	545.873	270.962
<b>Total cash and cash equivalents</b>	<b>2.889.723</b>	<b>3.464.483</b>

**2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:**

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

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

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 134.944 (December 31, 2016: TL 645.303) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 564.421 (December 31, 2016: TL 202.852) mainly comprises changes in miscellaneous payables, other liabilities and taxes and other duties payable.

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately as TL 109.649 as of December 31, 2017 (December 31, 2016: TL 329.943).

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**VII. Explanations related to the risk group of the Parent Bank:**

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

**a) Current period:**

Risk Group of the Parent Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (Business Partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of the period	-	-	35.550	24.249	714	28
Balance at the end of the period	-	-	118.658	22.039	106	-
<b>Profit share and commission income received</b>	-	-	<b>2.512</b>	<b>101</b>	<b>13</b>	-

**b) Prior period:**

Risk Group of the Parent Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (Business Partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of period	-	-	47.906	65.512	41	28
Balance at end of period	-	-	35.550	24.249	714	28
<b>Profit share and commission income received</b>	-	-	<b>2.016</b>	<b>301</b>	<b>78</b>	-

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

**c.1) Information on current and profit sharing accounts of the Parent Bank's risk group:**

Risk Group of the Parent Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (Business Partnerships)		Direct and indirect Shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	6.210	2.927	470.674	268.530	5.476	3.134
Balance at the end of period	7.677	6.210	602.289	470.674	4.801	5.476
<b>Profit share expense</b>	<b>195</b>	<b>137</b>	<b>11.562</b>	<b>4.810</b>	<b>104</b>	<b>153</b>

<sup>(\*)</sup> As of December 31, 2017 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 190.095.236 and EUR 153.550.880 (December 31, 2016: USD 79.171.095 and EUR 127.196.602). The profit share expense relating to such borrowings for the period between January 1, 2017 – December 31, 2017 is TL 14.951 (December 31, 2016: TL 8.563). The Parent Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 450.000.000 through "Bereket Varlık Kiralama A.Ş." which exists in the risk group of the Parent Bank. The total expense for the related issue is TL 109.533 as of December 31, 2017 (December 31, 2016: TL 80.335).

**c.2) Information on forward and option agreements and other similar agreements with related parties:**

The Group does not have forward and option agreements with the risk group of the Parent Bank.

As of December 31, 2017, the Group has paid TL 11.496 (December 31, 2016: TL 20.672) to top management.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**  
*(Thousand of Turkish Lira (TL) unless otherwise stated)*

**VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:**

**1. Information on the domestic and foreign branches and representative offices of the Bank:**

	Number	Number of Personnel			
Domestic Branches	219	3.882			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (Thousand TL)	Statutory Share Capital
Foreign Branches	1	17	Iraq	312.498	Iraq Dinar 20.626.185.357
Off-Shore Branches	-	-	-	-	-

**2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:**

The Parent Bank has opened 7 domestic branches in 2017.

**IX. Explanations related to subsequent events:**

As per the decision of the Board of Directors dated December 22, 2017, the Parent Bank has decided to found a company called "Albaraka Kültür Sanat ve Yayıncılık A.Ş." whose capital is TL 3.540. The company has been recognized as subsidiary in January 2018 and the Parent Bank's share on it is 100%.

On February 20, 2018, the Parent Bank has realized Tier I sukuk quoted at Ireland stock exchange amount to USD 205 million having no fixed term.

**SECTION SIX**

**Other explanations**

**I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:**

None.

**SECTION SEVEN**

**Independent Audit Report**

**I. Explanations on audit report:**

The Group's consolidated financial statements as of and for the period ended December 31, 2017 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the audit report dated March 6, 2018 is presented at the beginning of the financial statements and related notes.

**II. Other notes and explanations prepared by the independent auditors:**

None.