(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE)

# BURGAN BANK A.Ş.

## PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES TOGETHER WITH INDEPENDENT AUDIT REPORT AT 31 DECEMBER 2017

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

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Burgan Bank A.Ş.:**

## Audit of Consolidated Financial Statements

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Burgan Bank A.Ş (the Bank) and its subsidiaries as at 31 December 2017 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

### Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our *other* responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

| Key Audit Matter | How the Key Audit Matter is addressed in our audit |
|---|---|
| ***Impairment of Loans and Receivables*** | |
| Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related Explanations relating to the impairment of loans and receivables have been disclosed in Note e in the Disclosures and Footnotes related to Assets. | Our audit procedures included among others, selecting samples of loans and receivables based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them. |
| ***Derivative Financial Instruments*** | |
| Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Note b in the Disclosures and Footnotes related to off-balance sheet accounts.<br><br>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used. | Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of our firm and the assessment of used estimations and the judgements and testing of operating effectiveness of the key controls in the process of fair value determination. |

**Responsibilities of Management and Directors for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's and its subsidiaries ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries 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.

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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional 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 Bank and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries' to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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## Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2017 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Yaşar Bivas, SMMM
Partner

28 February 2018
İstanbul, Türkiye

**(CONVENIENCE TRANSLATION**
**OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS**
**ORIGINALLY ISSUED IN TURKISH,**
**SEE NOTE I. OF SECTION THREE)**

# THE CONSOLIDATED FINANCIAL AUDIT REPORT OF BURGAN BANK A.Ş. AS OF 31 DECEMBER 2017


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



Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows:

| Subsidiaries | Investment in Associates | Joint Ventures |
|---|---|---|
| **1. Burgan Finansal Kiralama A.Ş.** | - | - |
| **2. Burgan Yatırım Menkul Değerler A.Ş.** | - | - |
| **3. Burgan Portföy Yönetimi A.Ş.** | - | - |
| **4. Burgan Wealth Limited** | - | - |

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

28 February 2018

| Mehmet N. ERTEN | Ali Murat DİNÇ | Mehmet YALÇIN | Ahmet CIĞA |
|---|---|---|---|
| Chairman of the Board of Directors | Member of the Board of Directors and General Manager | Financial Affairs Vice General Manager | Head of Accounting, Tax, and Reporting Unit |

| Halil CANTEKİN | Adrian Alejandro GOSTUSKI | Osama T. AL GHOUSSEIN |
|---|---|---|
| Head of the Audit Committee | Member of the Audit Committee | Member of the Audit Committee |

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


Name-Surname / Title : Ahmet CIĞA / Head of Accounting Tax and Reporting Unit
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

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# SECTION ONE

# GENERAL INFORMATION

## I. PARENT BANK'S FOUNDATION DATE, START-UP STATUTE, HISTORY ABOUT THE CHANGES IN THIS MENTIONED STATUTE:

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an "investment bank" with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and authorised to conduct finance investment and foreign trade activities. Banking operations commenced on 7 August 1989.

Bank Ekspres A.Ş. ("Bank Ekspres") was established with the permission of the Council of Ministers in decision No. 91/2316 on 22 September 1991; "The Decree of Establishment Permission" was published in the Official Gazette numbered 21017 and dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette numbered 2969 and dated 18 February 1992. The Turkish Savings Deposit and Insurance Fund ("SDIF") took over the management of Bank Ekspres A.Ş. due to the poor fiscal structure of the bank on 23 October 1998.

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2.983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency's ("BRSA") decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

EFG Eurobank Ergasias S.A. ("Eurobank EFG") and Tekfen Holding A.Ş. ("Tekfen Group") signed an agreement as of 8 May 2006, that anticipated Eurobank EFG to purchase Tekfen Group's 70% share in Tekfenbank and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. ("Eurobank EFG Holding") was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

Under the agreement regarding the sale of Eurobank Ergasias S.A.'s Turkey operations to Burgan Bank K.P.S.C., 70% of the bank shares belonging to Eurobank EFH Holding (Luxemburg) S.A. and 29,26% of the shares belonging to Tekfen Holding A.Ş. are bought by Burgan Bank K.P.S.C. in 7 December 2012 in accordance with the Banking Regulation and Supervision Agency's authorization, and then 99,26% of the bank shares are turned over to Burgan Bank K.P.S.C. in 21 December 2012.

At the Extraordinary Board of Directors meeting on 23 January 2013, the title of the bank has been decided to change from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. ("the Bank"), and has been registered to the Turkish Trade Registry as of 25 January 2013.

**GENERAL INFORMATION (Continued)**

**II. EXPLANATIONS ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE PARENT BANK BELONGS TO:**

The Parent Bank’s registered capital ceiling is 2 billion TL. Following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Parent Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Parent Bank’s main associate, Burgan Bank K.P.S.C at 27 December 2017. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Parent Bank’s accounts. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Parent Bank’s financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Parent Bank other than the increase in capital.

Founded in 1977, Burgan Bank K.P.S.C. (formerly Burgan Bank S.A.K), as an affiliate of KIPCO Group (Kuwait Projects Company), one of the largest holding groups of the Middle East and North Africa (MENA) region, is among the significant banking groups in the region. Besides Kuwait, Burgan Bank Group also operates as a main shareholder with its affiliate banks in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad) and Tunisia (Tunis International Bank).

## GENERAL INFORMATION (Continued)

## III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:

| Title | Name | Responsibility | Education |
|---|---|---|---|
| **Chairman of the Board of Directors:** | Mehmet Nazmi Erten | Chairman of Board of Directors | Undergraduate |
| **Board of Directors Members:** | Faisal M.A. Al Radwan | Vice President | Undergraduate |
| | Eduardo Eguren Linsen | Member | Undergraduate |
| | Majed E.A.A. Al Ajeel | Member | Graduate |
| | Adrian Alejandro Gostuski | Member | Graduate |
| | Mehmet Alev Göçmez | Member | Graduate |
| | Halil Cantekin | Member | Undergraduate |
| | Osama T. Al Ghoussein | Member | Undergraduate |
| | Ali Murat Dinç | Member and General Manager | Graduate |
| **General Manager:** | Ali Murat Dinç | Member and General Manager | Graduate |
| **Vice General Managers:** | Esra Aydın | Operations & Management Services | Undergraduate |
| | Mutlu Akpara | Treasury, Capital Market and Financial Institutions | Graduate |
| | Hüseyin Cem Öge | Corporate Banking | Graduate |
| | Cihan Vural | Internal Systems | Undergraduate |
| | Rasim Levent Ergin | Human Resources | Graduate |
| | Emine Pınar Kuriş | Retail Banking | PHD |
| | Suat Kerem Sözügüzel | Commercial Banking | Undergraduate |
| | Hasan Hüseyin Uyar | Loans | Graduate |
| | Mehmet Yalçın | Financial Affairs | Undergraduate |
| **Audit Committee:** | Halil Cantekin | Committee President | Undergraduate |
| | Adrian Alejandro Gostuski | Member | Graduate |
| | Osama T. Al Ghoussein | Member | Undergraduate |

There is no share of the above individuals in the Parent Bank.

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

## GENERAL INFORMATION (Continued)

## IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES IN THE PARENT BANK:

| Name/Commercial title | Share Amounts | Share percentage | Paid-in Capital | Unpaid portion |
|---|---|---|---|---|
| Burgan Bank K.P.S.C. | 1.178.324 | 99,44% | 99,44% | - |

Based on the Principal Agreement, the Bank has 1 million founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

## V. INFORMATION ON THE PARENT BANK'S SERVICE TYPE AND FIELD OF OPERATIONS:

As of 31 December 2017, the Parent Bank has 43 branches operating in Turkey (31 December 2016: 49). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2017, the Group has 1.062 (31 December 2016: 1.089) employees.

## VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMIDATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES:

None.

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

# BURGAN BANK A.Ş.
# CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

| I. | BALANCE SHEET | Note (Section Five) | (31/12/2017) | | | (31/12/2016) | | |
|---|---|---|---|---|---|---|---|---|
| | ASSETS | | TL | FC | Total | TL | FC | Total |
| **I.** | **CASH AND BALANCES WITH CENTRAL BANK** | **I-a** | **1.034.438** | **992.902** | **2.027.340** | **161.255** | **1.157.611** | **1.318.866** |
| **II.** | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)** | **I-b** | **71.256** | **72.683** | **143.939** | **84.444** | **51.759** | **136.203** |
| 2.1 | Trading Financial Assets | | 71.256 | 72.683 | 143.939 | 84.444 | 51.759 | 136.203 |
| 2.1.1 | Government Debt Securities | | 2.342 | 2.968 | 5.310 | 27.120 | 840 | 27.960 |
| 2.1.2 | Share Certificates | | - | - | - | - | - | - |
| 2.1.3 | Trading Derivative Financial Assets | | 68.812 | 69.584 | 138.396 | 54.221 | 50.084 | 104.305 |
| 2.1.4 | Other Marketable Securities | | 102 | 131 | 233 | 3.103 | 835 | 3.938 |
| 2.2 | Financial Assets Designated at Fair Value through Profit or Loss | | - | - | - | - | - | - |
| 2.2.1 | Government Debt Securities | | - | - | - | - | - | - |
| 2.2.2 | Share Certificates | | - | - | - | - | - | - |
| 2.2.3 | Loans | | - | - | - | - | - | - |
| 2.2.4 | Other Marketable Securities | | - | - | - | - | - | - |
| **III.** | **BANKS** | **I-c** | **176** | **168.553** | **168.729** | **95.216** | **242.892** | **338.108** |
| **IV.** | **MONEY MARKETS** | | **11.000** | **-** | **11.000** | **17.110** | **-** | **17.110** |
| 4.1 | Interbank Money Market Placements | | - | - | - | - | - | - |
| 4.2 | Receivables from Istanbul Stock Exchange Money Market | | 11.000 | - | 11.000 | 16.690 | - | 16.690 |
| 4.3 | Receivables from Reverse Repurchase Agreements | | - | - | - | 420 | - | 420 |
| **V.** | **AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)** | **I-d** | **180.900** | **95.695** | **276.595** | **370.543** | **168.612** | **539.155** |
| 5.1 | Share Certificates | | 8.929 | - | 8.929 | 11.568 | - | 11.568 |
| 5.2 | Government Debt Securities | | 171.251 | 95.695 | 266.946 | 358.462 | 92.465 | 450.927 |
| 5.3 | Other Marketable Securities | | 720 | - | 720 | 513 | 76.147 | 76.660 |
| **VI.** | **LOANS** | **I-e** | **5.852.278** | **7.434.460** | **13.286.738** | **4.666.340** | **6.064.455** | **10.730.795** |
| 6.1 | Loans | | 5.676.699 | 7.434.460 | 13.111.159 | 4.533.679 | 6.064.455 | 10.598.134 |
| 6.1.1 | Loans to Bank's Risk Group | | 21 | 6 | 27 | 106 | 7 | 113 |
| 6.1.2 | Government Debt Securities | | - | - | - | - | - | - |
| 6.1.3 | Other | | 5.676.678 | 7.434.454 | 13.111.132 | 4.533.573 | 6.064.448 | 10.598.021 |
| 6.2 | Loans under Follow-up | | 394.852 | - | 394.852 | 278.035 | - | 278.035 |
| 6.3 | Specific Provisions (-) | | 219.273 | - | 219.273 | 145.374 | - | 145.374 |
| **VII.** | **FACTORING RECEIVABLES** | **I-e** | **6** | **-** | **6** | **123** | **704** | **827** |
| **VIII.** | **HELD-TO-MATURITY SECURITIES (Net)** | **I-f** | **-** | **171.218** | **171.218** | **-** | **161.607** | **161.607** |
| 8.1 | Government Debt Securities | | - | 171.218 | 171.218 | - | 161.607 | 161.607 |
| 8.2 | Other Marketable Securities | | - | - | - | - | - | - |
| **IX.** | **INVESTMENTS IN ASSOCIATES (Net)** | **I-g** | - | - | - | - | - | - |
| 9.1 | Consolidated Based on Equity Method | | - | - | - | - | - | - |
| 9.2 | Unconsolidated | | - | - | - | - | - | - |
| 9.2.1 | Financial Investments in Associates | | - | - | - | - | - | - |
| 9.2.2 | Non-financial Investments in Associates | | - | - | - | - | - | - |
| **X.** | **SUBSIDIARIES (Net)** | **I-h** | - | - | - | - | - | - |
| 10.1 | Unconsolidated Financial Subsidiaries | | - | - | - | - | - | - |
| 10.2 | Unconsolidated Non-Financial Subsidiaries | | - | - | - | - | - | - |
| **XI.** | **JOINT VENTURES (Net)** | **I-i** | - | - | - | - | - | - |
| 11.1 | Consolidated Based on Equity Method | | - | - | - | - | - | - |
| 11.2 | Unconsolidated | | - | - | - | - | - | - |
| 11.2.1 | Financial Joint Ventures | | - | - | - | - | - | - |
| 11.2.2 | Non-Financial Joint Ventures | | - | - | - | - | - | - |
| **XII.** | **LEASE RECEIVABLES (Net)** | **I-j** | **443.385** | **1.528.493** | **1.971.878** | **303.741** | **1.005.983** | **1.309.724** |
| 12.1 | Financial Lease Receivables | | 610.820 | 1.798.268 | 2.409.088 | 398.103 | 1.147.332 | 1.545.435 |
| 12.2 | Operational Lease Receivables | | - | - | - | - | - | - |
| 12.3 | Other | | - | - | - | - | - | - |
| 12.4 | Unearned Income ( - ) | | 167.435 | 269.775 | 437.210 | 94.362 | 141.349 | 235.711 |
| **XIII.** | **HEDGING DERIVATIVE FINANCIAL ASSETS** | **I-k** | **257.159** | **12.141** | **269.300** | **176.246** | **7.940** | **184.186** |
| 13.1 | Fair Value Hedge | | - | - | - | - | - | - |
| 13.2 | Cash Flow Hedge | | 257.159 | 12.141 | 269.300 | 176.246 | 7.940 | 184.186 |
| 13.3 | Foreign Net Investment Hedge | | - | - | - | - | - | - |
| **XIV.** | **PROPERTY AND EQUIPMENT (Net)** | **I-l** | **70.754** | **1.346** | **72.100** | **72.566** | **1.590** | **74.156** |
| **XV.** | **INTANGIBLE ASSETS (Net)** | **I-m** | **46.437** | **871** | **47.308** | **48.465** | **1.059** | **49.524** |
| 15.1 | Goodwill | | - | - | - | - | - | - |
| 15.2 | Other | | 46.437 | 871 | 47.308 | 48.465 | 1.059 | 49.524 |
| **XVI.** | **INVESTMENT PROPERTY (Net)** | **I-n** | - | - | - | - | - | - |
| **XVII.** | **TAX ASSET** | **I-o** | **21.029** | **-** | **21.029** | **10.510** | **-** | **10.510** |
| 17.1 | Current Tax Asset | | 6.930 | - | 6.930 | 2.220 | - | 2.220 |
| 17.2 | Deferred Tax Asset | | 14.099 | - | 14.099 | 8.290 | - | 8.290 |
| **XVIII.** | **ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)** | **I-p** | **45.095** | **-** | **45.095** | **45.511** | **-** | **45.511** |
| 18.1 | Held for Resale | | 45.095 | - | 45.095 | 45.511 | - | 45.511 |
| 18.2 | Discontinued Operations | | - | - | - | - | - | - |
| **XIX.** | **OTHER ASSETS** | **I-r** | **85.433** | **156.990** | **242.423** | **80.957** | **96.906** | **177.863** |
| | **TOTAL ASSETS** | | **8.119.346** | **10.635.352** | **18.754.698** | **6.133.027** | **8.961.118** | **15.094.145** |

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

# CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# BURGAN BANK A.Ş.
## CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

| I. | BALANCE SHEET | Note (Section | (31/12/2017) | | | (31/12/2016) | | |
|---|---|---|---|---|---|---|---|---|
| | LIABILITIES | Five) | TL | FC | Total | TL | FC | Total |
| **I.** | **DEPOSITS** | **II-a** | **3.488.744** | **5.383.727** | **8.872.471** | **2.847.484** | **5.401.185** | **8.248.669** |
| 1.1 | Deposits of Bank's Risk Group | | 3.773 | 27.375 | 31.148 | 7.882 | 23.779 | 31.661 |
| 1.2 | Other | | 3.484.971 | 5.356.352 | 8.841.323 | 2.839.602 | 5.377.406 | 8.217.008 |
| **II.** | **TRADING DERIVATIVE FINANCIAL LIABILITIES** | **II-b** | **70.586** | **90.192** | **160.778** | **114.784** | **36.055** | **150.839** |
| **III.** | **BORROWINGS** | **II-c** | **205.805** | **5.876.957** | **6.082.762** | **98.573** | **3.347.535** | **3.446.108** |
| **IV.** | **MONEY MARKETS** | | **57.263** | **198.953** | **256.216** | **310.620** | **185.428** | **496.048** |
| 4.1 | Funds from Interbank Money Market | | - | - | - | - | - | - |
| 4.2 | Funds from Istanbul Stock Exchange Money Market | | 36.971 | - | 36.971 | 70.592 | - | 70.592 |
| 4.3 | Funds Provided Under Repurchase Agreements | | 20.292 | 198.953 | 219.245 | 240.028 | 185.428 | 425.456 |
| **V.** | **MARKETABLE SECURITIES ISSUED (Net)** | **II-d** | - | - | - | **49.288** | - | **49.288** |
| 5.1 | Bills | | - | - | - | - | - | - |
| 5.2 | Asset Backed Securities | | - | - | - | - | - | - |
| 5.3 | Bonds | | - | - | - | 49.288 | - | 49.288 |
| **VI.** | **FUNDS** | | - | - | - | - | - | - |
| 6.1 | Borrower Funds | | - | - | - | - | - | - |
| 6.2 | Other | | - | - | - | - | - | - |
| **VII.** | **MISCELLANEOUS PAYABLES** | | **54.526** | **299.381** | **353.907** | **53.151** | **206.292** | **259.443** |
| **VIII.** | **OTHER LIABILITIES** | **II-e** | **49.359** | **4.508** | **53.867** | **61.373** | **5.905** | **67.278** |
| **IX.** | **FACTORING PAYABLES** | | - | - | - | - | - | - |
| **X.** | **LEASE PAYABLES (Net)** | **II-f** | - | - | - | - | - | - |
| 10.1 | Financial Lease Payables | | - | - | - | - | - | - |
| 10.2 | Operational Lease Payables | | - | - | - | - | - | - |
| 10.3 | Other | | - | - | - | - | - | - |
| 10.4 | Deferred Financial Lease Expenses (-) | | - | - | - | - | - | - |
| **XI.** | **HEDGING DERIVATIVE FINANCIAL LIABILITIES** | **II-g** | **40.807** | **13.168** | **53.975** | **27.528** | **1.958** | **29.486** |
| 11.1 | Fair Value Hedge | | - | - | - | - | - | - |
| 11.2 | Cash Flow Hedge | | 40.807 | 13.168 | 53.975 | 27.528 | **1.958** | 29.486 |
| 11.3 | Foreign Net Investment Hedge | | - | - | - | - | - | - |
| **XII.** | **PROVISIONS** | **II- h** | **108.984** | **89.083** | **198.067** | **85.008** | **73.726** | **158.734** |
| 12.1 | General Loan Loss Provision | | 42.716 | 64.850 | 107.566 | 36.460 | **53.785** | 90.245 |
| 12.2 | Restructuring Provisions | | - | - | - | - | - | - |
| 12.3 | Reserve for Employee Rights | | 36.513 | - | 36.513 | 29.558 | - | 29.558 |
| 12.4 | Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 12.5 | Other Provisions | | 29.755 | 24.233 | 53.988 | 18.990 | 19.941 | 38.931 |
| **XIII.** | **TAX LIABILITY** | **II-i** | **69.598** | - | **69.598** | **38.216** | - | **38.216** |
| 13.1 | Current Tax Liability | | 36.117 | - | 36.117 | 24.420 | - | 24.420 |
| 13.2 | Deferred Tax Liability | | 33.481 | - | 33.481 | 13.796 | - | 13.796 |
| **XIV.** | **PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)** | **II-j** | - | - | - | - | - | - |
| 14.1 | Held for Resale | | - | - | - | - | - | - |
| 14.2 | Discontinued Operations | | - | - | - | - | - | - |
| **XV.** | **SUBORDINATED LOANS** | **II-k** | - | **1.140.582** | **1.140.582** | - | **1.057.478** | **1.057.478** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | **II-l** | **1.506.245** | **6.230** | **1.512.475** | **1.097.572** | **(5.014)** | **1.092.558** |
| 16.1 | Paid-in Capital | | 1.185.000 | - | 1.185.000 | 900.000 | - | 900.000 |
| 16.2 | Capital Reserves | | 46.635 | 6.230 | 52.865 | 32.810 | (5.014) | 27.796 |
| 16.2.1 | Share Premium | | - | - | - | - | - | - |
| 16.2.2 | Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3 | Marketable Securities Valuation Reserve | | (2.366) | (143) | (2.509) | (872) | (6.999) | (7.871) |
| 16.2.4 | Tangible Assets Revaluation Reserve | | 18.075 | - | 18.075 | 16.127 | - | 16.127 |
| 16.2.5 | Intangible Assets Revaluation Reserve | | - | - | - | - | - | - |
| 16.2.6 | Investment Property Revaluation Reserve | | - | - | - | - | - | - |
| 16.2.7 | Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures | | - | - | - | - | - | - |
| 16.2.8 | Hedging Reserves (Effective portion) | | 33.883 | 6.373 | 40.256 | 19.930 | 1.985 | 21.915 |
| 16.2.9 | Value Differences of Assets Held for Resale and Discontinued Operations | | - | - | - | - | - | - |
| 16.2.10 | Other Capital Reserves | | (2.957) | - | (2.957) | (2.375) | - | (2.375) |
| 16.3 | Profit Reserves | | 164.762 | - | 164.762 | 93.089 | - | 93.089 |
| 16.3.1 | Legal Reserves | | 21.342 | - | 21.342 | 20.178 | - | 20.178 |
| 16.3.2 | Status Reserves | | - | - | - | - | - | - |
| 16.3.3 | Extraordinary Reserves | | 143.420 | - | 143.420 | 72.911 | - | 72.911 |
| 16.3.4 | Other Profit Reserves | | - | - | - | - | - | - |
| 16.4 | Income or (Loss) | | 109.848 | - | 109.848 | 71.673 | - | 71.673 |
| 16.4.1 | Prior Years' Income or (Loss) | | - | - | - | - | - | - |
| 16.4.2 | Current Year Income or (Loss) | | 109.848 | - | 109.848 | 71.673 | - | 71.673 |
| 16.5 | Minority Shares | | - | - | - | - | - | - |
| | **TOTAL LIABILITIES** | | **5.651.917** | **13.102.781** | **18.754.698** | **4.783.597** | **10.310.548** | **15.094.145** |

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

# CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

## BURGAN BANK A.Ş.
## CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

| II. | OFF-BALANCE SHEET | | (31/12/2017) | | | (31/12/2016) | | |
|---|---|---|---|---|---|---|---|---|
| | | Note (Section Five)Five) | TL | FC | Total | TL | FC | Total |
| A | **OFF-BALANCE SHEET COMMITMENTS (I+II+III)** | | **6.458.999** | **29.277.926** | **35.736.925** | **6.317.735** | **17.474.566** | **23.792.301** |
| I. | **GUARANTEES AND WARRANTIES** | **III-a-2-3** | **759.513** | **1.359.136** | **2.118.649** | **734.697** | **1.247.539** | **1.982.236** |
| 1.1 | Letters of Guarantee | | 756.055 | 983.997 | 1.740.052 | 730.919 | 853.508 | 1.584.427 |
| 1.1.1 | Guarantees Subject to State Tender Law | | 7.251 | 4.124 | 11.375 | 7.398 | 4.575 | 11.973 |
| 1.1.2 | Guarantees Given for Foreign Trade Operations | | - | - | - | - | - | - |
| 1.1.3 | Other Letters of Guarantee | | 748.804 | 979.873 | 1.728.677 | 723.521 | 848.933 | 1.572.454 |
| 1.2 | Bank Acceptances | | 3.430 | 104.336 | 107.766 | 3.750 | 126.967 | 130.717 |
| 1.2.1 | Import Letter of Acceptance | | 3.430 | 104.336 | 107.766 | 3.750 | 126.967 | 130.717 |
| 1.2.2 | Other Bank Acceptances | | - | - | - | - | - | - |
| 1.3 | Letters of Credit | | - | 234.673 | 234.673 | - | 256.635 | 256.635 |
| 1.3.1 | Documentary Letters of Credit | | - | 234.673 | 234.673 | - | 256.635 | 256.635 |
| 1.3.2 | Other Letters of Credit | | - | - | - | - | - | - |
| 1.4 | Prefinancing Given as Guarantee | | - | - | - | - | - | - |
| 1.5 | Endorsements | | - | - | - | - | - | - |
| 1.5.1 | Endorsements to the Central Bank of the Republic of Turkey | | - | - | - | - | - | - |
| 1.5.2 | Other Endorsements | | - | - | - | - | - | - |
| 1.6 | Securities Issue Purchase Guarantees | | - | - | - | - | - | - |
| 1.7 | Factoring Guarantees | | 28 | - | 28 | 28 | - | 28 |
| 1.8 | Other Guarantees | | - | 36.130 | 36.130 | - | 10.429 | 10.429 |
| 1.9 | Other Collaterals | | - | - | - | - | - | - |
| II. | **COMMITMENTS** | **III-a-1** | **526.202** | **143.301** | **669.503** | **625.226** | **392.275** | **1.017.501** |
| 2.1 | Irrevocable Commitments | | 526.202 | 143.301 | 669.503 | 625.226 | 392.275 | 1.017.501 |
| 2.1.1 | Asset Purchase and Sales Commitments | | 48.666 | 143.301 | 191.967 | 184.868 | 392.275 | 577.143 |
| 2.1.2 | Deposit Purchase and Sales Commitments | | - | - | - | - | - | - |
| 2.1.3 | Share Capital Commitments to Associates and Subsidiaries | | 14.997 | - | 14.997 | 14.997 | - | 14.997 |
| 2.1.4 | Commitments for Loan Limits | | 109.606 | - | 109.606 | 105.005 | - | 105.005 |
| 2.1.5 | Securities Issue Brokerage Commitments | | - | - | - | - | - | - |
| 2.1.6 | Commitments for Reserve Deposit Requirements | | - | - | - | - | - | - |
| 2.1.7 | Commitments for Cheques | | 334.480 | - | 334.480 | 302.867 | - | 302.867 |
| 2.1.8 | Tax and Fund Liabilities from Export Commitments | | - | - | - | - | - | - |
| 2.1.9 | Commitments for Credit Card Limits | | 18.445 | - | 18.445 | 17.475 | - | 17.475 |
| 2.1.10 | Promotion Commitments for Credit Cards and Banking Services | | 8 | - | 8 | 14 | - | 14 |
| 2.1.11 | Receivables from Short Sale Commitments of Marketable Securities | | - | - | - | - | - | - |
| 2.1.12 | Payables for Short Sale Commitments of Marketable Securities | | - | - | - | - | - | - |
| 2.1.13 | Other Irrevocable Commitments | | - | - | - | - | - | - |
| 2.2 | Revocable Commitments | | - | - | - | - | - | - |
| 2.2.1 | Revocable Commitments for Loan Limits | | - | - | - | - | - | - |
| 2.2.2 | Other Revocable Commitments | | - | - | - | - | - | - |
| III. | **DERIVATIVE FINANCIAL INSTRUMENTS** | **III-b** | **5.173.284** | **27.775.489** | **32.948.773** | **4.957.812** | **15.834.752** | **20.792.564** |
| 3.1 | Hedging Derivative Financial Instruments | | 885.008 | 3.717.356 | 4.602.364 | 587.700 | 2.115.800 | 2.703.500 |
| 3.1.1 | Transactions for Fair Value Hedge | | - | - | - | - | - | - |
| 3.1.2 | Transactions for Cash Flow Hedge | | 885.008 | 3.717.356 | 4.602.364 | 587.700 | 2.115.800 | 2.703.500 |
| 3.1.3 | Transactions for Foreign Net Investment Hedge | | - | - | - | - | - | - |
| 3.2 | Trading Derivative Financial Instruments | | 4.288.276 | 24.058.133 | 28.346.409 | 4.370.112 | 13.718.952 | 18.089.064 |
| 3.2.1 | Forward Foreign Currency Buy/Sell Transactions | | 775.618 | 1.126.557 | 1.902.175 | 329.245 | 686.909 | 1.016.154 |
| 3.2.1.1 | Forward Foreign Currency Transactions-Buy | | 467.722 | 488.540 | 956.262 | 205.259 | 297.660 | 502.919 |
| 3.2.1.2 | Forward Foreign Currency Transactions-Sell | | 307.896 | 638.017 | 945.913 | 123.986 | 389.249 | 513.235 |
| 3.2.2 | Swap Transactions Related to Foreign Currency and Interest Rates | | 1.084.832 | 16.884.296 | 17.969.128 | 2.691.398 | 8.602.947 | 11.294.345 |
| 3.2.2.1 | Foreign Currency Swap-Buy | | 80.961 | 4.948.530 | 5.029.491 | 1.283.949 | 1.201.567 | 2.485.516 |
| 3.2.2.2 | Foreign Currency Swap-Sell | | 1.003.871 | 4.076.216 | 5.080.087 | 967.449 | 1.563.264 | 2.530.713 |
| 3.2.2.3 | Interest Rate Swap-Buy | | - | 3.929.775 | 3.929.775 | 220.000 | 2.919.058 | 3.139.058 |
| 3.2.2.4 | Interest Rate Swap-Sell | | - | 3.929.775 | 3.929.775 | 220.000 | 2.919.058 | 3.139.058 |
| 3.2.3 | Foreign Currency, Interest rate and Securities Options | | 2.427.826 | 6.047.280 | 8.475.106 | 1.347.249 | 4.429.096 | 5.776.345 |
| 3.2.3.1 | Foreign Currency Options-Buy | | 1.259.407 | 2.980.038 | 4.239.445 | 734.860 | 2.151.650 | 2.886.510 |
| 3.2.3.2 | Foreign Currency Options-Sell | | 1.168.419 | 3.067.242 | 4.235.661 | 612.389 | 2.277.446 | 2.889.835 |
| 3.2.3.3 | Interest Rate Options-Buy | | - | - | - | - | - | - |
| 3.2.3.4 | Interest Rate Options-Sell | | - | - | - | - | - | - |
| 3.2.3.5 | Securities Options-Buy | | - | - | - | - | - | - |
| 3.2.3.6 | Securities Options-Sell | | - | - | - | - | - | - |
| 3.2.4 | Foreign Currency Futures | | - | - | - | - | - | - |
| 3.2.4.1 | Foreign Currency Futures-Buy | | - | - | - | - | - | - |
| 3.2.4.2 | Foreign Currency Futures-Sell | | - | - | - | - | - | - |
| 3.2.5 | Interest Rate Futures | | - | - | - | - | - | - |
| 3.2.5.1 | Interest Rate Futures-Buy | | - | - | - | - | - | - |
| 3.2.5.2 | Interest Rate Futures-Sell | | - | - | - | - | - | - |
| 3.2.6 | Other | | - | - | - | 2.220 | - | 2.220 |
| B. | **CUSTODY AND PLEDGES RECEIVED (IV+V+VI)** | | **35.877.172** | **27.091.207** | **62.968.379** | **30.083.751** | **20.258.797** | **50.342.548** |
| IV. | **ITEMS HELD IN CUSTODY** | | **1.740.277** | **156.878** | **1.897.155** | **1.541.650** | **136.089** | **1.677.739** |
| 4.1 | Customer Fund and Portfolio Balances | | - | - | - | - | - | - |
| 4.2 | Investment Securities Held in Custody | | 589.876 | 61.908 | 651.784 | 488.524 | 31.344 | 519.868 |
| 4.3 | Cheques Received for Collection | | 1.126.344 | 63.782 | 1.190.126 | 985.735 | 85.790 | 1.071.525 |
| 4.4 | Commercial Notes Received for Collection | | 24.057 | 23.000 | 47.057 | 67.391 | 18.955 | 86.346 |
| 4.5 | Other Assets Received for Collection | | - | - | - | - | - | - |
| 4.6 | Assets Received for Public Offering | | - | - | - | - | - | - |
| 4.7 | Other Items Under Custody | | - | 8.188 | 8.188 | - | - | - |
| 4.8 | Custodians | | - | - | - | - | - | - |
| V. | **PLEDGES RECEIVED** | | **34.136.895** | **26.933.082** | **61.069.977** | **28.542.101** | **20.119.716** | **48.661.817** |
| 5.1 | Marketable Securities | | 1.031 | - | 1.031 | 2.650 | - | 2.650 |
| 5.2 | Guarantee Notes | | 21.097.082 | 12.190.553 | 33.287.635 | 18.791.720 | 9.532.145 | 28.323.865 |
| 5.3 | Commodity | | 1.022.137 | 7.706 | 1.029.843 | 963.418 | 9.139 | 972.557 |
| 5.4 | Warranty | | - | - | - | - | - | - |
| 5.5 | Immovable | | 11.316.848 | 11.273.823 | 22.590.671 | 8.264.710 | 7.295.770 | 15.560.480 |
| 5.6 | Other Pledged Items | | 699.797 | 3.461.000 | 4.160.797 | 519.603 | 3.282.662 | 3.802.265 |
| 5.7 | Pledged Items-Depository | | - | - | - | - | - | - |
| VI. | **ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES** | | - | **1.247** | **1.247** | - | **2.992** | **2.992** |
| | **TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)** | | **42.336.171** | **56.369.133** | **98.705.304** | **36.401.486** | **37.733.363** | **74.134.849** |

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

## BURGAN BANK A.Ş.
## CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

| III. | INCOME STATEMENT<br>INCOME AND EXPENSE ITEMS | Note (Section Five) | 01/01/2017-31/12/2017 | 01/01/2016-31/12/2016 |
|---|---|---|---|---|
| **I.** | **INTEREST INCOME** | **IV-a** | **1.573.350** | **1.246.480** |
| 1.1 | Interest on Loans | | 1.130.211 | 831.389 |
| 1.2 | Interest Received from Reserve Requirements | | 20.438 | 9.570 |
| 1.3 | Interest Received from Banks | | 26.889 | 3.321 |
| 1.4 | Interest Received from Money Market Transactions | | 3.156 | 7.612 |
| 1.5 | Interest Received from Marketable Securities Portfolio | | 42.385 | 42.378 |
| 1.5.1 | Trading Financial Assets | | 4.783 | 5.554 |
| 1.5.2 | Financial Assets at Fair Value through Profit or Loss | | - | - |
| 1.5.3 | Available-for-sale Financial Assets | | 30.300 | 34.985 |
| 1.5.4 | Held-to-maturity Investments | | 7.302 | 1.839 |
| 1.6 | Financial Lease Income | | 133.870 | 90.474 |
| 1.7 | Other Interest Income | IV-1 | 216.401 | 261.736 |
| **II.** | **INTEREST EXPENSE (-)** | **IV-b** | **1.061.478** | **826.287** |
| 2.1 | Interest on Deposits | | 564.083 | 396.924 |
| 2.2 | Interest on Funds Borrowed | | 215.754 | 134.004 |
| 2.3 | Interest Expense on Money Market Transactions | | 18.760 | 24.718 |
| 2.4 | Interest on Securities Issued | | 1.436 | 10.383 |
| 2.5 | Other Interest Expenses | IV-1 | 261.445 | 260.258 |
| **III.** | **NET INTEREST INCOME (I + II)** | | **511.872** | **420.193** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME/EXPENSE** | | **40.723** | **40.113** |
| 4.1 | Fees and Commissions Received | | 50.831 | 48.671 |
| 4.1.1 | Non-cash Loans | | 18.371 | 14.377 |
| 4.1.2 | Other | IV-1 | 32.460 | 34.294 |
| 4.2 | Fees and Commissions Paid (-) | | 10.108 | 8.558 |
| 4.2.1 | Non-cash Loans (-) | | 496 | 605 |
| 4.2.2 | Other (-) | IV-l | 9.612 | 7.953 |
| **V.** | **DIVIDEND INCOME** | **IV-c** | **330** | **627** |
| **VI.** | **TRADING INCOME / ( LOSS) (Net)** | **IV-d** | **17.615** | **24.548** |
| 6.1 | Trading Gains/(Losses) on Securities | | 3.313 | 7.979 |
| 6.2 | Trading Gains/(Losses) on Derivative Financial Instruments | | 19.123 | 12.605 |
| 6.3 | Foreign Exchange Gains/(Losses) | | (4.821) | 3.964 |
| **VII.** | **OTHER OPERATING INCOME** | **IV-e** | **28.633** | **19.476** |
| **VIII.** | **TOTAL OPERATING INCOME (III+IV+V+VI+VII)** | | **599.173** | **504.957** |
| **IX.** | **PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)** | **IV-f** | **93.512** | **76.730** |
| **X.** | **OTHER OPERATING EXPENSES (-)** | **IV-g** | **357.445** | **330.488** |
| **XI.** | **NET OPERATING INCOME/(LOSS) (VIII+IX+X)** | | **148.216** | **97.739** |
| **XII.** | **EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER** | | - | - |
| **XIII.** | **INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD** | | - | - |
| **XIV.** | **INCOME/(LOSS) ON NET MONETARY POSITION** | | - | - |
| **XV.** | **INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+…+XIV)** | **IV-h** | **148.216** | **97.739** |
| **XVI.** | **TAX PROVISION FOR CONTINUING OPERATIONS (-)** | **IV-i** | **38.368** | **26.066** |
| 16.1 | Current Tax Provision | | **29.472** | **13.108** |
| 16.2 | Deferred Tax Provision | | **8.896** | **12.958** |
| **XVII.** | **NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+ XVI)** | **IV-j** | **109.848** | **71.673** |
| **XVIII.** | **INCOME FROM DISCONTINUED OPERATIONS** | | - | - |
| 18.1 | Income from Non-Current Assets Held for Resale | | - | - |
| 18.2 | Sale Income from Associates, Subsidiaries and Joint Ventures | | - | - |
| 18.3 | Other Income from Discontinued Operations | | - | - |
| **XIX.** | **EXPENSES FROM DISCONTINUED OPERATIONS (-)** | | - | - |
| 19.1 | Expense from Non-Current Assets Held for Resale | | - | - |
| 19.2 | Sale Losses from Associates, Subsidiaries and Joint Ventures | | - | - |
| 19.3 | Other Expenses from Discontinued Operations | | - | - |
| **XX.** | **INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)** | | - | - |
| **XXI.** | **TAX PROVISION FOR DISCONTINUED OPERATIONS (-)** | | - | - |
| 21.1 | Current tax provision | | - | - |
| 21.2 | Deferred tax provision | | - | - |
| **XXII.** | **NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)** | | - | - |
| **XXIII.** | **NET INCOME/(LOSS) (XVII+XXII)** | **IV-k** | **109.848** | **71.673** |
| | Earnings / (Loss) per share (1.000 nominal in TL full) | | 1,221 | 0,796 |

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

## BURGAN BANK A.Ş.
## CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 DECEMBER 2017 AND 2016

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

| IV. | STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **I.** | **ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS** | **5.816** | **(8.130)** |
| **II.** | **REVALUATION DIFFERENCES OF TANGIBLE ASSETS** | **150** | **1.256** |
| **III.** | **REVALUATION DIFFERENCES OF INTANGIBLE ASSETS** | **-** | **-** |
| **IV.** | **FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS** | **-** | **-** |
| **V.** | **INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)** | **24.217** | **15.874** |
| **VI.** | **PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)** | | |
| **VII.** | **EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)** | **(828)** | **215** |
| **VIII.** | **OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS** | **694** | **1.011** |
| **IX.** | **DEFERRED TAX ON VALUATION DIFFERENCES** | **(4.980)** | **(1.844)** |
| **X.** | **NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)** | **25.069** | **8.382** |
| **XI.** | **CURRENT PERIOD INCOME/LOSS** | **109.848** | **71.673** |
| 11.1 | Net Change in Fair Value of Marketable Securities (Transfer to Income Statement) | 1.946 | 3.634 |
| 11.2 | Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement | - | - |
| 11.3 | Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement | - | - |
| 11.4 | Other | 107.902 | 68.039 |
| **XII.** | **TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)** | **134.917** | **80.055** |

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

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

## V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | PRIOR PERIOD 31/12/2016 | Note (Section Five) | Paid-in Capital | Adjustment to Share Capital | Share Premium | Share Cancellation Profits | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income / (Loss) | Prior Period Net Income/(Loss) | Marketable Securities Valuation Reserve | Tangible and Intangible Assets Revaluation Reserve | Bonus Shares Obtained from Investments | Hedging Reserves | Valuation Difference of AHS and Discontinued Operations | Total Equity Except for Minority Interest | Minority Interest | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I.** | **Prior Period End Balance (31/12/2015)** | **II-I** | **900.000** | - | - | - | **19.107** | - | **68.098** | **(2.547)** | **52.169** | **(46.285)** | **(2.378)** | **15.122** | - | **9.216** | - | **1.012.502** | - | **1.012.502** |
| **II.** | **Correction Made as per TAS 8** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 | Effect of corrections | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 | Effect of changes in accounting policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **III.** | **Adjusted Balances at beginning of period** | | **900.000** | - | - | - | **19.107** | - | **68.098** | **(2.547)** | **52.169** | **(46.285)** | **(2.378)** | **15.122** | - | **9.216** | - | **1.012.502** | - | **1.012.502** |
| | **Changes during the period** | | | | | | | | | | | | | | | | | - | | - |
| **VI.** | **Increase/Decrease due to the Merger** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **V.** | **Marketable Securities Valuation Differences** | | - | - | - | - | - | - | - | - | - | - | **(6.427)** | - | - | - | - | **(6.427)** | - | **(6.427)** |
| **VI.** | **Hedging Reserves (Effective Portion)** | | - | - | - | - | - | - | - | - | - | - | - | - | - | **12.699** | - | **12.699** | - | **12.699** |
| 6.1 | Cash Flow Hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | 12.699 | - | **12.699** | - | **12.699** |
| 6.2 | Foreign Investment Hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VII.** | **Revaluation Differences of Tangible Assets** | | - | - | - | - | - | - | - | - | - | - | - | **1.005** | - | - | - | **1.005** | - | **1.005** |
| **VIII.** | **Revaluation Differences of Intangible Assets** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **IX.** | **Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **X.** | **Foreign Exchange Difference** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XI.** | **Changes due to the Disposal of Assets** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XII.** | **Changes due to the Reclassification of the Assets** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XIII.** | **Effects of Changes in Equity of Investments in Associates** | | - | - | - | - | - | - | - | - | - | - | **934** | - | - | - | - | **934** | - | **934** |
| **XIV.** | **Capital Increase** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14.1 | Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14.2 | Internal Resources | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XV.** | **Share Premium** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XVI.** | **Share Cancellation Profits** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XVII.** | **Adjustment to Share Capital** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XVIII.** | **Other** | | - | - | - | - | - | - | - | **172** | - | - | - | - | - | - | - | **172** | - | **172** |
| **XIX.** | **Current Year Income or Loss** | | - | - | - | - | - | - | - | - | **71.673** | - | - | - | - | - | - | **71.673** | - | **71.673** |
| **XX.** | **Profit Distribution** | | - | - | - | - | **1.071** | - | **4.813** | - | **(52.169)** | **46.285** | - | - | - | - | - | - | - | - |
| 20.1 | Dividend Paid | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 20.2 | Transfers to Reserves | | - | - | - | - | 1.071 | - | 4.813 | - | (52.169) | 46.285 | - | - | - | - | - | - | - | - |
| 20.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Period End Balance (III+…+XX)** | | **900.000** | - | - | - | **20.178** | - | **72.911** | **(2.375)** | **71.673** | - | **(7.871)** | **16.127** | - | **21.915** | - | **1.092.558** | - | **1.092.558** |

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

## BURGAN BANK A.Ş.
## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017

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

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

| | CURRENT PERIOD 31/12/2017 | Note (Section Five) | Paid-in Capital | Adjustment to Share Capital | Share Premium | Share Cancellation Profits | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income / (Loss) | Prior Period Net Income/(Loss) | Marketable Securities Valuation Reserve | Tangible and Intangible Assets Revaluation Reserve | Bonus Shares Obtained from Investments | Hedging Reserves | Valuation Difference of AHS and Discontinued Operations | Total Equity Except for Minority Interest | Minority Interest | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I. | Prior Period End Balance (31/12/2016) | II-l | 900.000 | - | - | - | 20.178 | - | 72.911 | (2.375) | 71.673 | - | (7.871) | 16.127 | - | 21.915 | - | 1.092.558 | - | 1.092.558 |
| | Changes in the Period | | | | | | | | | | | | | | | | | | | |
| II. | Increase/Decrease due to the Merger | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Marketable Securities Valuation Differences | | - | - | - | - | - | - | - | - | - | - | 3.795 | - | - | - | - | 3.795 | - | 3.795 |
| IV. | Hedging Reserves (Effective Portion) | | - | - | - | - | - | - | - | - | - | - | - | - | - | 18.341 | - | 18.341 | - | 18.341 |
| 4.1 | Cash Flow Hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | 18.341 | - | 18.341 | - | 18.341 |
| 4.2 | Foreign Investment Hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Revaluation Differences of Tangible Assets | | - | - | - | - | - | - | - | - | - | - | - | (1.076) | - | - | - | (1.076) | - | (1.076) |
| VI. | Revaluation Differences of Intangible Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. | Foreign Exchange Difference | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. | Changes due to the Disposal of Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. | Changes due to the Reclassification of the Assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. | Effects of Changes in Equity of Investments in Associates | | - | - | - | - | - | - | - | - | - | - | 1.567 | - | - | - | - | 1.567 | - | 1.567 |
| XII. | Capital Increase | | 285.000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 285.000 | - | 285.000 |
| 12.1 | Cash | | 285.000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 285.000 | - | 285.000 |
| 12.2 | Internal Resources | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIII. | Share Premium | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIV. | Share Cancellation Profits | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. | Adjustment to Share Capital | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVI | Other | | - | - | - | - | - | - | - | (582) | - | - | - | 3.024 | - | - | - | 2.442 | - | 2.442 |
| XVII | Current Year Income or Loss | | - | - | - | - | - | - | - | - | 109.848 | - | - | - | - | - | - | 109.848 | - | 109.848 |
| XVIII | Profit Distribution | | - | - | - | - | 1.164 | - | 70.509 | - | (71.673) | - | - | - | - | - | - | - | - | - |
| 18.1 | Dividend Paid | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18.2 | Transfers to Reserves | | - | - | - | - | 1.164 | - | 70.509 | - | (71.673) | - | - | - | - | - | - | - | - | - |
| 18.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Period End Balance (I+..+XVIII) | | 1.185.000 | - | - | - | 21.342 | - | 143.420 | (2.957) | 109.848 | - | (2.509) | 18.075 | - | 40.256 | - | 1.512.475 | - | 1.512.475 |

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

# BURGAN BANK A.Ş.
# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

| VI . | STATEMENT OF CASH FLOWS | Note | Current Period 31/12/2017 | Prior Period 31/12/2016 |
|---|---|---|---|---|
| **A.** | **CASH FLOWS FROM BANKING OPERATIONS** | | | |
| **1.1** | **Operating profit before changes in operating assets and liabilities** | | **160.612** | **(33.328)** |
| 1.1.1 | Interest received | | 1.469.531 | 1.125.527 |
| 1.1.2 | Interest paid | | (1.008.375) | (816.656) |
| 1.1.3 | Dividend received | | 330 | 627 |
| 1.1.4 | Fees and commissions received | | 40.876 | 44.703 |
| 1.1.5 | Other income | | - | - |
| 1.1.6 | Collections from previously written-off loans and other receivables | | 66.139 | 86.450 |
| 1.1.7 | Payments to personnel and service suppliers | | (174.877) | (172.980) |
| 1.1.8 | Taxes paid | | (29.472) | (15.507) |
| 1.1.9 | Other | VI-b | (203.540) | (285.492) |
| **1.2** | **Changes in operating assets and liabilities** | | **(123.758)** | **(270.738)** |
| 1.2.1 | Net (increase)/decrease in trading securities | | 26.173 | 6.032 |
| 1.2.2 | Net (increase)/decrease in fair value through profit/loss financial assets | | - | - |
| 1.2.3 | Net increase/(decrease) in due from banks | | (16.741) | (186.635) |
| 1.2.4 | Net (increase)/decrease in loans | | (2.603.192) | (2.431.890) |
| 1.2.5 | Net (increase)/decrease in other assets | | (690.533) | (433.122) |
| 1.2.6 | Net (increase)/decrease in bank deposits | | 36.829 | 6.755 |
| 1.2.7 | Net increase/(decrease) in other deposits | | 561.454 | 1.623.648 |
| 1.2.8 | Net increase/(decrease) in funds borrowed | | 2.692.174 | 1.011.652 |
| 1.2.9 | Net increase/(decrease) in payables | | - | - |
| 1.2.10 | Net increase/(decrease) in other liabilities | VI-b | (129.922) | 132.822 |
| **I.** | **Net cash provided from banking operations** | | **36.854** | **(304.066)** |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **II.** | **Net cash provided from investing activities** | | **253.219** | **(94.015)** |
| 2.1 | Cash paid for acquisition of investments, associates and subsidiaries | | - | - |
| 2.2 | Cash obtained from disposal of investments, associates and subsidiaries | | - | - |
| 2.3 | Purchases of property and equipment | | (7.511) | (32.727) |
| 2.4 | Disposals of property and equipment | | 16.630 | 144 |
| 2.5 | Cash paid for purchase of investments available-for-sale | | (105.204) | (351.662) |
| 2.6 | Cash obtained from sale of investments available-for-sale | | 349.304 | 451.837 |
| 2.7 | Cash paid for purchase of investment securities | | - | (161.607) |
| 2.8 | Cash obtained from sale of investment securities | | - | - |
| 2.9 | Other | | - | - |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **III.** | **Net cash provided from financing activities** | | **235.712** | **527.753** |
| 3.1 | Cash obtained from funds borrowed and securities issued | | - | 677.950 |
| 3.2 | Cash used for repayment of funds borrowed and securities issued | | (49.288) | (150.000) |
| 3.3 | Issued capital instruments | | 285.000 | - |
| 3.4 | Dividends paid | | - | - |
| 3.5 | Payments for finance leases | | - | - |
| 3.6 | Other | | - | (197) |
| **IV.** | **Effect of change in foreign exchange rate on cash and cash equivalents** | | **(13.202)** | **45.407** |
| **V.** | **Net (increase)/decrease in cash and cash equivalents (I+II+III+IV)** | | **512.583** | **175.079** |
| **VI.** | **Cash and cash equivalents at beginning of the period** | **VI-a** | **749.561** | **574.482** |
| **VII.** | **Cash and cash equivalents at end of the period** | **VI-a** | **1.262.144** | **749.561** |

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

## BURGAN BANK A.Ş.
## CONSOLIDATED PROFIT APPROPRIATION STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

| VII. | PROFIT APPROPRIATION STATEMENT | (31/12/2017)(*) | (31/12/2016)(**) |
|---|---|---|---|
| **I.** | **DISTRIBUTION OF CURRENT YEAR INCOME** | | |
| 1.1 | CURRENT YEAR INCOME | 139.669 | 91.362 |
| 1.2 | TAXES AND DUTIES PAYABLE (-) | 29.821 | 19.689 |
| 1.2.1 | Corporate Tax (Income tax) | 14.431 | 6.478 |
| 1.2.2 | Income withholding tax | - | - |
| 1.2.3 | Other taxes and duties | 15.390 | 13.211 |
| **A.** | **NET INCOME FOR THE YEAR (1.1-1.2)** | **109.848** | **71.673** |
| 1.3 | PRIOR YEAR LOSSES (-) | - | - |
| 1.4 | FIRST LEGAL RESERVES (-) | - | 1.164 |
| 1.5 | OTHER STATUTORY RESERVES (-) | - | - |
| **B.** | **NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]** | **-** | **70.509** |
| 1.6 | FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1 | To Owners of Ordinary Shares | - | - |
| 1.6.2 | To Owners of Privileged Shares | - | - |
| 1.6.3 | To Owners of Preferred Shares | - | - |
| 1.6.4 | To Profit Sharing Bonds | - | - |
| 1.6.5 | To Holders of Profit and Loss Sharing Certificates | - | - |
| 1.7 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 | SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 | To Owners of Ordinary Shares | - | - |
| 1.9.2 | To Owners of Privileged Shares | - | - |
| 1.9.3 | To Owners of Preferred Shares | - | - |
| 1.9.4 | To Profit Sharing Bonds | - | - |
| 1.9.5 | To Holders of Profit and Loss Sharing Certificates | - | - |
| 1.10 | SECOND LEGAL RESERVES (-) | - | - |
| 1.11 | STATUTORY RESERVES (-) | - | - |
| 1.12 | EXTRAORDINARY RESERVES | - | - |
| 1.13 | OTHER RESERVES | - | 70.509 |
| 1.14 | SPECIAL FUNDS | - | - |
| **II.** | **DISTRIBUTION OF RESERVES** | | |
| 2.1 | APPROPRIATED RESERVES | - | - |
| 2.2 | SECOND LEGAL RESERVES (-) | - | - |
| 2.3 | DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1 | To owners of ordinary shares | - | - |
| 2.3.2 | To owners of privileged shares | - | - |
| 2.3.3 | To owners of preferred shares | - | - |
| 2.3.4 | To profit sharing bonds | - | - |
| 2.3.5 | To holders of profit and loss sharing certificates | - | - |
| 2.4 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| **III.** | **EARNINGS PER SHARE** | | |
| 3.1 | TO OWNERS OF ORDINARY SHARES | - | - |
| 3.2 | TO OWNERS OF ORDINARY SHARES ( % ) | - | - |
| 3.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4 | TO OWNERS OF PRIVILEGED SHARES ( % ) | - | - |
| **IV.** | **DIVIDEND PER SHARE** | | |
| 4.1 | TO OWNERS OF ORDINARY SHARES | | |
| 4.2 | TO OWNERS OF ORDINARY SHARES ( % ) | - | - |
| 4.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4 | TO OWNERS OF PRIVILEGED SHARES ( % ) | - | - |
| | | - | - |

(*)TL 17.168 that is observed in net profit, reflects the amount within the framework of the Bank's equity method applied to the subsidiaries that are not subject to the distribution of net profit / loss under the scope of TAS 27. As of the preparation date of these financial statements, the yearly ordinary meeting of the General Assembly has not been held. Therefore, the distribution of net profit has not been discussed and decided.

(**) Includes the "Profit Appropriation Statement" approved by the Bank's General Assembly held on 31 March 2017, TL 5.026 is due to corrections under TAS 27.

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

## SECTION THREE

## ACCOUNTING POLICIES

### I. BASIS OF PRESENTATION:

**a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks' Accounting Application and Keeping 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 no.26333 dated 1 November 2006 and in accordance with the regulations, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012 and changes in the related communiqué.

The Parent Bank is expressing its accounting entries in Turkish Lira, in accordance with the Banking Law, Turkish Trade Law and the Turkish Tax Legislation.

The consolidated financial statements expressed in TL were prepared with the cost-based method and were subject to inflation correction until 31 December 2004, except for the financial assets, liabilities and buildings, which were carried at fair value.

Amounts in the consolidated financial statements and related notes and explanations are expressed in thousand of Turkish Lira unless otherwise stated.

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

The aforementioned accounting policies and valuation principles are explained between notes II and XXVIII of the consolidated financial statements. The amendments of TAS and TFRS, enacted as of 1 January 2017, have no material impact on the Bank's accounting policies, financial position and performance. The amendments of TAS and TFRS, except for the TFRS 9 Financial Instruments Standard which will be effective as of 1 January 2018, have no impact on the accounting policies, financial condition and performance of the Bank. The impacts of the TFRS 9 Financial Instruments Standard will increase the amount of loan provisions.

**b. Explanations on changes in accounting policies and financial statement presentation:**

None.

**ACCOUNTING POLICIES (Continued)**

## I. BASIS OF PRESENTATION(Continued)

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

The effect of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying 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.

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

The Group's core business activities include retail banking, commercial banking, SME banking, corporate banking, private banking, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. The general strategy of the Group is using financial instruments to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. Additionaly, the Group can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities are being held at minimum levels and the exposed currency risk is followed within the levels determined by the Board of Directors, considering the limits given by the Banking Law.

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

As of 31 December 2017, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,7719 and TL 4,5155 for USD and EURO respectively.

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and the income and expenses in the income statement are translated using the average foreign exchange rate (this average foreign exchange rate is used when the rate is not far from the cumulative effect of the exchange rate of the transaction, in such a case the income and expenses are translated at the exchange rate of the transaction date) and the resulting foreign currency conversion differences are presented as a separate item under equity. The currency of the Group is not the currency of a high inflationary economy.

**ACCOUNTING POLICIES (Continued)**

## III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES:

Consolidated financial statements are prepared in accordance with the "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10"). Consolidation principles for subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method on the grounds of materiality principle considering their operations, asset and equity sizes. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control depicts the significant influence the Parent Bank has over an investment to a legal entity, the varying yield the Parent Bank receives due to its relationship with this entity or the rights of the Parent Bank entitled over this yield and the power to impact the yield that the invested legal entity will generate.

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, 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. Intergroup balances and intergroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group. Minority interests are presented in the consolidated balance sheet, in the shareholder's equity. Minority interests are presented separately in the Group's income.

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

The Group has no joint ventures as of 31 December 2017 and 31 December 2016.

## IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Group are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Group classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). Although certain derivative transactions provide effective economic hedges under the Group's risk management position, in accordance with TAS 39 they are treated as derivatives "Held-for-trading".

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged.

"Financial assets at fair value through profit or loss" are measured at fair value and are accounted related to the income statement. If the fair value of derivative financial instruments are positive, they are disclosed under the main account "Financial assets at fair value through profit or loss" in "Trading derivative financial instruments" and if the fair value difference is negative, it is disclosed under "Trading derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted under "Trading income/loss" in the income statement.

**ACCOUNTING POLICIES (Continued)**

## IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS (Continued):

The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and the embedded derivative are closely related, the embedded derivative is not separated from the host contract and is accounted according to the standard applied to the host contract.

As of 31 December 2017, The Parent Bank applies cash flow hedge accounting through cross and interest currency swaps to protect its FC deposits that have average maturity up to 3 months and its other debt from the fluctuation in interest rates.

The Group implements effectiveness tests on the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, on the financial statements under equity in "Hedging Funds", whereas the amount related to the ineffective part is associated with the income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. The renewal of a financial hedging instrument or the transfer of a financial hedging instrument to another instrument does not eliminate the financial hedging relationship, if the financial hedging instrument is part of the risk protection strategy in accordance with TAS 39.

## V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized on an accrual basis by using the effective interest method.

The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

## VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

**ACCOUNTING POLICIES (Continued)**

## VII. EXPLANATIONS ON FINANCIAL ASSETS:

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

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

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fairvalue through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

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

### b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables.Held-to-maturity financial assets are initially recognised at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are determined according to either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "amortised cost" using the effective interest method after their recognition.

Interest income earned from held-to-maturity financial assets is reflected to the income statement.

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

### c. Loans and receivables:

Loans and receivables are financial assets that are not derivative financial instruments, that are not defined as trading financial assets or financial assets at fair value through profit or loss, that have identifiable payments and that are not quoted on the market. Loans and receivables originated are carried initially at cost and subsequently recognized at the amortized cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

**ACCOUNTING POLICIES (Continued)**

## VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

### c. Loans and receivables (Continued):

The Group provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture on the basis of the prudence principle are taken into consideration by the Group in determining the estimates.

Provision expenses are deducted from the net income of the year. If there is a collection from a receivable that is provisioned previously, the amount is deducted from the "Specific Provisions" account and recorded as an income to "Provision for Loan Losses and Other Receivables" shown as net with the provisions recorded in the year. Uncollectible receivables are written-off after all the legal procedures have been finalized.

### d. Available-for-sale financial assets:

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair values of the financial assets.

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

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable Securities Valuation Reserve", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. When calculating CPI Indexed government bonds' discounted values, cash flows calculated through CBRT's monthly expected CPI bulletin indices are used.

## VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is created for the diminution value of the impaired financial asset and it is related to the income for the year.

The principles for the accounting of provisions for loans and receivables are explained in detail in Note VII of this Section.

**ACCOUNTING POLICIES (Continued)**

## IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

## X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

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

Funds given against securities purchased under agreements ("Reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method". The Group has no securities lending transactions.

## XI. EXPLANATIONS ON TANGIBLE ASSETS THAT ARE HELD FOR RESALE, DISCONTINUED OPERATIONS AND LIABILITIES REGARDING THOSE ASSETS:

The assets that are classified as tangible assets held for sale, are mesured at the lower of their book value and their fair value calculated by deducting the expenses incurred for sale, these assets are presented seperately on the balance sheet. In order to classify assets (or an asset group held for resale) as held for sale, the assets must be readily available for sale under the frequent circumstances and usual conditions of the sale, and the probability of sale should be high. In order for the probability of sale to be high, a plan should be prepared regarding the sale of an asset held for sale (or a group of assets held for resale), and an active program to determine the buyers must be initiated by the proper governing bodies, in order to complete the plan for the sale of assets. Furthermore, the asset held for sale (or a group of assets held for resale) must be actively marketed with a price in accordance with the fair value of the asset held for sale. Various incidents and circumstances can extend the completion period of the sale by more than one year. If the related delay has occurred due to incidents and circumstances that are outside the control of the management, in the event that there is sufficient evidence that the entity's sales plan for the sale of the related asset held for sale (or a group of assets held for resale) is continuing, these assets are again classified as tangible assets held for sale.

The Group has no discontinued operations.

## ACCOUNTING POLICIES (Continued)

## XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued):

### a. Goodwill

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (i.e. trademarks) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination; if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

The goodwil calculated in accordance with the "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in accordance with the "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated to each of the acquirer's cash generating units. Since the Group has recognised a goodwill impairment provision of TL 63.973 regarding the goodwill from acquisition of Burgan Yatırım Menkul Değerler A.Ş. based on the assessment done as of 31 December 2012, the net carrying value of goodwill in the consolidated financial statements is none as of 31 December 2017 (31 December 2016: None).

### b. Other intangible assets

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

Intangibles are amortized over their estimated useful lives using the straight-line method amortization method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit of the asset and differs from 3 years to 15 years.

## XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment are measured at their initial cost when recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

The Group has adopted the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TAS 16")" for its buildings. Independent expert appraisal values determined by independent experts are presented in the financial statements.

**ACCOUNTING POLICIES (Continued)**

## XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued):

Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

| | |
|---|---|
| Buildings | 2% |
| Movables, Movables Acquired by Financial Leasing | 2-50% |

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

When the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution value is charged to the income statement.

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

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

## XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "lower of the fair value of the leased asset and the present value of the amount of cash consideration given for the leased asset.

Leased assets are included in the property and equipment and these assets are depreciated their useful lives into consideration. If impairment is detected in the value of the leased asset, a "Provision for value decrease" is recognized. Liabilities arising from the leasing transactions are included in "Financial Lease Payables" on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group realizes financial leasing transactions in the capacity of "lessor" by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group. The asset subject to financial leasing is disclosed as a net financial leasing receivable in the balance sheet. The interest income is determined in a way to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under unearned interest income account.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Group allocates specific provisions for lease receivables based on the assessments and estimates of the management, by considering the current applicable communiqué.

**ACCOUNTING POLICIES (Continued)**

## XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the specific and general provisions recognized for loans and other receivables are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

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

## XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

## XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

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

**ACCOUNTING POLICIES (Continued)**

## XVIII. EXPLANATIONS ON TAXATION :

### a. Current tax:

Many clauses of Corporate Tax Law No. 5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2017 (2016: 20%). The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

In accordance with the Temporary Article 10 and Article 32 paragraph 1 added to the Corporate Tax Law at 05 December 2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05.12.2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05.12.2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

### b. Deferred tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements for the Parent Bank and for each consolidated subsidiary separately.

**ACCOUNTING POLICIES (Continued)**

## XIX. EXPLANATIONS ON BORROWINGS:

The Group's fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

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

The Group utilizes various hedging techniques to minimize the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Group.

## XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders' equity after eliminating the tax effects.

## XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

## XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

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

## XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

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

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

## ACCOUNTING POLICIES (Continued)

## XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Net Income / (Loss) to be Appropriated to Ordinary Shareholders | 109.848 | 71.673 |
| Weighted Average Number of Issued Ordinary Shares (Thousand) | 90.000.000 | 90.000.000 |
| **Earnings Per Ordinary Shares (Disclosed in full TL)** | **1,221** | **0,796** |

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

## XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in article 49 of the Banking Law No.5411, Group's senior management, and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note V of Section Five.

## XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

## XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Group that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note X in Section Four.

## XXVIII. RECLASSIFICATIONS:

None.

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

## SECTION FOUR

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

### I. EXPLANATIONS ON CONSOLIDATED EQUITY:

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

As of 31 December 2017 Bank's total capital has been calculated as TL 2.645.483 (31 December 2016: 2.147.530), Capital adequacy ratio is 17,32% (31 December 2016: 15,84%).

### a. Information about total capital:

| | Current Period 31 December 2017 | Amounts related to treatment before 1/1/2014(*) | Prior Period 31 December 2016 | Amounts related to treatment before 1/1/2014(*) |
|---|---|---|---|---|
| **COMMON EQUITY TIER 1 CAPITAL** | | | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 1.185.000 | | 900.000 | |
| Share issue premiums | - | | - | |
| Reserves | 164.946 | | 93.273 | |
| Gains recognized in equity as per TAS | 60.036 | | 39.053 | |
| Profit | 109.848 | | 71.673 | |
| Current Period Profit | 109.848 | | 71.673 | |
| Prior Period Profit | - | | - | |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period | - | | - | |
| Common Equity Tier 1 Capital Before Deductions | **1.519.830** | | **1.103.999** | |
| Deductions from Common Equity Tier 1 Capital | - | | - | |
| Common Equity as per the 1st 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 | 7.355 | | 11.441 | |
| Improvement costs for operating leasing | 18.592 | | 18.835 | |
| Goodwill (net of related tax liability) | - | | - | |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | 37.719 | 47.149 | 29.338 | 48.896 |
| 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 | 40.256 | | 21.915 | |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provison | - | | - | |
| 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 4th clause of the 56th 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 2nd 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 | - | | - | |
| **Total Deductions From Common Equity Tier 1 Capital** | **103.922** | | **81.529** | |
| **Total Common Equity Tier 1 Capital** | **1.415.908** | | **1.022.470** | |

(*)In this section, the account that are liable to the temporary articles of ''Regulation on Equities of Banks'' which will be considered at the end of the transition period, is shown.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):

## I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

| | Current Period 31 December 2017 | Amounts related to treatment before 1/1/2014(*) | Prior Period 31 December 2016 | Amounts related to treatment before 1/1/2014(*) |
|---|---|---|---|---|
| **ADDITIONAL TIER I CAPITAL** | | | | |
| 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) | - | | - | |
| **Additional Tier I Capital before Deductions** | - | | - | |
| **Deductions from Additional Tier I Capital** | - | | - | |
| 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 | - | | - | |
| **Transition from the Core Capital to Continue to deduce Components** | - | | - | |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | 9.430 | | 19.558 | |
| Net deferred tax asset/liability which is not deducted from Common Eguity 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 (-) | - | | - | |
| **Total Deductions From Additional Tier I Capital** | - | | - | |
| **Total Additional Tier I Capital** | - | | - | |
| **Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)** | **1.406.478** | | **1.002.912** | |
| **TIER II CAPITAL** | - | | - | |
| Debt instruments and share issue premiums deemed suitable by the BRSA | - | | - | |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) | 1.131.570 | | 1.055.760 | |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 107.566 | | 90.245 | |
| **Tier II Capital Before Deductions** | **1.239.136** | | **1.146.005** | |
| **Deductions From Tier II Capital** | - | | - | |
| 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. | 131 | | 835 | |
| 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 (-) | - | | - | |
| **Total Deductions from Tier II Capital** | **131** | | **835** | |
| **Total Tier II Capital** | **1.239.005** | | **1.145.170** | |
| **Total Capital (The sum of Tier I Capital and Tier II Capital)** | **2.645.483** | | **2.148.082** | |
| **Deductions from Total Capital** | | | | |
| Deductions from Capital Loans granted contrary to the 50th and 51th 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 | - | | 552 | |
| Other items to be defined by the BRSA (-) | - | | - | |
| **In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components** | - | | - | |
| 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 Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | | - | |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):

## I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

| | Current Period 31 December 2017 | Amounts related to treatment before 1/1/2014(*) | Prior Period 31 December 2016 | Amounts related to treatment before 1/1/2014(*) |
|---|---|---|---|---|
| **TOTAL CAPITAL** | | | | |
| Total Capital (Tier I and Tier II Capital) | **2.645.483** | | **2.147.530** | |
| Total risk weighted amounts | 15.271.897 | | 13.553.573 | |
| **Capital Adequacy Ratios** | | | | |
| Core Capital Adequacy Ratio (%) | 9,27 | | 7,54 | |
| Tier 1 Capital Adequacy Ratio (%) | 9,21 | | 7,40 | |
| Capital Adequacy Ratio (%) | 17,32 | | 15,84 | |
| **BUFFERS** | | | | |
| Total additional Tier I Capital requirement (a+b+c) | 1,250 | | 0,625 | |
| a. Capital conservation buffer requirement (%) | 1,250 | | 0,625 | |
| b. Bank specific counter-cyclical buffer requirement (%) | - | | - | |
| c. Systematically important bank buffer raito (%) | - | | - | |
| 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 | 4,77 | | 3,04 | |
| | | | | |
| **Amounts below the Excess Limits as per the Deduction Principles** | | | | |
| 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 | 31.303 | | 26.176 | |
| **Limits related to provisions considered in Tier II calculation** | | | | |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation) | 107.566 | | 90.245 | |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 107.566 | | 90.245 | |
| 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 | - | | - | |
| **Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)** | - | | - | |
| Upper limit for Additional Tier I Capital subjected to temprorary Article 4 | - | | - | |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4 | - | | - | |
| Upper limit for Additional Tier II Capital subjected to temprorary Article 4 | - | | - | |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4 | | | - | |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):

## I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

### b. Information on instruments related to equity estimation

| **Details on Subordinated Liabilities** | | |
|---|---|---|
| Issuer | Burgan Bank K.P.S.C. | Burgan Bank K.P.S.C. |
| Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | - | - |
| Governing law(s) of the instrument | BRSA | BRSA |
| Regulatory treatment | Supplementary Capital | Supplementary Capital |
| Transitional Basel III rules | No | No |
| Eligible at stand-alone / concolidated | Stand Alone- Consolidated | Stand Alone- Consolidated |
| Instrument type (types to be specified by each jurisdiction) | Subordinated Loan | Subordinated Loan |
| Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date) | 565.785 | 565.785 |
| Par value of instrument (USD) | 150.000 | 150.000 |
| Accounting classification | Liability-Subordinated Loans-amortised cost | Liability-Subordinated Loans-amortised cost |
| Original date of issuance | 06.12.2013 | 30.03.2016 |
| Perpetual or dated | Dated | Dated |
| Original maturity date | 10 Years | 10 Years |
| Issuer call subject to prior supervisory approval | Yes | Yes |
| Optional call date, contingent call dates and redemption amount | After 5th year | After 5th year |
| Subsequent call dates, if applicable | After 5th year | After 5th year |
| Coupons / dividends | 3 Months | 3 Months |
| Fixed or floating dividend/coupon | Floating dividend | Floating dividend |
| Coupon rate and any related index | LIBOR+3,75 | LIBOR+3,75 |
| Existence of a dividend stopper | - | - |
| Fully discretionary, partially discretionary or mandatory | - | - |
| Existence of step up or other incentive to redeem | - | - |
| Noncumulative or cumulative | Noncumulative | Noncumulative |
| Convertible or non-convertible | None | None |
| If convertible, conversion trigger (s) | - | - |
| If convertible, fully or partially | - | - |
| If convertible, conversion rate | - | - |
| If convertible, mandatory or optional conversion | - | - |
| If convertible, specify instrument type convertible into | - | - |
| If convertible, specify issuer of instrument it converts into | - | - |
| Write-down feature | None | None |
| 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) | Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor. | Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor. |
| In compliance with article number 7 and 8 of "Own fund regulation" | None | None |
| Details of incompliances with article number 7 and 8 of "Own fund regulation" | None | None |

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):**

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK:

Credit risk represents the potential financial loss that the Parent Bank may incur as a result of defaults or non-fulfillment of the loan agreements obligations of counterparties.

In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the rating procedures. Main criteria are geographical and sectoral concentrations. The sectoral concentrations for loans are monitored closely in accordance with the Parent Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored on a regular basis.

Credit rankings of borrowers that are present at loans and other accounts receivable accounts are monitored in accordance with the relevant legislation on a regular basis. Account status documents obtained for the issued credits are audited to make sure that the documents are meeting the requirements of the relevant legislation given that the cash transactions are exempted from this rule. As a result of regular monitoring of credit worthiness, credit limits have been changed when necessary. Loans and other receivables are collateralized considering the credit worthiness.

With respect to credit risk, debtor and debtor groups are subject to risk limitations envisaged in the Banking Law. There is no risk limitation in terms of geographical region while the sectoral concentration has been limited. Credit limits allocated are subject to revision at least once a year. The credit worthiness of the borrowers classified as "loans and other receivables under close monitoring" are revised at least twice a year due to Procedures and Principles regarding the regulation on determination of loans and other receivables. The credit limit is controlled by the main banking system and exceeding the specified limits is prohibited. When a revision becomes due, limits for which the credit worthiness has not been reviewed are suspended (except for cash provisions).

The Parent Bank's credit policy approved by the Board of Directors is reviewed at regular intervals. In order to maintain the credit risk under control, there are additional limitations in the scope of Parent Bank credit policies apart from the Banking Law limitations. As defined in the document of credit policy, authorization of credit extension has been delegated to branches, the headquarters and the credit committee. Constraints on the use of these delegations;

- Collaterals, accepted as guarantees of loans issued, are clearly stated at credit policy.
- The Bank does not provide loans for arms manufacturers and traders, religious organizations, gambling companies, media companies, political organizations, sport clubs and companies operating in nuclear industry. Exceptions could be evaluated by the head office.
- Credits issued to the companies founded within last two years, real estate development companies and financial institutions as well as the investment projects , cash credit guarantees and credits for covering bank's risks and refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Brach authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):

### II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

The loans are considered as impaired receivables after 90 days delay from the reporting period or the decision of the bank that the debtor loses its credibility. According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves," group II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated.

Total amount of exposures after offsetting transactions before applying credit risk mitigations and the average exposure amounts that are classified under different risk groups and types for the relevant period:

| **Risk Group** | **Amount** | **Average** |
|---|---|---|
| Claims on sovereigns and Central Banks | 2.422.430 | 2.196.564 |
| Claims on regional governments or local authorities | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 335 | 348 |
| Claims on multilateral development banks | - | - |
| Claims on international organizations | - | - |
| Claims on banks and intermediary institutions | 901.004 | 1.192.925 |
| Claims on corporates | 11.537.131 | 11.341.978 |
| Claims included in the regulatory retail portfolios | 716.673 | 388.184 |
| Claims secured by residential property | 5.190.208 | 4.233.138 |
| Past due loans | 175.580 | 139.844 |
| Higher risk categories decided by the Board | - | - |
| Secured by mortgages | - | - |
| Securitization positions | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - |
| Undertakings for collective investments in mutual funds | - | 17 |
| Other Receivables | 642.810 | 627.583 |
| **Total** | **21.586.171** | **20.120.581** |

The Parent Bank's derivative transactions are mainly composed of foreign exchange and interest rate swaps money and interest options and forward transactions. The credit risks of these products are managed by deducting them from the company's credit limit, which is specified only for these types of transactions, in proportion to the term of the transaction. Market risk is managed by the Treasury, Capital market and Financial Institutions Group.

In forward transactions no type of coercive action outside of the other party's consent is taken.

Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

With regard to the credits renewed and re-structured with a new payment plan by the Parent Bank, the method adopted is the one specified by the relevant legislation. Within the framework of risk management systems a risk separation is not practiced as to the maturity of the liabilities.

The Group does not perform any kind of banking activity abroad.

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):**

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

When evaluated within the context of the financial operations of other financial institutions acting as active participants in the international banking market, the Group credit risk concentration at an acceptable level.

In the current period, the share of the Group receivables due to cash loans extended to its top 100 and top 200 customers are 66%, 76% (31 December 2016: 66% and 77%) within the total cash loan portfolio.

In the current period, the share of the Group receivables due to non-cash loans extended to its top 100 and top 200 customers are 47%, 64% (31 December 2016: 49% and 63%) within the total non-cash loans portfolio.

In the current period, the share of the Group receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 64%, 74% (31 December 2016: 64% and 75%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2017, the Group's general provision for loans amounting to TL 107.566 (31 December 2016: TL 90.245).

### a. Information on types of loans and specific provisions:

| **31 December 2017** | **Corporate** | **Consumer** | **Credit Cards** | **Leasing Receivables** | **Factoring Receivables** | **Total** |
|---|---|---|---|---|---|---|
| Standard Loans | 11.487.368 | 538.446 | 6.407 | 1.714.285 | 6 | **13.746.512** |
| Loans under close monitoring | 1.043.318 | 35.100 | 520 | 257.593 | - | **1.336.531** |
| Non-performing loans | 334.295 | 8.323 | 1.271 | 49.191 | 1.772 | **394.852** |
| Specific provision (-) | 175.691 | 4.655 | 1.130 | 36.968 | 829 | **219.273** |
| **Total** | **12.689.290** | **577.214** | **7.068** | **1.984.101** | **949** | **15.258.622** |

| **31 December 2016** | **Corporate** | **Consumer** | **Credit Cards** | **Leasing Receivables** | **Factoring Receivables** | **Total** |
|---|---|---|---|---|---|---|
| Standard Loans | 9.679.878 | 237.324 | 4.824 | 1.093.054 | 8 | **11.015.088** |
| Loans under close monitoring | 657.589 | 17.740 | 779 | 216.670 | 819 | **893.597** |
| Non-performing loans | 225.038 | 3.138 | 1.234 | 46.818 | 1.807 | **278.035** |
| Specific provision (-) | 116.147 | 1.370 | 1.045 | 25.956 | 856 | **145.374** |
| **Total** | **10.446.358** | **256.832** | **5.792** | **1.330.586** | **1.778** | **12.041.346** |

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

### b. Information on loans and receivables past due but not impaired:

| 31 December 2017 | Corporate | Consumer | Credit Cards | Leasing Receivables | Factoring Receivables | Total |
|---|---|---|---|---|---|---|
| Past due 0-30 days | 1.025.557 | 43.440 | 712 | 349.820 | - | **1.419.529** |
| Past due 30-60 days | 14.176 | 11.292 | 152 | 62.916 | - | **88.536** |
| Past due 60-90 days | 41.379 | 5.092 | 42 | 190.311 | - | **236.824** |
| **Total** | **1.081.112** | **59.824** | **906** | **603.047** | **-** | **1.744.889** |

| 31 December 2016 | Corporate | Consumer | Credit Cards | Leasing Receivables | Factoring Receivables | Total |
|---|---|---|---|---|---|---|
| Past due 0-30 days | 645.201 | 19.105 | 779 | 228.871 | 819 | **894.775** |
| Past due 30-60 days | 20.270 | 6.236 | - | 55.165 | - | **81.671** |
| Past due 60-90 days | 28.079 | 2.369 | - | 87.407 | - | **117.855** |
| **Total** | **693.550** | **27.710** | **779** | **371.443** | **819** | **1.094.301** |

### c. Information on debt securities, treasury bills and other bills:

| 31 December 2017<br>Moody’s Rating | Financial Assets at Fair Value through P/L (Net) | Available for Sale Financial Assets (Net) | Held to Maturity Securities (Net) | Total |
|---|---|---|---|---|
| Baa1(*) | 5.310 | 266.946 | 171.218 | **443.474** |
| **Total** | **5.310** | **266.946** | **171.218** | **443.474** |

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which is rated by Moody’s.

| 31 December 2016<br>Moody’s Rating | Financial Assets at Fair Value through P/L (Net) | Available for Sale Financial Assets (Net) | Held to Maturity Securities (Net) | Total |
|---|---|---|---|---|
| Baa3(*) | 27.960 | 527.074 | 161.607 | **716.641** |
| **Total** | **27.960** | **527.074** | **161.607** | **716.641** |

(*) Consists of Turkish Republic government bonds and treasury bills.

### d. Information on rating concentration:

The Group evaluates its credit risk based on an internal rating system and the portfolio is classified from least probability of default to highest. The information about the concentration of cash and non cash loans which are classified with the rating system is presented below.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Above average (%) | 7,27 | 8,12 |
| Average (%) | 69,28 | 67,53 |
| Below average (%) | 20,08 | 22,48 |
| Not rated (%) | 3,37 | 1,87 |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

### e. Fair value of collaterals ( loans and advances to customers):

| 31 December 2017 | Corporate Loans | Consumer Loans | Credit Cards | Leasing Receivables | Factoring Receivables | Total |
|---|---|---|---|---|---|---|
| Loans under close monitoring | 410.396 | 10.638 | 12 | - | - | **421.046** |
| Non-performing loans | 179.484 | 837 | 119 | 8.799 | 1.258 | **190.497** |
| **Total** | **589.880** | **11.475** | **131** | **8.799** | **1.258** | **611.543** |

| 31 December 2016 | Corporate Loans | Consumer Loans | Credit Cards | Leasing Receivables | Factoring Receivables | Total |
|---|---|---|---|---|---|---|
| Loans under close monitoring | 271.606 | 9.398 | 88 | 12.790 | - | **281.092** |
| Non-performing loans | 97.476 | 1.097 | 213 | 10.436 | 1.268 | **110.490** |
| **Total** | **369.082** | **10.495** | **301** | **23.226** | **1.268** | **391.582** |

| Type of Collaterals | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Real-estate mortgage | 458.772 | 364.353 |
| Pledge | 21.364 | 23.353 |
| Cash and cash equivalents | 131.407 | 3.876 |
| **Total** | **611.543** | **391.582** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

### f. Profile of significant exposures in major regions:

| | Exposure Categories (*) | | | | | | | | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current Period** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | |
| **31 December 2017** | | | | | | | | | | | | | | | | | | |
| Domestic | 3.539.205 | - | 285 | - | - | 70.027 | 9.763.100 | 587.767 | 4.897.427 | 173.757 | - | - | - | - | - | - | 471.650 | **19.503.218** |
| EU Countries | - | - | - | - | - | 661.407 | 14 | 39 | - | - | - | - | - | - | - | - | - | **661.460** |
| OECD Countries (**) | - | - | - | - | - | 3.608 | - | - | - | - | - | - | - | - | - | - | - | **3.608** |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | - | - | - | 7.932 | 40.287 | 833 | 1.848 | 1.823 | - | - | - | - | - | - | - | **52.723** |
| Other Countries | - | - | - | - | - | 132.256 | 171 | 18 | - | - | - | - | - | - | - | - | - | **132.445** |
| Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated Assets/Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **3.539.205** | **-** | **285** | **-** | **-** | **875.230** | **9.803.572** | **588.657** | **4.899.275** | **175.580** | **-** | **-** | **-** | **-** | **-** | **-** | **471.650** | **20.353.454** |

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

### f. Profile of significant exposures in major regions (Continued):

| | Exposure Categories (*) | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Prior Period** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **Total** |
| **31 December 2016** | | | | | | | | | | | | | | | | | |
| Domestic | 2.044.031 | - | 952 | - | - | 591.440 | 8.978.541 | 208.234 | 3.759.130 | 132.661 | - | - | - | - | - | 336.063 | **16.051.052** |
| EU Countries | - | - | - | - | - | 597.940 | 260 | 37 | 1 | - | - | - | - | - | - | - | **598.238** |
| OECD Countries (**) | - | - | - | - | - | 673 | - | - | - | - | - | - | - | - | - | - | **673** |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | - | - | - | 4.829 | 101.886 | 497 | - | - | - | - | - | - | - | - | **107.212** |
| Other Countries | - | - | - | - | - | 1.245 | 3.701 | 15 | - | - | - | - | - | - | - | - | **4.961** |
| Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated Assets/Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **2.044.031** | **-** | **952** | **-** | **-** | **1.196.127** | **9.084.388** | **208.783** | **3.759.131** | **132.661** | **-** | **-** | **-** | **-** | **-** | **336.063** | **16.762.136** |

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings

16. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

### g. Risk profile according to sectors and counterparties:

| | Exposure Categories (*) | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | TL | FC | Total |
| **Agriculture** | **-** | **-** | **-** | **-** | **-** | **-** | **32.300** | **3.049** | **7.326** | **1.155** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **22.881** | **20.949** | **43.830** |
| Farming and Stockbreeding | - | - | - | - | - | - | 29.040 | 2.176 | 6.226 | 1.131 | - | - | - | - | - | - | - | 20.805 | 17.768 | **38.573** |
| Forestry | - | - | - | - | - | - | 11 | 241 | 21 | 24 | - | - | - | - | - | - | - | 56 | 241 | **297** |
| Fishery | - | - | - | - | - | - | 3.249 | 632 | 1.079 | - | - | - | - | - | - | - | - | 2.020 | 2.940 | **4.960** |
| **Manufacturing** | **-** | **-** | **6** | **-** | **-** | **-** | **3.265.222** | **58.458** | **958.589** | **48.842** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **983.881** | **3.347.236** | **4.331.117** |
| Mining and Quarrying | - | - | 6 | - | - | - | 387.213 | 2.734 | 205.473 | 2.258 | - | - | - | - | - | - | - | 106.609 | 491.075 | **597.684** |
| Production | - | - | - | - | - | - | 2.240.776 | 54.449 | 668.628 | 46.584 | - | - | - | - | - | - | - | 871.519 | 2.138.918 | **3.010.437** |
| Electricity, Gas and Water | - | - | - | - | - | - | 637.233 | 1.275 | 84.488 | - | | - | - | - | - | - | - | 5.753 | 717.243 | **722.996** |
| **Construction** | **-** | **-** | **-** | **-** | **-** | **-** | **2.332.227** | **10.624** | **1.697.762** | **59.133** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1.296.887** | **2.802.859** | **4.099.746** |
| **Services** | **-** | **-** | **-** | **-** | **-** | **875.230** | **3.979.544** | **79.655** | **2.052.378** | **62.254** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2.011.536** | **5.037.525** | **7.049.061** |
| Wholesale and Retail Trade | - | - | - | - | - | - | 1.939.112 | 68.253 | 837.681 | 44.115 | - | - | - | - | - | - | - | 896.477 | 1.992.684 | **2.889.161** |
| Hotel, Food and Beverage services | - | - | - | - | - | - | 350.616 | 2.360 | 816.160 | 3.500 | - | - | - | - | - | - | - | 47.232 | 1.125.404 | **1.172.636** |
| Transportation and Telecom | - | - | - | - | - | - | 395.240 | 4.561 | 183.724 | 6.835 | - | - | - | - | - | - | - | 171.423 | 418.937 | **590.360** |
| Financial Institutions | - | - | - | - | - | 875.230 | 876.439 | 807 | 44.977 | 1.095 | - | - | - | - | - | - | - | 807.207 | 991.341 | **1.798.548** |
| Real Estate and Rental Services | - | - | - | - | - | - | 363.724 | 2.352 | 146.513 | 681 | - | - | - | - | - | - | - | 33.362 | 479.908 | **513.270** |
| Self-employment Services | - | - | - | - | - | - | 7.621 | 190 | 3.467 | - | - | - | - | - | - | - | - | 10.956 | 322 | **11.278** |
| Educational Services | - | - | - | - | - | - | 16.730 | 119 | 3.221 | 3.695 | - | - | - | - | - | - | - | 13.370 | 10.395 | **23.765** |
| Health and Social Services | - | - | - | - | - | - | 30.062 | 1.013 | 16.635 | 2.333 | - | - | - | - | - | - | - | 31.509 | 18.534 | **50.043** |
| **Other** | **3.539.205** | **-** | **279** | **-** | **-** | **-** | **194.279** | **436.871** | **183.220** | **4.196** | **-** | **-** | **-** | **-** | **-** | **-** | **471.650** | **3.097.236** | **1.732.464** | **4.829.700** |
| **Total** | **3.539.205** | **-** | **285** | **-** | **-** | **875.230** | **9.803.572** | **588.657** | **4.899.275** | **175.580** | **-** | **-** | **-** | **-** | **-** | **-** | **471.650** | **7.412.421** | **12.941.033** | **20.353.454** |

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

| | Term To Maturity | | | | |
|---|---|---|---|---|---|
| **Risk classifications** | **1 Month** | **1-3 Months** | **3-6 Months** | **6-12 Months** | **Over 1 Year** |
| Claims on sovereigns and Central Banks | 1.285 | 38.764 | 186.842 | 36.818 | 2.248.602 |
| Claims on regional governments or local authorities | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 272 | - | - | - | 13 |
| Claims on multilateral development banks | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - |
| Claims on banks and intermediary institutions | 193.079 | 177.651 | 134.569 | 12.883 | 338.362 |
| Claims on corporates | 1.036.400 | 558.202 | 712.775 | 1.408.374 | 6.087.821 |
| Claims included in the regulatory retail portfolios | 21.812 | 17.508 | 23.246 | 63.159 | 462.930 |
| Claims secured by residential property | 110.566 | 124.952 | 123.227 | 210.600 | 4.329.931 |
| Past due loans | - | - | - | - | - |
| Higher risk categories decided by the Board | - | - | - | - | - |
| Secured by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - |
| Other Receivables | - | - | - | - | - |
| **Total** | **1.363.414** | **917.077** | **1.180.659** | **1.731.834** | **13.467.659** |

### i. Information about the risk exposure categories:

As explained in the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," abovementioned receivables are calculated via third party ratings. Receivables from central governments or central banks are calculated according to the OECD's published country risks. OECD classification is used to determine the risk weights set by the regulations. When a receivable is not provided a grading, the Bank complies with the rules under the regulations.

### j. Exposures by risk weights:

| **Risk Weights** | **0%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Deductions from Equity** |
|---|---|---|---|---|---|---|---|---|
| **1.Exposures before Credit Risk Mitigation** | 2.198.742 | 460.925 | 704.483 | 3.707.774 | 629.544 | 12.603.193 | 48.794 | 131 |
| **2. Exposures after Credit Risks Mitigation(*)** | 3.502.336 | 478.435 | 658.399 | 3.366.131 | 569.993 | 11.737.511 | 40.648 | 131 |

(*) The bank mitigates the credit risk using the simple financial collateral methods.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

### k. Informations in terms of major sectors and type of counterparties:

| Major Sectors / Counterparties | Credits | | | |
|---|---|---|---|---|
| | Impaired Credits | Past Due Credits | Value Adjustments | Provisions |
| **Agriculture** | **6.885** | **3.717** | **37** | **5.730** |
| Farming and Stockbreeding | 6.263 | 2.960 | 30 | 5.132 |
| Forestry | 566 | 21 | - | 542 |
| Fishery | 56 | 736 | 7 | 56 |
| **Manufacturing** | **132.744** | **373.988** | **3.267** | **83.902** |
| Mining and Quarrying | 14.869 | 18.008 | 25 | 12.611 |
| Production | 117.678 | 355.980 | 3.242 | 71.094 |
| Electricity, Gas and Water | 197 | - | - | 197 |
| **Construction** | **91.765** | **137.771** | **1.151** | **32.632** |
| **Services** | **151.020** | **912.455** | **3.782** | **88.766** |
| Wholesale and Retail Trade | 124.300 | 500.537 | 340 | 80.185 |
| Accommodation and Dining | 6.279 | 369.248 | 3.353 | 2.779 |
| Transportation and Telecom | 9.008 | 23.257 | 32 | 2.173 |
| Financial Institutions | 1.267 | 225 | 2 | 172 |
| Real Estate and Rental Services | 1.177 | 9.099 | 3 | 496 |
| Professional Services | 827 | 312 | 3 | 827 |
| Educational Services | 4.932 | 350 | 3 | 1.237 |
| Health and Social Services | 3.230 | 9.427 | 46 | 897 |
| **Other** | **12.438** | **316.958** | **1.819** | **8.243** |
| **Total** | **394.852** | **1.744.889** | **10.056** | **219.273** |

### l. Information about Value Adjustment and Change in Provisions:

| | Opening Balance | Provision for Period | Write off from Asset | Other Adjustments(*) | Closing Balance |
|---|---|---|---|---|---|
| **1. Specific Provisions (**)** | 175.497 | 130.229 | (45.912) | 4.314 | 264.128 |
| **2. General Provisions** | 90.245 | 9.195 | - | 8.126 | 107.566 |

(*)The Other Adjustments column consists of exchange rate differences of provisions in foreign currencies.
(**)Uncompensated non-performing loans provisions includes specific allowance amounts, free allowance amounts and cheque-book allowance that the Bank classifies as non-performing loans.

### m. Risks Included in Cyclical Capital Buffer Calculation :

None.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued):**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT:

**Risk Management Approach and Risk Weighted Amounts**

**a. Risk Management Approach of the Group:**

**1. The way risk profile of the Group is determined by business model and its interaction and risk appetite:**

The Group prepares its business strategy including medium and long term growth objectives and makes an annual revision through reviewing. The Group reviews its business strategy annually in a periodic manner and aforementioned business strategies are reviewed ad hoc and more frequently and can be revised if it is required by economic developments and market conditions. Risk appetite of the Group is designated in full compliance with its business strategy and main risks, which shall be taken due to main components of main activity area and business strategy of the Group, comprise main inputs of risk appetite determined by Board of Directors.

**2. Risk management structure: Responsibilities assigned within the body of the Group:**

Board of Directors is responsible for developing a risk appetite in compliance with business strategy of the Bank and establishing a risk management system in line with risk appetite. Board of Directors carries out activities such as definition, monitoring, reporting of the risk and developing risk mitigating measures through Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, Assets and Liabilities Committee (ALCO) and Risk Management Group, Internal Control Centre, Directorate of Supervisory Board and Compliance Departments.

Audit Committee controls whether provisions included in legislation related risk management and intra-group and implementation procedures approved by the board of directors are applied or not and makes recommendations to board of directors regarding measures which should be taken. It also evaluates whether there are method, instrument and implementations procedures required for identification, measurement, monitoring and controlling of Group's risks or not.

Board of Directors Risk Committee is responsible for the development of risk management systems in line with business strategy and risk appetite of the Bank, presentation of amendment recommendations related to risk management policies to Board of Directors and establishment of required method, instrument and implementation procedures in order to ensure identification, measurement, monitoring and reporting of risks by non-executive independent departments.

ALCO is responsible to monitor and manage structural asset-liability non-compliance of the Parent Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 2. Risk management structure: Responsibilities assigned within the body of the Group (Continued):

Risk Management Department, which carries out its activities independent from executive functions, consist of Credit Risk and Modelling Department, Market Risk Department and Operation Risk Department. Credit Risk and Modelling Department is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Parent Bank and its partners which are subject to consolidation and sharing of solution recommendations for risk mitigation with related departments. Credit risk appetite limits, which are approved by Board of Directors, are monitored in specific periods and results are reported to Board of Directors and Senior Management. The department gives support to credit risk analysis through stress tests, reverse stress tests and scenario analysis. Market Risk Department is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Parent Bank and its partners which are subject to consolidation. The department is also responsible to monitor and report limits specified related to treasury risk parameters and liquidity risk. Limit-risk follow-up regarding counterparty credit risk, stress tests and scenario analysis are also under the responsibility of the department in question.

Operation Risk Department carries out definition, measurement, evaluation, controlling, mitigation, monitoring and reporting activities of operational risks. Internal Audit is responsible for the evaluation of operational risk management framework with its all aspects in an independent manner. The aforementioned evaluation includes both activities of business units and also activities of Operation Risk Management.

Internal Control Centre carries out activities at secondary control level in order to monitor and report risks and develop measures reducing risks with executive departments. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Parent Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Parent Bank are shared with both executive and non-executive departments such as Risk Management Group.

### 3. Channels which are used to extend and apply risk culture in the Group:

Risk Management application is developed on Intranet platform for the purpose of increasing awareness of employees in order to extend risk culture within the body of the Group. Through this application, trainings and documents increasing awareness are shared with employees. Online trainings, related to risk management developed in order to raise awareness of employees, are shared with employees via remote training platform. Risk point of views of employees are supported through in-class trainings, if required.

Information on risk position of the Group, expected and unexpected loss estimations, impacts of negative conditions on balance sheet of the Group and realization levels of risk appetite limits determined by Board of Directors is share with Board of Directors, related committees and senior management by Risk Management Group through reports issued. If there exists an overflow on the risk appetite limits, related departments are informed in order to ensure taking of pre-determined measures and results are monitored by Risk Management Group.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**4. Main components and scope of risk measurement systems:**

Rating is used for corporate and commercial clients while scoring is used for retail credits in the Group in order to measure credit risk. Internal rating systems are designated in the framework of business strategy, risk appetite, regulations of authorities with respect to rating systems and internal policies and their performances are periodically monitored by Risk Management Group and results are reported to Board of Directors and senior management. On the other hand, validations of rating models are coordinated by Credit Risk and Modelling Department. The Group has information systems enabling reporting according to sector, segment, branch, exchange rate, maturity, internal rating grade and risk class of credit portfolio. Risk appetite limits determined in Credit Risk Policy are monitored on a monthly basis and reported to Board of Directors and senior management.

The Group determines internal limits which are revised in the framework of business model, strategy and risk appetite of the Group reviewed at least on an annual basis for exchange rate, interest, counterparty and liquidity risk which may be exposed. All limits are approved by Board of Directors and monitored in an effective manner by Board of Directors.

Basic Indicator Approach is used in order to determine capital requirement required for operational risk in accordance with legislations of BRSA. The Group performs self-evaluation studies in order to raise awareness in operational risks, determine current operational risks and reduce possible negative impacts of such risks to minimum.

**5. Disclosures on risk reporting processes provided to Board of Directors and senior management:**

Risk Management Group reports results of analysis related to risks such as credit, liquidity and operational to Board of Directors, Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, ALCO and senior management. Reporting is made to Risk Coordination Committee and Board of Directors on a monthly basis while it is made to Audit Committee and Board of Directors Risk Committee on a quarterly basis.

Results of concentration and credit risk stress test based on sector, segment, maturity, collateral, currency, internal rating grade of credit; structural interest rate risk sourcing from banking accounts, details related to derivatives, liquidity analysis, stress tests made related to counterparty credit risk, deposit concentration, realizations related to risk appetite limits of market and liquidity; historical developments of operational risks based on loss categories and their distribution based on Parent Bank and subsidiaries are included in aforementioned reports.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**6. Disclosures on Stress Test:**

The Group makes stress tests for risk categories of credit, market, liquidity and operational risk both in scope of Internal Capital Adequacy Assessment Process (ICAAP) and also as periodical internal and results are shared with Board of Directors, senior management and audit authority, if required.

The Group considers scenarios announced by BRSA and pre-determined negative and extremely negative scenarios for stress tests made in scope of ICAAP. Scenarios are determined through taking macro-economic variables, business strategy and risk appetite of the Group and negative past conditions into account. In scope of ICAAP, both particular and also total stress tests are made based on significant risk types.

Internal periodic stress tests are made in the framework of scenarios determined internally in accordance with portfolio, business strategy, risk appetite and retrospective estimations of the Group. The Group prepares its internal periodic stress tests through benefiting from sensitivity analysis, stress test, reverse stress test and scenarios analysis instruments. Credit risk stress tests include scenarios such as depreciation of Turkish Lira and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

Impact of each shocks on profitability and capital is measured in stress tests made in scope of Market Risk. Risk factors, for which a shock is applied, are exchange rates, interests and prices of shares. Foreign exchange position gain/loss sourcing from sudden exchange and interest movements, banking activities, impact of Interbank transactions and Commercial Funding on capital, bond, derivative and share portfolio gain/loss are calculated in stress tests.

Impact of exchange and interest shocks on derivative portfolio specific for customer is reviewed in scope of Counterparty Credit Risk stress tests and results are discussed in related committees.

In scope of operational risk tests, loss estimation is made through statistical methods via taking historical loss data into account and its effect on capital requirement is reviewed.

**7. Risk management, hedging and mitigation strategies and process of the group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation**

The Group includes collaterals in Communique on Credit Risk Mitigation Techniques to credit risk mitigation with respect to capital requirements calculations and those collaterals are used in calculations over their consideration rates in the aforementioned communique. The operational conditions mentioned in the Communique should be met in order to be able to include collaterals in credit risk mitigation.

Determination of actions towards mitigation through evaluating risks exposed in current processes, key risk indicators and loss events, use of support services and pre-evaluation studies of implementation procedures and policies of new products are carried out in order to mitigate risk which are exposed or shall be exposed in operational risk management. Insurances towards risk mitigation are made. Risk mitigation exposed due to a cut-off is aimed to be reduced through Business Continuity Plan approved by Board of Directors ensuring the continuity of operations in reasonable periods. In this scope, Business Continuity Plan is periodically tested and required updates are made.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### b. Overview of risk weighted amounts

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2017:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

| | | Risk Weighted Amounts | | Minimum Capital Liability |
|---|---|---|---|---|
| | | **Current Period** | **Prior Period** | **Current Period** |
| | | **31 December 2017** | **31 December 2016** | **31 December 2017** |
| 1 | Credit risk (excluding counterparty credit risk) (CCR) (*) | 13.960.500 | 12.479.832 | 1.116.840 |
| 2 | Standardised approach (SA) | 13.960.500 | 12.479.832 | 1.116.840 |
| 3 | Internal rating-based (IRB) approach | - | - | - |
| 4 | Counterparty credit risk | 367.260 | 317.260 | 29.381 |
| 5 | Standardised approach for counterparty credit risk (SA-CCR) | 367.260 | 317.260 | 29.381 |
| 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 | 127.984 | 98.580 | 10.239 |
| 17 | Standardised approach (SA) | 127.984 | 98.580 | 10.239 |
| 18 | Internal model approaches (IMM) | - | - | - |
| 19 | Operational risk | 816.153 | 657.901 | 65.292 |
| 20 | Basic indicator approach | 816.153 | 657.901 | 65.292 |
| 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 Adjustments | - | - | - |
| **25** | **Total (1+4+7+8+9+10+11+12+16+19+23+24)** | **15.271.897** | **13.553.573** | **1.221.752** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## IV. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### c. Relationships between financial statements and risk amounts

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

| | | | Carrying values of items in accordance with TAS | | | | |
|---|---|---|---|---|---|---|---|
| | Valued amount according to TAS within legal consolidation | Subject to credit risk | Subject to counterparty credit risk | Subject to the Securitisation framework | Subject to market risk | Not subject to capital requirements or subject to deduction from capital | Valued amount according to TAS within legal consolidation |
| **Assets** | | | | | | | |
| Cash and balances with the Central Bank | 2.027.340 | 2.027.340 | 2.027.340 | - | - | - | - |
| Trading Financial Assets | 143.939 | 143.939 | - | 138.497 | - | 153.218 | 131 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - | - | - | - |
| Banks | 168.729 | 168.729 | 168.729 | - | - | - | - |
| Money Market Placements | 11.000 | 11.000 | 11.000 | - | - | - | - |
| Financial Assets Available-for-Sale (net) | 276.595 | 276.595 | 276.595 | 67.616 | - | - | - |
| Loans and Receivables | 13.286.738 | 13.286.738 | 13.253.061 | 33.677 | - | - | - |
| Factoring Receivables | 6 | 6 | 6 | - | - | - | - |
| Held-to-maturity investments (net) | 171.218 | 171.218 | 171.218 | - | - | - | - |
| Investment in Associates (net) | - | - | - | - | - | - | - |
| Investment in Subsidiaries (net) | - | - | - | - | - | - | - |
| Investment in Joint ventures (net) | - | - | - | - | - | - | - |
| Lease Receivables | 1.971.878 | 1.971.878 | 1.971.878 | - | - | - | - |
| Derivative Financial Assets Held For Hedging | 269.300 | 269.300 | - | 269.300 | - | - | - |
| Property And Equipment (Net) | 72.100 | 72.100 | 53.508 | - | - | - | 18.592 |
| Intangible Assets (Net) | 47.308 | 47.308 | - | - | - | - | 47.308 |
| Investment Property (Net) | - | - | - | - | - | - | - |
| Tax Asset | 21.029 | 21.029 | 21.029 | - | - | - | - |
| Assets Held For Resale And Related To Discontinued Operations (Net) | 45.095 | 45.095 | 45.095 | - | - | - | - |
| Other Assets | 242.423 | 242.423 | 242.423 | - | - | - | - |
| **Total assets** | **18.754.698** | **18.754.698** | **18.241.882** | **509.090** | **-** | **153.218** | **66.031** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Deposits | 8.872.471 | 8.872.471 | - | - | - | - | 8.872.471 |
| Derivative Financial Liabilities Held for Trading | 160.778 | 160.778 | - | 110.938 | - | 105.634 | 49.840 |
| Funds Borrowed | 6.082.762 | 6.082.762 | - | - | - | - | 6.082.762 |
| Money Markets | 256.216 | 256.216 | - | 200.159 | - | - | 56.057 |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds | - | - | - | - | - | - | - |
| Miscellaneous Payables | 353.907 | 353.907 | - | - | - | - | 353.907 |
| Other Liabilities | 53.867 | 53.867 | - | - | - | - | 53.867 |
| Factoring Payables | - | - | - | - | - | - | - |
| Lease Payables | - | - | - | - | - | - | - |
| Derivative Financial Liabilities Held For Hedging | 53.975 | 53.975 | - | - | - | - | 53.975 |
| Provisions | 198.067 | 198.067 | - | - | - | - | 198.067 |
| Tax Liability | 69.598 | 69.598 | - | - | - | - | 69.598 |
| Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net) | - | - | - | - | - | - | - |
| Subordinated Loans | 1.140.582 | 1.140.582 | - | - | - | - | 1.140.582 |
| Shareholder's Equity | 1.512.475 | 1.512.475 | - | - | - | - | 1.512.475 |
| **Total Liabilities** | **18.754.698** | **18.754.698** | **-** | **311.097** | **-** | **105.634** | **18.443.601** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

| | | Total | Subject To Credit Risk | Subject to the Securitisation | Subject To Counterparty Credit Risk | Subject To Market Risk |
|---|---|---|---|---|---|---|
| 1 | Asset carrying value amount under scope of regulatory consolidation | **18.904.190** | 18.241.882 | - | 509.090 | 153.218 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation | **(416.731)** | - | - | (311.097) | (105.634) |
| 3 | Total net amount under regulatory scope of consolidation | **18.487.459** | 18.241.882 | - | 197.993 | 47.584 |
| 4 | Off-Balance Sheet Amounts | - | - | - | - | - |
| 5 | Differences in valuations | - | - | - | - | - |
| 6 | Differences due to different netting rules, other than those already included in row 2 | - | - | - | - | - |
| 7 | Differences due to consideration of provisions | - | - | - | - | - |
| 8 | Differences Resulted from the BRSA's Applications | **1.993.978** | 1.392.261 | - | 521.317 | 80.400 |
| 9 | Differences due to risk reduction | - | - | - | - | - |
| 10 | Risk Amounts | **20.481.437** | 19.634.143 | - | 719.310 | 127.984 |

#### 3. Disclosures on Differences between Amounts valued in accordance with TAS and Risk Exposures

There exists no difference between accounting and legal consolidation scopes of the Group.

Significant differences between amounts valued in accordance with TAS and Risk exposures source from securities and derivatives. Securities mentioned in repo transaction in financial assets held for trading and held for sale financial assets are designated in Money Markets Debts item. For derivative transactions, the Group has foreign exchange swap and interest swap products which are monitored under trading accounts and made for structural interest rate risk and liquidity risk management. Therefore, those products should not be considered in scope of market risk although they are monitored under trading accounts in accordance with TAS.

Valuation methodologies, including disclosure on using of market value and model value methodologies, performs valuation of financial assets of the Parent Bank tracked under trading accounts on a daily basis. Market prices, obtained from independent data providers, are kept in treasury system and valuations are made systemically.

Market values of products such as forward exchange, foreign exchange swaps and interest swaps traded in over the counter markets are calculated based on discounting of cash flows over market interest rates. Globally accepted valuation methodologies are used for option products.

The Parent Bank uses weighted average prices for securities trades in BIST for Turkish Lira securities portfolio while it uses prices in nature of indicator announced by Central Bank for securities not traded on BIST. Market average prices, obtained from independent data providers, are used for foreign currency securities.

The Parent Bank makes all calculations of fair values based on mid price.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

Description of independent price approval processes: The Parent Bank obtains market prices, which shall be used in valuation, from independent data providers and manages through checkpoints established independent from risk generating unit/departments. Valuation prices are determined through collection of data in treasury system for risk factors exposed at a pre-determined hour in each day. The aforementioned data is formed following an inquiry executed by Information Technologies without the interruption of any users. Prices, which shall be used in valuations, are controlled by Market Risk Department on a daily basis.

Besides, Market Risk Department controls and documents yield curves, valuation methods and accuracy of fair value calculations periodically.

Processes for valuations adjustments or differences: The Group does not make valuation adjustment since financial assets recognized at fair value are traded on an active market.

### d. Credit Risk Disclosures

### 1. General Qualitative Information on Credit Risk

### (i) Conversion of Bank's business model to components of credit risk profile

The Group has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments. The Group especially uses stress test and scenario analysis in order to measure effects of negative conditions on bank's portfolio and business strategy and risk appetite to the Group is considered while determining parameters for respective analysis.

### (ii) Criteria and approach used during the determination of credit risk policy and credit risk limits

The Group determines short, medium and long term credit strategies in line with business strategy and risk appetite and performs studies in line with criteria details in policies of credit policies and credit risk policies in order to minimize expected and unexpected losses exposed due to credit operations. Credit policies determines procedures related to crediting, monitoring, collection and administrative and legal proceedings based on prudent man and applicability principles. Besides, general framework of credit risk studies made in order to execute credit risk in an efficient manner which is requested by legal authorities. Therefore, Credit Risk Policy, forming top level framework of credit risk studies of the Group, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Group, credit strategy, risk appetite and credit policies and reviewed at least annually and updated, if required. Business strategy, risk appetite and retrospective portfolio realizations are taken into consideration while determining credit risk limits. On the other hand, methods such as stress test and reverse stress test are used during the determination of limit levels.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### (iii) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. In this context, first level of controls are detailed in credit policies and implementation principles. Internal rating systems are benefited as well as credit allocation processes in order to measure creditability of customers.

Credit risk studies in scope of capital adequacy are carried out by Credit Risk and Modelling Department within the body of Risk Management Group in the framework of Credit Risk Policy. Credit Risk Policy include activities related to credit risk management, credit risk management organization, related parties and their responsibilities and duties, main principles, implementations, limits and reporting determine in credit risk management.

Duties and responsibilities of Risk Management Group Credit Risk and Modelling Department with respect to credit risk management are as follows:

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,
- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

#### iv. Relation between credit risk management, risk control, legal compliance and internal audit functions

A triple layered control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Group. First level of controls are performed by executive units and include controls in entering into credit relation with customers having high level of creditability, credit allocation, crediting, repayment and monitoring phases. Second level of controls includes activities performed by Risk Management Group and Internal Control Centre and consist of definition, measurement, monitoring, reporting of risks and development of measures which shall reduce credit risk with executive departments. Third level of controls are performed by Supervisory Board. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

Internal Audit function is executed by Directorate of Supervisory Board at the Bank. In this context, evaluations with respect to credit risk are carried out by Directorate of Supervisory Board through taking risks exposed by the Parent Bank and related controls into account in the framework of annual audit plans. Assurance is provided on effectiveness and sufficiency of internal control and risk management strategies related to credit risk activity field executed towards strategies and objectives of the Group through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

Managers of Risk Management Group, Internal Control Centre, Compliance Department and Directorate of Supervisory Board inform members of Committee through holding Risk Coordination Committee on a two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third level of controls are examined in meetings for credit risk management and risk mitigation measures are reviewed. Those departments report to Board of Directors through Audit Committee and Board of Directors Risk Committee.

#### v. Disclosures regarding risk reporting processes provided to members of Board of Directors and senior management

Credit risk exposed by the Group is monitored periodically by Risk Management Group Credit Risk and Modelling Departments and results are shared with senior managers of ALCO, credit marketing and allocation on a weekly basis, with Board of Directors and Risk Coordination Committee on a monthly basis and with Board of Directors Risk Committee on a quarterly basis. The scope and main content of aforementioned reports consist of sector, segment, risk classes, internal rating grades, collateral concentration of credit portfolio; close monitoring and legal proceedings portfolios, ageing analysis, probability of default estimations calculated based on rating and scoring systems , foreign currency and maturity concentrations, capital adequacy, periodical comparisons and result of stress test and scenarios analysis.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 2. Credit quality of assets

| | | Gross carrying values of as per TAS | | Allowances/ impairments | Net values |
|---|---|---|---|---|---|
| | **Current Period** | **Defaulted exposures** | **Non-defaulted exposures** | | |
| 1 | Loans | 394.852 | 13.111.165 | 314.617 | 13.191.400 |
| 2 | Debt Securities | - | 444.427 | 1 | 444.426 |
| 3 | Off-balance sheet exposures | 21.806 | 2.574.379 | 6.564 | 2.589.621 |
| **4** | **Total** | **416.658** | **16.129.971** | **321.182** | **16.225.447** |

### 3. Changes in stock of defaulted loans and debt securities

| | | |
|---|---|---|
| **1** | **Defaulted loans and debt securities at the end of the previous reporting period** | **296.841** |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 161.820 |
| 3 | Returned to non-defaulted status | - |
| 4 | Amounts written off | - |
| 5 | Other changes | (42.003) |
| **6** | **Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)** | **416.658** |

### 4. Additional disclosures related to credit quality of assets:

**i. Scope and descriptions of "overdue" receivables and "provisioned" receivables which are used for accounting and differences between descriptions of "overdue" and "provisioned", if available.**

Receivables having a delay of more than 90 days are defined as "overdue receivables". There is no difference between "overdue receivable" and "provisioned" definitions since provision is made for the whole overdue receivables.

**ii. Part of overdue receivables (more than 90 days) which are not evaluated as "provisioned" and reasons for this application:**

None.

**iii. Descriptions of methods used while determining provision amounts:**

Specific provision amounts are determined in accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and collaterals are also based on rated mentioned in aforementioned Communique.

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### iv. Descriptions of restructured receivables:

Credits and other receivables can be restructured, through providing additional credit, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation").

### v. Breakdown of receivables according to geographical regions, sector and residual maturity:

Separation of receivables according to geographical area (cash and non-cash loans and follow-up receivables):

| | **31 December 2017** | **31 December 2017** | **31 December 2016** |
|---|---|---|---|
| **1** | Domestic | 15.387.029 | 12.644.245 |
| **2** | European Union Countries | 15.850 | 67.977 |
| **3** | OECD Countries ** | - | - |
| **4** | Off-shore Banking Regions | - | - |
| **5** | USA, Canada | 1.823 | - |
| **6** | Other Countries | 691 | 1.636 |
| **7** | Associates, Subsidiaries and Jointly Controlled Entities | - | - |
| **8** | Unallocated Assets / Liabilities*** | - | - |
| **9** | Total | **15.405.393** | **12.713.858** |

Breakdown of receivables by sector (Cash and non-cash loans and follow-up receivables):

| | **31 December 2017** | **31 December 2017** | **31 December 2016** |
|---|---|---|---|
| **1** | **Agriculture** | **45.857** | **55.372** |
| **2** | Farming and Stockbreeding | 40.799 | 39.496 |
| **3** | Forestry | 45 | 131 |
| **4** | Fishery | 5.013 | 15.745 |
| **5** | **Manufacturing** | **4.250.160** | **3.590.383** |
| **6** | Mining and Quarrying | 696.885 | 467.344 |
| **7** | Production | 2.861.350 | 2.574.029 |
| **8** | Electricity, Gas and Water | 691.925 | 549.010 |
| **9** | **Construction** | **4.289.802** | **3.991.816** |
| **10** | **Services** | **4.979.258** | **4.630.629** |
| **11** | Wholesale and Retail Trade | 1.523.026 | 1.675.677 |
| **12** | Accommodation and Dining | 1.164.710 | 898.931 |
| **13** | Transportation and Telecom | 574.441 | 432.357 |
| **14** | Financial Institutions | 1.092.728 | 961.480 |
| **15** | Real Estate and Rental Services | 535.828 | 555.574 |
| **16** | Professional Services | 13.391 | 17.080 |
| **17** | Educational Services | 24.601 | 15.698 |
| **18** | Health and Social Services | 50.533 | 73.832 |
| **19** | Other | 1.840.316 | 445.658 |
| **20** | **Total** | **15.405.393** | **12.713.858** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

Separate receivables according to remaining demand (cash and non-cash loans and follow-up receivables):

| | 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Undistributable | Total |
|---|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | | |
| **Cash and Non-cash loans** | 1.486.310 | 2.657.370 | 2.974.960 | 6.363.790 | 1.735.702 | 187.261 | **15.405.393** |
| **31 December 2016** | | | | | | | |
| **Cash and Non-cash loans** | 2.404.688 | 1.863.661 | 2.448.770 | 4.615.011 | 1.249.067 | 132.661 | **12.713.858** |

### vi. Amounts of receivables provisioned based on geographical regions and sector and amount written-off from assets through related provisions

Geographical and sectoral breakdowns of impaired and overdue receivables and provisions made for those receivables and value adjustments are shown below, and all amounts included in this table are domestic. As of 31 December 2017, the provision amount written-off from assets is null.

| | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| | | Non Performing Loans | Special Provisions | Non Performing Loans | Special Provisions |
| **1** | **Agriculture** | **6.885** | **5.730** | **11.166** | **4.065** |
| 2 | Farming and Stockbreeding | 6.263 | 5.132 | 10.578 | 3.477 |
| 3 | Forestry | 566 | 542 | 532 | 532 |
| 4 | Fishery | 56 | 56 | 56 | 56 |
| **5** | **Manufacturing** | **132.744** | **83.902** | **112.370** | **60.607** |
| 6 | Mining and Quarrying | 14.869 | 12.611 | 17.380 | 11.634 |
| 7 | Production | 117.678 | 71.094 | 94.793 | 48.874 |
| 8 | Electricity, Gas and Water | 197 | 197 | 197 | 99 |
| **9** | **Construction** | **91.765** | **32.632** | **39.752** | **23.590** |
| **10** | **Services** | **151.020** | **88.766** | **108.815** | **53.304** |
| 11 | Wholesale and Retail Trade | 124.300 | 80.185 | 90.784 | 47.561 |
| 12 | Accommodation and Dining | 6.279 | 2.779 | 3.404 | 762 |
| 13 | Transportation and Telecom | 9.008 | 2.173 | 3.083 | 1.602 |
| 14 | Financial Institutions | 1.267 | 172 | 15 | 15 |
| 15 | Real Estate and Rental Services | 1.177 | 496 | 1.492 | 513 |
| 16 | Professional Services | 827 | 827 | 2.120 | 639 |
| 17 | Educational Services | 4.932 | 1.237 | 4.978 | 1.285 |
| 18 | Health and Social Services | 3.230 | 897 | 2.939 | 927 |
| **19** | Other | **12.438** | **8.243** | **5.932** | **3.808** |
| **20** | **Total** | **394.852** | **219.273** | **278.035** | **145.374** |

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

### vii. Ageing analysis for overdue receivables.

Ageing analysis for overdue receivables are included in IV. Part II.b section.

### viii. Breakdown of restructured receivables based on being provisioned or not.

Specific and general provision are made for restructured receivables and free provision is made for miscellaneous risks, if required, in scope of Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

### e. Credit Risk Mitigation

### 1. Qualitative disclosure on credit risk mitigation techniques

Collaterals obtained as guarantees of credits are secondary repayment sources of credits. Therefore, it should be considered that market values of assets and commitments, obtained as collaterals, are measureable and whether they have a second hand market or not. Collaterals accepted by Groups are listed in Corporate Credit Policy and its annexes.

Collaterals, which should be received as a guarantee for each credits and credit collateral ratio with respect to those collaterals are determined during the allocation of credits. Related approval authority is authorized to determine a credit collateral ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential credit collateral rate is determined through considering maturity of the credit and price volatility of the asset.

Short term fluctuations in fair value of assets are not considered in evaluation of collaterals. Regular reviews of collaterals such as property and cheque whose change of value and translation to cash ability cannot be monitored simultaneously are made. Market value of properties received as collateral are reviewed in accordance with rules determined by BRSA and internal rules determined in related policies.

Insuring of collaterals against possible losses is preferred, when possible. Insurance of properties, vehicles and equipment, received as collateral, is compulsory as wells as its renewal as long as the credit risk of the insured continues.

In collateralized credit transactions, if it is established as a result of revaluations tests made on collaterals that there exist an impairment and therefore the collaterals received remained under credit collateral ratio, additional collateral should be received.

Establishment of Type of collateral guarantor in a versatility preventing concentration on collateral providers and geography, is one of the main principles.

The Group considers collaterals in its calculations for principal amount subject to credit risk in accordance with rules mentioned in Communique on Measurement and Evaluation of Bank's Capital Adequacy and its annexes and Communique on Risk Mitigation Techniques.

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 2. Credit risk mitigation techniques

| | | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|---|---|---|---|---|---|---|---|---|
| 1 | Loans | 7.272.179 | 5.919.221 | 4.603.242 | 1.247 | 1.247 | - | - |
| 2 | Debt Securities | 444.426 | - | - | - | - | - | - |
| 3 | **Total** | **7.716.605** | **5.919.221** | **4.603.242** | **1.247** | **1.247** | - | - |
| 4 | Of which defaulted | 193.085 | - | - | - | - | - | - |

### f. Credit Risk if the Standard Approach is used:

### 1. Qualitative Disclosures which shall be made related to Rating Grades used in the calculation of Credit Risk with Standard Approach by Banks:

**Credit Risk if the Standard Approach is used:**

Fitch Grades are used in credit risk standard approach calculations by the group.

Fitch Rating Grades are taken into account by risk receivables from centralized administrations or from central banks and by foreign banks or by the financial institutions receivables portfolio.

Fitch Marks assigned to a debtor is taken into account for all assets of the debtor, no exception is made for a significant category of assets.

CRA's which are not included in the twinning table of the institution, are not used.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|---|---|---|---|---|---|---|
| | **On-balance sheet amount** | **Off-balance sheet amount** | **On-balance sheet amount** | **On-balance sheet amount** | **Off-balance sheet amount** | **RWA** | **RWA density** |
| 1 | Exposures to central governments or central banks | 2.420.365 | - | 3.537.131 | - | 437.223 | 12,4% |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | - | - |
| 3 | Receivables from administrative units and non-commercial enterprises | 272 | 63 | 272 | 13 | 285 | 99,9% |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5 | Receivables from international organizations | - | - | - | - | - | - |
| 6 | Exposures to institutions | 211.711 | 73.348 | 211.713 | 47.573 | 104.641 | 40,4% |
| 7 | Exposures to corporates | 9.315.975 | 2.086.794 | 8.526.353 | 1.176.526 | 9.282.487 | 95,7% |
| 8 | Retail exposures | 582.901 | 133.173 | 541.500 | 46.558 | 428.363 | 72,8% |
| 9 | Exposures secured by residential property | 690.450 | 36.490 | 644.959 | 13.847 | 230.441 | 35,0% |
| 10 | Exposures secured by commercial real estate | 4.426.745 | 36.523 | 4.224.452 | 16.017 | 2.878.394 | 67,9% |
| 11 | Past-due loans | 175.579 | - | 175.579 | - | 179.081 | 102,0% |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - |
| 13 | Mortgage-backed securities | - | - | - | - | - | - |
| 14 | Short-term receivables from banks and intermediary institutions and short-term corporate receivables | - | - | - | - | - | - |
| 15 | Investments in the nature of collective investment enterprise | - | - | - | - | - | - |
| 16 | Other receivables | 417.884 | 228.947 | 413.863 | 57.787 | 419.585 | 89,0% |
| 17 | Equity Invesment | - | - | - | - | - | - |
| 18 | **Total** | **18.241.882** | **2.595.338** | **18.275.822** | **1.358.321** | **13.960.500** | 71,1% |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

### 3. Exposures by asset classes and risk weights

| | Asset classes/ Risk weight | 0% | 10% | 20% | Guaranteed by 35% Real Estate Fund | 50% | 75% | 100% | 150% | 200% | Total credit risk exposure amount (after CCF and CRM) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Exposures to central governments or central banks | 3.099.908 | - | - | - | - | - | 437.223 | - | - | 3.537.131 |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | - | - | - | - | - | - |
| 3 | Exposures to public sector entities | - | - | - | - | - | - | 285 | - | - | 285 |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5 | Receivables from international organizations | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to institutions | 1 | - | 157.550 | - | 57.209 | - | 44.526 | - | - | 259.286 |
| 7 | Exposures to corporates | 104.245 | - | 227.422 | - | 274.384 | - | 9.090.861 | 5.967 | - | 9.702.879 |
| 8 | Retail exposures | 12.910 | - | 5.199 | - | 555 | 569.394 | - | - | - | 588.058 |
| 9 | Exposures secured by residential property | 403 | - | 4 | 658.399 | - | - | - | - | - | 658.806 |
| 10 | Exposures secured by commercial real estate | 13.665 | - | 535 | - | 2.695.962 | - | 1.530.307 | - | - | 4.240.469 |
| 11 | Past-due loans | 1 | - | - | - | 27.679 | - | 113.218 | 34.681 | - | 175.579 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | - | - | - |
| 13 | Mortgage-backed securities | - | - | - | - | - | - | - | - | - | - |
| 14 | Short-term receivables from banks and intermediary institutions and short-term corporate receivables | - | - | - | - | - | - | - | - | - | - |
| 15 | Investments in the nature of collective investment enterprise | - | - | - | - | - | - | - | - | - | - |
| 16 | Investments in equities | - | - | - | - | - | - | - | - | - | - |
| 17 | Other receivables | 52.065 | - | - | - | - | - | 419.585 | - | - | 471.650 |
| 18 | **Total** | **3.283.198** | **-** | **390.710** | **658.399** | **3.055.789** | **569.394** | **11.636.005** | **40.648** | **-** | **19.634.143** |

## g. Disclosures regarding Counterparty Credit Risk

### 1. Qualitative Disclosures on Counterparty Credit Risk

#### i. Objectives and policies of risk management with respect to CCR,

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope. The Group ensures timely and accurate briefing for senior management and related departments (ALCO and Capital Markets, Treasury Sales, Credit Tracking and Credit Collection Departments and Chairman of Risk Management Group, Marketing, Credits and Treasury, Deputy General Managers responsible for Capital Markets and Financial Institutions) and assignment of appropriate staff for measurement and monitoring for the purpose of an effective counterparty credit risk management. Senior Management is responsible for understanding significance and level of counterparty credit risk taken by the Group.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 1. Qualitative Disclosures on Counterparty Credit Risk (Continued):

The Group allocates limits approved on the basis of customer and approved in different level of authorization in order to manage counterparty credit risk. Those limits are determined in a way including risk, which shall be taken, instrument and maturity information and periodically reviewed.

Activities, job definitions and responsibilities related to management, measurement, monitoring and reporting of counterparty credit risk are determined through policies and procedures. Counterparty credit risks can be simultaneously controlled on treasury system and early warning limit excess mechanisms are triggered if the use of limits are over 80%.

The Parent Bank uses mark-to-market approach in order to measure counterparty credit risk and therefore, determines coefficients (add-on) used in order to add current market value through multiplying nominal amount of transaction for the purpose of establishing the risk exposed by counterparty until the maturity. Aforementioned coefficients are calculated based on market data obtained from independent data providers and it is principal that aforementioned coefficients should be lower than coefficients determined in Part 3 of Annex -2 of Communique on Measurement and Evaluation of Bank's Capital Adequacy prepared by BRSA and coefficients used in legal capital calculations. Market Risk Department reviews add-on coefficients with updated market data periodically reserving its right to update add-on coefficients more frequently if the volatility increases.

Besides, senior management is periodically supported with stress tests for business lines, Treasury and Credit Allocation decision making processes.

### ii. Operational limit allocation method determined in scope of calculated internal capital for CCR and central counterparty risk

The Group assigns limits mentioned in transactions causing counterparty credit risk and central counterparty credit risk in accordance with principles determined in credit policies. It is principal to select customers having a high creditability and sufficient collateral conditions. Therefore, compliance of off-balance sheet transactions subject to CCR to in-balance sheet position of the customer in addition to creditability and collateral conditions of the customer, should be especially considered while allocating limits of the customer subject to such risks. Exchange rate and maturity compliance of in/off balance sheet transactions of the Customer and the customer having a foreign currency income reducing foreign currency risk to a minimum level are other important components which are considered while allocating aforementioned limits. The Group should be careful in not allocating high level of leverage and/or long term off balance sheet transaction limits.

The Parent Bank performs its treasury limit allocation in line with its Financial Institutions Credit Allocation Policy for those whose counterparty is a financial institution.

Daily Exchange Limit, Total Lending Limits, Issuer limit, Limit before Exchange and Total nominal limit are allocated for financial institutions.

A limit before exchange is allocated for customers apart from financial institutions.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**1. Qualitative Disclosures on Counterparty Credit Risk (Continued):**

The Group is not exposed to central counterparty credit risk on non-consolidated basis.

If it is on consolidation basis, there is a minimal central counterparty risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Commercial risks and capital requirements are calculated for central counterparty risk and amounts of guarantee fund respectively.

**iii. Policies towards determination of Guarantee and other risk mitigations and CCR including central counterparty risk,**

International Swaps and Derivatives Association (ISDA), Credit Support Annex (CSA) and/or Global Master Repurchase Agreement (GMRA), which have international validity, are concluded in counterparty credit risk management with respect to financial institutions and collateral management process is operated on a daily basis.

Collateralization principles and procedures within the framework of credit policies applied at Group for companies apart from financial institutions and individuals.

**iv. Rules with respect to Counter-trend risk**

The Parent Bank uses results of counterparty stress test performed periodically related to counter-trend risk and evaluates impact of deterioration in macro-economic conditions on credit risk of the customer.

**v. Amount of additional collateralization, which have to be provided by the Bank if there exist a decline in credit rating grade.**

There exists no additional collateral amount, which have to be provided by the Group if there exist a decline in credit rating grade.

**2. Assessment of Counterparty Credit Risk according to the models of measurement**

| | | Revaluation Cost | Potential credit risk exposure | EEPE | Alpha used for computing regulatory EAD | Exposure after credit risk mitigation | Risk Weighted Amounts |
|---|---|---|---|---|---|---|---|
| 1 | Standart Approach-CCR | - | - | | - | - | - |
| 2 | Internal Model Approach | | | - | - | - | - |
| 3 | Simplified Standardised Approach for Credit Risk Mitigation | | | | | 719.310 | 367.260 |
| 4 | Comprehensive Method for Credit Risk Mitigation | | | | | - | - |
| 5 | Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions | | | | | - | - |
| **6** | **Total** | | | | | | - |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 3. Credit valuation adjustment (CVA) capital charge

| | | Exposure (After credit risk mitigation methods) | Risk Weighted Amounts |
|---|---|---|---|
| | Total portfolio value with comprehensive approach CVA capital adequacy | | |
| 1 | (i) Value at risk component (including 3*multiplier) | | |
| 2 | (ii) Stressed Value at Risk (including 3*multiplier) | | |
| 3 | All portfolios subject to Standardised CVA capital obligation | 719.310 | 90.908 |
| 4 | **Total amount of CVA capital adequacy** | **719.310** | **90.908** |

### 4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

| **Risk Weights** | **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **Other** | **Total credit risk** |
|---|---|---|---|---|---|---|---|---|---|
| Risk Classes | | | | | | | | | |
| Central governments and central banks receivables | | | | | | | | | |
| Local governments and municipalities receivables | - | - | - | - | - | 2.074 | - | - | 2.074 |
| Administrative and non commercial receivables | - | - | - | - | - | - | - | - | - |
| Multilateral Development Bank receivables | - | - | - | - | - | - | - | - | - |
| Receivables from international organizations | - | - | - | - | - | - | - | - | - |
| Banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - |
| Corporate receivables | 217.407 | - | 87.725 | 310.342 | - | 470 | - | - | 615.944 |
| Retail receivables | 1.731 | - | - | - | - | 98.962 | - | - | 100.693 |
| Mortgage receivables | - | - | - | - | 599 | - | - | - | 599 |
| Past-due loans | - | - | - | - | - | - | - | - | - |
| Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | - | - |
| Mortgage- backed securities | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables | - | - | - | - | - | - | - | - | - |
| Investments in nature of collective investment enterprise | - | - | - | - | - | - | - | - | - |
| Investments in equities | - | - | - | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - |
| **Total** | **219.138** | **-** | **87.725** | **310.342** | **599** | **101.506** | **-** | **-** | **719.310** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### 5. Composition of collateral for CCR exposure

| | **Collaterals for Derivatives Transactions** | | | | **Collaterals or Other Transactions** | |
|---|---|---|---|---|---|---|
| | **Collaterals Taken** | | **Collaterals Given** | | **Collaterals Taken** | **Collaterals Given** |
| | **Segregated** | **Unsegregated** | **Segregated** | **Unsegregated** | | |
| Cash - Local Currency | - | - | - | - | 20.256 | - |
| Cash - Foreign Currency | - | - | - | - | 198.882 | - |
| Government Bonds-Domestic | - | - | - | - | - | - |
| Government Bonds-Other | - | - | - | - | - | - |
| Public Institution Bonds | - | - | - | - | - | - |
| Corporate Bonds | - | - | - | - | - | - |
| Share Certificate | - | - | - | - | - | - |
| Other Guarantees | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **219.138** | **-** |

**6. Credit derivatives:** None.

**7. Risks to Central Counterparty:**

| | | **Exposure at default (post-CRM)** | **RWA** |
|---|---|---|---|
| 1 | Exposure to Qualified Central Counterparties (QCCPs) (total) | - | 1.681 |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| 3 | (i) OTC Derivatives | - | - |
| 4 | (ii) Exchange-traded Derivatives | - | - |
| 5 | (iii) Repo-Reverse Repo transactions, creditable marketable securitiy transactions and securities and commodities lending or borrowing transactions | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 7 | Segregated initial margin | - | - |
| 8 | Non-segregated initial margin | - | - |
| 9 | Pre-funded default fund contributions | - | - |
| 10 | Unfunded default fund contributions | - | - |
| 11 | Exposures to non-QCCPs (total) | - | - |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which ) | - | - |
| 13 | (i) OTC Derivatives | - | - |
| 14 | (ii) Exchange-traded Derivatives | - | - |
| 15 | (iii) Repo-Reverse Repo transactions, creditable marketable securitiy transactions and securities and commodities lending or borrowing transactions | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 17 | Segregated initial margin | - | - |
| 18 | Non-segregated initial margin | - | - |
| 19 | Pre-funded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

**h. Securitization disclosures:** None.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**j. Disclosures on Market Risk**

**1. Qualitative information which shall be disclosed to public related to market risk**

**i.** The Group defines market risk as the potential financial loss which may occur as a result of fluctuations in capital markets. The aforementioned loss can occur due to fluctuations on share prices, interest rates, commodity prices and exchange rate.

The purpose of controlling and observance on market risk is to control and monitor impacts of markets risks on gain and economic value. In a more detail expression, the purpose of market risk control and audit is to protect Group from unexpected market losses and to establish transparent, objective and consistent market risk information which shall form a basis for decision making process.

Market Risk exposed by the Parent Bank is managed by Treasury, Capital Markets and Financial Institutions. The Parent Bank limits the market risk which shall be exposed for different risk factors in the framework of risk appetite. The framework of the limit and tracking method is determined with Treasury Risk Parameters document approved by Board of Directors and limits are reviews at least on an annual basis.

**ii.** Management of market risk is under responsibility of Treasury, Capital Markets and Financial Markets, which generate risk at primary level. Secondary degree controls are provided through independent risk management and internal control functions. Treasury Internal Control Department is established under Market Risk Department and Directorate of Internal Control Centre which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Group.

Third level of controls are made through audits of treasury processes and market risk management made periodically by Directorate of Supervisory Board. The audits in question reviews compliance of market risk management to BRSA regulations related to market risk and policy and procedures of Group and Bank, monitoring of limit usages and reporting related to limit excesses and market risk.

**iii.** The Parent Bank uses Historical Simulation Method as internal method in order to digitize value at market risk. Unilateral 99% trust range, historical data belonging to working days in past two years and 10 days of holding period are taken into consideration in the calculation. The Parent Bank also calculates stress risk at value on a daily basis.

Treasury Risk Parameters are monitored by Market Risk Department during the day and at the end of day and use of limits and related other analysis are reported to ALCO, Risk Committee, Audit Committee, Risk Coordination Committee and Board of Directors.

Early warning levels for limit usage are determined and the way, which shall be applied in case of an early warning or final limit excess, is stated clearly in Treasury Risk Parameters.

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate, option vega limits and loss limits determined for trading portfolio.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Countinued)

## III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

### j. Disclosures on Market Risk (Continued):

#### 2. Market risk under standardised approach

| | | RWA |
|---|---|---|
| | Outright products | |
| 1 | Interest rate risk (general and specific) | 77.866 |
| 2 | Equity risk (general and specific) | - |
| 3 | Foreign exchange risk | 49.791 |
| 4 | Commodity risk | - |
| | Options | |
| 5 | Simplified approach | - |
| 6 | Delta-plus method | 327 |
| 7 | Scenario approach | - |
| 8 | Securitisation | - |
| **9** | **Total** | **127.984** |

## IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Approach" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28 June 2012. The operational risk capital requirement dated 31 December 2017 has been calculated using the income in 2014, 2015 and 2016.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities tracked in available for sale and held to maturity securities accounts and extraordinary income, activity expenses made in return for support service and amounts compensated from insurance from total of net amount of interest revenues and non-interest revenues.

| | 2 Prior Period | 1 Prior Period | Current Period value | Total / Total number of years for which gross | Rate (%) | Total |
|---|---|---|---|---|---|---|
| **Gross Income** | 52.508 | 68.534 | 74.835 | 3 | 15 | **65.292** |
| **Amount subject to operational risk (Total*12,5)** | - | - | - | - | - | **816.153** |

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in "Net Foreign Currency Position" (cross currency risk).

A series of limits for the tenure of spot and forward foreign exchange positions is set in the risk parameters section of the budget approved by the Board of Directors annually. There is a conservative foreign currency position management policy in the Group due to the free floating currency regime.

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

| | EUR | | USD | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| **31 December 2017 / 31 December 2016** | | | | |
| **Bid rate** | **TL 4,5155** | **TL 3,7099** | **TL 3,7719** | **TL 3,5192** |
| 1. Day bid rate | TL 4,5155 | TL 3,7099 | TL 3,7719 | TL 3,5192 |
| 2. Day bid rate | TL 4,5478 | TL 3,6939 | TL 3,8104 | TL 3,5318 |
| 3. Day bid rate | TL 4,5385 | TL 3,6901 | TL 3,8197 | TL 3,5329 |
| 4. Day bid rate | TL 4,5116 | TL 3,6711 | TL 3,8029 | TL 3,5135 |
| 5. Day bid rate | TL 4,5205 | TL 3,6639 | TL 3,8087 | TL 3,5041 |

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

| | EUR | | USD | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| Arithmetic average-30 days | TL 4,5508 | TL 3,6848 | TL 3,8440 | TL 3,4950 |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

### Information on currency risk of the Group:

The Group's real foreign currency position, both in financial and economic terms, is presented in the table below:

| | Euro | USD | Other FC | Total |
|---|---|---|---|---|
| **31 December 2017** | | | | |
| **Assets** | | | | |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey | 12.909 | 978.284 | 1.709 | 992.902 |
| Due From Banks | 11.275 | 152.607 | 4.671 | 168.553 |
| Financial Assets at Fair Value Through Profit or Loss (*) | 34.803 | 8.017 | 9.907 | 52.727 |
| Interbank Money Market Placements | - | - | - | - |
| Available-for-sale Financial Assets | - | 95.695 | - | 95.695 |
| Loans (*) | 5.311.303 | 2.954.196 | - | 8.265.499 |
| Investments in Associates, Subsidiaries and Joint Ventures | - | - | - | - |
| Held-to-Maturity Investments | - | 171.218 | - | 171.218 |
| Hedging Derivative Financial Assets (*) | 165 | 10.581 | - | 10.746 |
| Tangible Assets | - | 1.346 | - | 1.346 |
| Intangible Assets | - | 871 | - | 871 |
| Other Assets | 1.104.317 | 578.523 | 2.643 | 1.685.483 |
| **Total Assets** | **6.474.772** | **4.951.338** | **18.930** | **11.445.040** |
| | | | | |
| **Liabilities** | | | | |
| Bank Deposits | 851.586 | 4.327.625 | 111.345 | 5.290.556 |
| Foreign Currency Deposits | - | 198.953 | - | 198.953 |
| Funds From Interbank Money Market | 1.569.539 | 5.447.999 | 1 | 7.017.539 |
| Funds Borrowed From Other Financial Institutions | - | - | - | - |
| Marketable Securities Issued | 177.893 | 121.223 | 265 | 299.381 |
| Miscellaneous Payables | 1.127 | 12.039 | 2 | 13.168 |
| Hedging Derivative Financial Liabilities | 11.804 | 18.757 | 9.965 | 40.526 |
| Other Liabilities (*) | 333 | 92.833 | 5 | 93.171 |
| **Total Liabilities** | **2.612.282** | **10.219.429** | **121.583** | **12.953.294** |
| | | | | |
| **Net On-balance Sheet Position** | **3.862.490** | **(5.268.091)** | **(102.653)** | **(1.508.254)** |
| **Net Off-balance Sheet Position** | **(3.830.308)** | **5.289.780** | **100.381** | **1.559.853** |
| Financial Derivative Assets | 988.000 | 8.162.761 | 457.352 | 9.608.113 |
| Financial Derivative Liabilities | 4.818.308 | 2.872.981 | 356.971 | 8.048.260 |
| **Non-Cash Loans (**)** | **587.467** | **708.298** | **63.371** | **1.359.136** |
| | | | | |
| **31 December 2016** | | | | |
| Total Assets (*) | 4.464.722 | 5.354.383 | 16.732 | 9.835.837 |
| Total Liabilities (*) | 3.064.516 | 7.070.203 | 97.715 | 10.232.434 |
| **Net On-balance Sheet Position** | **1.400.206** | **(1.715.820)** | **(80.983)** | **(396.597)** |
| **Net Off-balance Sheet Position** | **(1.357.925)** | **1.558.575** | **81.299** | **281.949** |
| Financial Derivative Assets | 1.041.496 | 3.546.093 | 153.515 | 4.741.104 |
| Financial Derivative Liabilities | 2.399.421 | 1.987.518 | 72.216 | 4.459.155 |
| **Non-Cash Loans (**)** | **464.496** | **736.527** | **46.516** | **1.247.539** |

(*) The above table shows the Bank's foreign currency net position based on main currencies. Foreign currency indexed asset are expressed in Turkish Lira rather than foreign currencies in the financial statements according to the Uniform Chart of Accounts. Therefore, foreign currency indexed loans amounting to TL 831.039 (31 December 2016: TL 878.488) are classified as Turkish Lira assets in the 31 December 2017 financial statements and are added to the table above, also there are no foreign currency indexed loans received in the current period (31 December 2016: None). Furthermore, in assets "Income Accruals of Derivative Financial Instruments" amounting to TL 21.351 (31 December 2016: TL 3.769), in liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 54.410 (31 December 2016: TL 9.622), "General Provisions" amounting to TL 64.850 (31 December 2016: TL 53.785), free provisions amounting to TL 23.997 (31 December 2016: TL 19.721) and "Marketable Securities Valuation Reserve" with "Hedging Derivative Financils" amounting to TL 6.230 (31 December 2016: TL (5.014)) are not included in the table above.
(**) Non cash loans are not included in the total of "Net Off-Balance Sheet Position".

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

**Currency risk sensitivity analysis:**

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of December 31, 2017 and 2016, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Income Statement | | Equity (*) | | Income Statement | | Equity (*) | |
| | %10 increase | %10 decrease | %10 increase | %10 decrease | %10 increase | %10 decrease | %10 increase | %10 decrease |
| USD | 2.169 | (2.169) | 2.792 | (2.792) | (15.725) | 15.725 | (16.226) | 16.226 |
| EUR | 3.218 | (3.218) | 3.218 | (3.218) | 4.228 | (4.228) | 4.228 | (4.228) |
| Other currency units | (227) | 227 | (227) | 227 | 32 | (32) | 32 | (32) |
| **Total, net** | **5.160** | **(5.160)** | **5.783** | **(5.783)** | **(11.465)** | **11.465** | **(11.966)** | **11.966** |

(*) Equity effect also includes income table effects.

## VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK:

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Group's interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

The Group closely monitors the maturity gap between liabilities and assets that may arise in the balance sheet to manage the interest rate risk better. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders' equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

### a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates (As for the remaining time to repricing):

| 31 December 2017 | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Year | 5 Year and Over | Non Interest Bearing | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey | 1.975.239 | - | - | - | - | 52.101 | **2.027.340** |
| Due From Banks | 145.331 | - | - | - | - | 23.398 | **168.729** |
| Financial Assets at Fair Value Through Profit/Loss (*) | 29.336 | 111.647 | 227.327 | 41.246 | 3.683 | - | **413.239** |
| Interbank Money Market Placements | 11.000 | - | - | - | - | - | **11.000** |
| Available-for-Sale Financial Assets | 220 | 91.181 | - | 122.732 | 53.519 | 8.943 | **276.595** |
| Loans | 4.753.935 | 2.727.799 | 3.177.468 | 2.379.633 | 66.897 | 181.012 | **13.286.744** |
| Held-to-Maturity Investments | - | - | - | 171.218 | - | - | **171.218** |
| Other Assets | 99.890 | 81.318 | 352.631 | 1.162.344 | 275.695 | 427.955 | **2.399.833** |
| **Total Assets** | **7.014.951** | **3.011.945** | **3.757.426** | **3.877.173** | **399.794** | **693.409** | **18.754.698** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Bank Deposits | 86.846 | - | - | - | - | 6.643 | **93.489** |
| Other Deposits | 5.563.222 | 2.182.603 | 712.796 | 54 | - | 320.307 | **8.778.982** |
| Funds From Interbank Money Market | 135.234 | 120.982 | - | - | - | - | **256.216** |
| Miscellaneous Payables | - | - | - | - | - | 353.907 | **353.907** |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed From Other Financial Institutions | 2.258.217 | 3.139.725 | 1.792.189 | 33.213 | - | - | **7.223.344** |
| Other Liabilities (*)(**) | 53.611 | 62.745 | 29.737 | 68.546 | 114 | 1.834.007 | **2.048.760** |
| **Total Liabilities** | **8.097.130** | **5.506.055** | **2.534.722** | **101.813** | **114** | **2.514.864** | **18.754.698** |
| | | | | | | | |
| **Balance Sheet Long Position** | - | - | **1.222.704** | **3.775.360** | **399.680** | - | **5.397.744** |
| **Balance Sheet Short Position** | **(1.082.179)** | **(2.494.110)** | - | - | - | **(1.821.455)** | **(5.397.744)** |
| Off-balance Sheet Long Position | 487.564 | 929.592 | 747.727 | - | - | - | **2.164.883** |
| Off-balance Sheet Short Position | - | - | - | (1.991.199) | - | - | **(1.991.199)** |
| **Total Position** | **(594.615)** | **(1.564.518)** | **1.970.431** | **1.784.161** | **399.680** | **(1.821.455)** | **173.684** |

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 269.300 and other liabilities includes hedging derivative financial liabilities amounting to TL 53.975 classified to a related re-pricing periods.
(**) Shareholders' Equity is presented in Non Interest Bearing column.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

| 31 December 2016 | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Year | 5 Year and Over | Non Interest Bearing | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey | 1.095.882 | - | - | - | - | 222.984 | 1.318.866 |
| Due From Banks | 259.365 | 59.995 | - | - | - | 18.748 | 338.108 |
| Financial Assets at Fair Value Through Profit/Loss | 44.644 | 100.055 | 154.126 | 12.317 | 9.247 | - | 320.389 |
| Interbank Money Market Placements | 17.110 | - | - | - | - | - | 17.110 |
| Available-for-Sale Financial Assets | 63.505 | 120.012 | 59.919 | 191.684 | 92.465 | 11.570 | 539.155 |
| Loans | 5.460.313 | 1.485.440 | 1.710.650 | 1.805.466 | 137.091 | 132.662 | 10.731.622 |
| Held-to-Maturity Investments | - | - | - | 74.975 | 86.632 | - | 161.607 |
| Other Assets | 54.382 | 58.533 | 248.033 | 856.893 | 91.883 | 357.564 | 1.667.288 |
| **Total Assets** | **6.995.201** | **1.824.035** | **2.172.728** | **2.941.335** | **417.318** | **743.528** | **15.094.145** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Bank Deposits | 50.023 | - | - | - | - | 6.772 | 56.795 |
| Other Deposits | 5.144.462 | 2.167.616 | 424.968 | 280 | - | 454.548 | 8.191.874 |
| Funds From Interbank Money Market | 311.883 | 112.877 | 71.288 | - | - | - | 496.048 |
| Miscellaneous Payables | - | - | - | - | - | 259.443 | 259.443 |
| Marketable Securities Issued | - | 49.288 | - | - | - | - | 49.288 |
| Funds Borrowed From Other Financial Institutions | 521.864 | 3.240.198 | 738.845 | 2.679 | - | - | 4.503.586 |
| Other Liabilities (*) | 77.546 | 28.815 | 32.335 | 40.056 | 1.545 | 1.356.814 | 1.537.111 |
| **Total Liabilities** | **6.105.778** | **5.598.794** | **1.267.436** | **43.015** | **1.545** | **2.077.577** | **15.094.145** |
| | | | | | | | |
| **Balance Sheet Long Position** | **889.423** | **-** | **905.292** | **2.898.320** | **415.773** | **-** | **5.108.808** |
| **Balance Sheet Short Position** | **-** | **(3.774.759)** | **-** | **-** | **-** | **(1.334.049)** | **(5.108.808)** |
| Off-balance Sheet Long Position | 472.094 | 530.325 | 581.813 | - | - | - | **1.584.232** |
| Off-balance Sheet Short Position | - | - | - | (1.436.608) | (52.217) | - | **(1.488.825)** |
| **Total Position** | **1.361.517** | **(3.244.434)** | **1.487.105** | **1.461.712** | **363.556** | **(1.334.049)** | **95.407** |

(*) Shareholders' Equity is presented in Non Interest Bearing column.

### Interest rate sensitivity analysis :

| **Change in interest rate 31 December 2017** | **Profit/ Loss Effect** | **Effect on funds under equity** |
|---|---|---|
| **(+) %1** | **(18.865)** | **(15.305)** |
| **(- ) %1** | **19.843** | **15.305** |

| **Change in interest rate 31 December 2016** | **Profit/ Loss Effect** | **Effect on funds under equity** |
|---|---|---|
| **(+) %1** | **(892)** | **(14.022)** |
| **(- ) %1** | **953** | **14.022** |

In the above study, the effects of (+) 1% and (-) 1% change in interest rates on "capital back-up" items under period profit / loss and equity are shown excluding tax effects.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

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

Below the average interest rates are calculated by weighting the simple rates with their principals.

| **31 December 2017** | **EUR** | **USD** | **Yen** | **TL** |
|---|---|---|---|---|
| **Assets** | **%** | **%** | **%** | **%** |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | - | 1,50 | - | 4,00 |
| Due From Banks | - | 1,42 | - | - |
| Financial Assets at Fair Value Through Profit/Loss | 4,31 | 5,13 | - | 10,29 |
| Interbank Money Market Placements | - | - | - | - |
| Available-for-Sale Financial Assets | - | 5,32 | - | 10,19 |
| Loans | 5,15 | 6,44 | - | 16,38 |
| Held-to-Maturity Investments | - | 5,96 | - | - |
| | | | | |
| **Liabilities** | | | | |
| Bank Deposits | - | 1,41 | - | - |
| Other Deposits (*) | 1,73 | 3,97 | - | 14,08 |
| Funds From Interbank Money Market | - | 2,61 | - | 11,29 |
| Miscellaneous Payables | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Borrowed From Other Financial Institutions | 2,25 | 3,89 | - | 13,24 |

(*) Demand deposits are included in the calculation of the weighted average interest rates.

| **31 December 2016** | **EUR** | **USD** | **Yen** | **TL** |
|---|---|---|---|---|
| **Assets** | **%** | **%** | **%** | **%** |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | - | 0,75 | - | 3,31 |
| Due From Banks | 0,01 | 0,55 | - | 11,29 |
| Financial Assets at Fair Value Through Profit/Loss | 4,79 | 7,90 | - | 8,82 |
| Interbank Money Market Placements | - | - | - | - |
| Available-for-Sale Financial Assets | - | 5,39 | - | 9,23 |
| Loans | 4,92 | 6,20 | - | 15,13 |
| Held-to-Maturity Investments | - | 5,96 | - | - |
| | | | | |
| **Liabilities** | | | | |
| Bank Deposits | - | - | - | 8,16 |
| Other Deposits (*) | 1,97 | 3,31 | - | 11,01 |
| Funds From Interbank Money Market | - | 2,27 | - | 8,27 |
| Miscellaneous Payables | - | - | - | 11,25 |
| Marketable Securities Issued | - | - | - | 13,69 |
| Funds Borrowed From Other Financial Institutions | 1,99 | 3,59 | - | 9,47 |

(*) Demand deposits are included in the calculation of the weighted average interest rates.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

### c. Interest rate risk resulting from banking accounts:

1. The measurement frequency of the interest rate risk with important estimations including those relating to the quality of the interest rate resulting from banking accounts, advance loan repayment and movements of deposits other than time deposits is explained by the following:

   Interest rate risk resulting from the banking accounts is measured according to the month-end balance in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011.

   Interest sensitive items are taken into consideration in accordance with the re-pricing period and depending on the estimated cash flows. Demand deposits are taken into account based on the core deposit calculations. The change calculated by implementing interest rate shocks on the differences created in accordance with the re-pricing periods of the assets and liabilities in the banking accounts is proportioned to the equities.

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

| Currency | Applied Shock (+/- x basis point) | Earnings/ Losses | Earnings/ Equities-Losses/ Equities |
|---|---|---|---|
| 1. TRY | +500 bp | (107.200) | (4,0)% |
| 2. TRY | -400 bp | 99.108 | 3,7% |
| 3. EURO | +200 bp | (17.891) | (0,7)% |
| 4. EURO | -200 bp | (1.882) | (0,1)% |
| 5. USD | +200 bp | (15.762) | (0,6)% |
| 6. USD | -200 bp | 17.623 | 0,7% |
| **Total (For Negative Shocks)** | | **114.849** | **4,3%** |
| **Total (For Positive Shocks)** | | **(140.853)** | **(5,3)%** |

## VII. EXPLANATIONS ON THE CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO:

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the bank. Board of directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Parent Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Parent Bank is determined with "Burgan Bank Risk Management Policy" and "Burgan Bank Liquidity Risk Policy" documents approved by Bank's Board of Directors and "Burgan Bank Risk Management Policy" and "Burgan Bank Treasury Policy" and "Burgan Bank Assets & Liabilities Management Committee (ALCO)" in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Parent Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Parent Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank's total liabilities) are managed under the control of Treasury and Capital Markets.

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank's Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank's policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):**

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress test is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Parent Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Parent Bank.

The Parent Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

### Liquidity Coverage Ratio:

| | | Unweighted Amounts (*) | | Weighted Amounts (*) | |
|---|---|---|---|---|---|
| **31 December 2017** | | **TL+FC** | **FC** | **TL+FC** | **FC** |
| **HIGH QUALITY LIQUID ASSETS** | | | | | |
| **1** | High Quality Liquid Assets | - | - | **2.047.365** | **1.377.625** |
| **CASH OUTFLOWS** | | | | | |
| **2** | Retail and Small Business Customers Deposits | **5.793.393** | **2.964.383** | **553.623** | **296.438** |
| **3** | Stable deposits | 514.333 | - | 25.717 | - |
| **4** | Less stable deposits | 5.279.060 | 2.964.383 | 527.906 | 296.438 |
| **5** | Unsecured Funding other than Retail and Small Business Customers Deposits | **2.631.244** | **1.834.271** | **1.451.772** | **896.376** |
| **6** | Operational deposits | 844.191 | 738.315 | 211.048 | 184.579 |
| **7** | Non-Operational Deposits | 1.158.499 | 846.445 | 612.587 | 462.286 |
| **8** | Other Unsecured Funding | 628.554 | 249.511 | 628.137 | 249.511 |
| **9** | Secured funding | - | - | - | - |
| **10** | Other Cash Outflows | **64.720** | **57.474** | **64.720** | **57.474** |
| **11** | Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 64.720 | 57.474 | 64.720 | 57.474 |
| **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 | 2.503.898 | 1.497.236 | 300.807 | 180.239 |
| **16** | **TOTAL CASH OUTFLOWS** | - | - | **2.370.922** | **1.430.527** |
| **CASH INFLOWS** | | | | | |
| **17** | Secured Lending Transactions | - | - | - | - |
| **18** | Unsecured Lending Transactions | 1.443.023 | 442.170 | 1.030.715 | 299.428 |
| **19** | Other contractual cash inflows | 12.862 | 383.974 | 12.862 | 383.974 |
| **20** | **TOTAL CASH INFLOWS** | **1.455.885** | **826.144** | **1.043.577** | **683.402** |
| | | | | **Upper Bound Applied Amounts** | |
| **21** | **TOTAL HIGH QUALITY LIQUID ASSETS** | - | - | **2.047.365** | **1.377.625** |
| **22** | **TOTAL NET CASH OUTFLOWS** | - | - | **1.327.345** | **747.125** |
| **23** | **Liquidity Coverage Ratio (%)** | - | - | **154,25** | **184,39** |

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

| | | Unweighted Amounts (*) | | Weighted Amounts (*) | |
|---|---|---|---|---|---|
| **31 December 2016** | | **TL+FC** | **FC** | **TL+FC** | **FC** |
| **HIGH QUALITY LIQUID ASSETS** | | | | | |
| 1 | High Quality Liquid Assets | - | - | **1.099.734** | **808.933** |
| **CASH OUTFLOWS** | | | | | |
| 2 | Retail and Small Business Customers Deposits | **4.924.797** | **2.766.517** | **472.368** | **276.652** |
| 3 | Stable deposits | 402.240 | - | 20.112 | - |
| 4 | Less stable deposits | 4.522.557 | 2.766.517 | 452.256 | 276.652 |
| 5 | Unsecured Funding other than Retail and Small Business Customers Deposits | **2.450.021** | **1.649.165** | **1.204.964** | **749.132** |
| 6 | Operational deposits | 968.513 | 763.732 | 242.128 | 190.933 |
| 7 | Non-Operational Deposits | 1.172.483 | 766.033 | 653.811 | 438.799 |
| 8 | Other Unsecured Funding | 309.025 | 119.400 | 309.025 | 119.400 |
| 9 | Secured funding | - | - | **11.463** | **11.463** |
| 10 | Other Cash Outflows | **68.027** | **120.238** | **68.027** | **120.238** |
| 11 | Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 68.027 | 120.238 | 68.027 | 120.238 |
| 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 | **2.099.187** | **1.136.828** | **242.700** | **138.246** |
| 16 | **TOTAL CASH OUTFLOWS** | - | - | **1.999.522** | **1.295.731** |
| **CASH INFLOWS** | | | | | |
| 17 | Secured Lending Transactions | - | - | - | - |
| 18 | Unsecured Lending Transactions | 1.155.475 | 369.360 | 714.333 | 288.185 |
| 19 | Other contractual cash inflows | 6.389 | 108.991 | 6.389 | 108.991 |
| 20 | **TOTAL CASH INFLOWS** | **1.161.864** | **478.351** | **720.722** | **397.176** |
| | | | | **Upper Bound Applied Amounts** | |
| 21 | **TOTAL HIGH QUALITY LIQUID ASSETS** | - | - | **1.099.734** | **808.933** |
| 22 | **TOTAL NET CASH OUTFLOWS** | - | - | **1.278.800** | **898.555** |
| 23 | **Liquidity Coverage Ratio (%)** | - | - | **86,00** | **90,03** |

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey at a ratio of 90% and securities issued by Undersecretariat of Treasury at a ratio of 8%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to bank debt at ratios of 22%, 43% and 23% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. As of 31 December 2017, information regarding aforementioned cash outflow are as follows:

| | **Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities** | |
|---|---|---|
| **Date** | **FC** | **FC + TL** |
| 31 December 2017 | 57.474 | 57.474 |

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2017, liquidity coverage rates must be at least 60% for foreign currency assets and liabilities and at least 80% in total assets and liabilities. Dates and values of the lowest and highest foreign currency and total consolidated liquidity coverage ratios calculated monthly related to the last quarter are explained in the table below:

| **Current Period** | **Maximum (%)** | | **Minimum (%)** | |
|---|---|---|---|---|
| | **FC** | **FC + TL** | **FC** | **FC + TL** |
| Monthly Arithmetic Average (%) | 217,45 | 163,60 | 153,77 | 147,69 |
| Monthly | 31.10.2017 | 31.10.2017 | 31.12.2017 | 31.12.2017 |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

### Breakdown of assets and liabilities according to their outstanding maturities:

| 31 December 2017 | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Year | 5 Year and Over | Unclassified (***) | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | 52.101 | 1.975.239 | - | - | - | - | - | **2.027.340** |
| Due From Banks | 23.398 | 145.331 | - | - | - | - | - | **168.729** |
| Financial Assets at Fair Value Through Profit or Loss (*) | - | 17.035 | 26.021 | 60.252 | 298.536 | 11.395 | - | **413.239** |
| Interbank Money Market Placements | - | 11.000 | - | - | - | - | - | **11.000** |
| Available-for-Sale Financial Assets | - | - | 20.284 | 220 | 193.628 | 53.519 | 8.944 | **276.595** |
| Loans | - | 1.486.310 | 1.623.274 | 2.891.287 | 5.737.682 | 1.367.179 | 181.012 | **13.286.744** |
| Held-to-Maturity Investments | - | - | - | - | 171.218 | - | - | **171.218** |
| Other Assets (**) | - | 123.930 | 82.839 | 372.167 | 1.213.878 | 278.741 | 328.278 | **2.399.833** |
| **Total Assets** | **75.499** | **3.758.845** | **1.752.418** | **3.323.926** | **7.614.942** | **1.710.834** | **518.234** | **18.754.698** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Bank Deposits | 6.643 | 86.846 | - | - | - | - | - | **93.489** |
| Other Deposits | 320.307 | 5.563.222 | 2.182.603 | 712.796 | 54 | - | - | **8.778.982** |
| Funds Borrowed From Other Financial Institutions | - | 381.824 | 85.796 | 2.493.030 | 3.122.112 | 1.140.582 | - | **7.223.344** |
| Funds From Interbank Money Market | - | 57.263 | - | 68.975 | 129.978 | - | - | **256.216** |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Miscellaneous Payables | - | 237.775 | - | - | - | - | 116.132 | **353.907** |
| Other Liabilities (*) (***) | - | 115.801 | 43.618 | 58.503 | 126.191 | 2.167 | 1.702.480 | **2.048.760** |
| **Total Liabilities** | **326.950** | **6.442.731** | **2.312.017** | **3.333.304** | **3.378.335** | **1.142.749** | **1.818.612** | **18.754.698** |
| | | | | | | | | |
| **Net Liquidity Gap** | **(251.451)** | **(2.683.886)** | **(559.599)** | **(9.378)** | **4.236.607** | **568.085** | **(1.300.378)** | - |
| | | | | | | | | |
| **Net Off-balance sheet position** | - | **360.711** | **283.564** | **525.015** | **(14.967)** | **1.277** | - | **1.155.600** |
| Financial Derivative Assets | - | 4.436.985 | 1.803.485 | 929.100 | 1.357.464 | 1.848 | - | **8.528.882** |
| Financial Derivative Liabilities | - | (4.076.274) | (1.519.921) | (404.085) | (1.372.431) | (571) | - | **(7.373.282)** |
| **Non-cash Loans** | - | - | **1.034.096** | **83.673** | **626.108** | **368.523** | **6.249** | **2.118.649** |
| | | | | | | | | |
| **31 December 2016** | | | | | | | | |
| Total Assets | 45.631 | 2.876.438 | 1.870.483 | 2.487.529 | 5.849.570 | 1.535.311 | 429.183 | **15.094.145** |
| Total Liabilities | 461.320 | 5.929.603 | 2.419.708 | 2.642.471 | 1.122.148 | 1.155.483 | 1.363.412 | **15.094.145** |
| | | | | | | | | |
| **Net Liquidity Gap** | **(415.689)** | **(3.053.165)** | **(549.225)** | **(154.942)** | **4.727.422** | **379.828** | **(934.229)** | - |
| | | | | | | | | |
| **Net Off-balance sheet position** | - | **333.859** | **479.781** | **227.816** | **(92.288)** | **(566)** | - | **948.602** |
| Financial Derivative Assets | - | 2.845.074 | 1.835.788 | 574.212 | 671.041 | 105 | - | **5.926.220** |
| Financial Derivative Liabilities | - | (2.511.215) | (1.356.007) | (346.396) | (763.329) | (671) | - | **(4.977.618)** |
| **Non-cash Loans** | - | **1.213.835** | **176.257** | **385.465** | **206.150** | **529** | - | **1.982.236** |

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 269.300 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 53.975. These accounts are mainly shown under the 1-5 year maturity period.

(**) Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates, stationary stocks and account receivables from leasing are classified in this column.

(***) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

**Breakdown of financial liabilities according to their remaining contractual maturities:**

| 31 December 2017 | Demand and up to 1 month | 1-3 months | 3-12 months | 1-5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Deposits | 93.496 | - | - | - | - | **93.496** |
| Funds borrowed from other financial institutions | 5.900.445 | 2.213.385 | 737.156 | 73 | - | **8.851.059** |
| Funds from money market | 395.650 | 136.075 | 2.679.943 | 3.488.955 | 1.222.862 | **7.923.485** |
| Payables to money market | 57.263 | - | 70.058 | 130.298 | - | **257.619** |
| **Total** | **6.446.854** | **2.349.460** | **3.487.157** | **3.619.326** | **1.222.862** | **17.125.659** |

| 31 December 2016 | Demand and up to 1 month | 1-3 months | 3-12 months | 1-5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Deposits | 56.806 | - | - | - | - | **56.806** |
| Funds borrowed from other financial institutions | 5.610.737 | 2.185.214 | 431.684 | 312 | - | **8.227.947** |
| Funds from money market | 126.080 | 196.899 | 2.245.993 | 1.191.057 | 1.226.087 | **4.986.116** |
| Payables to money market | 310.718 | - | - | 129.753 | 55.923 | **496.394** |
| **Total** | **6.104.341** | **2.382.113** | **2.677.677** | **1.321.122** | **1.282.010** | **13.767.263** |

**Derivative instruments of group, counter-based maturity analysis:**

| 31 December 2017 | Up to 1 month | 1-3 months | 3-12 months | 1-5 Years | Above 5 Years | Total |
|---|---|---|---|---|---|---|
| **Derivative instruments held for trading** | | | | | | |
| Exchange rate derivatives: | | | | | | |
| - Entry | 4.419.699 | 1.787.948 | 799.512 | 2.771 | - | **7.009.930** |
| - Out | 4.048.708 | 1.506.560 | 252.405 | 2.567 | - | **5.810.240** |
| Interest rate derivatives: | | | | | | |
| - Entry | 1.856 | 3.754 | 9.221 | 14.596 | 1.848 | **31.275** |
| - Out | 1.096 | 1.592 | 4.184 | 6.186 | 571 | **13.629** |
| **Derivative instruments protection from risk** | | | | | | |
| Exchange rate derivatives: | | | | | | |
| - Entry | 15.165 | 10.455 | 120.172 | 1.340.030 | - | **1.485.822** |
| - Out | 25.845 | 9.749 | 144.438 | 1.347.423 | - | **1.527.455** |
| Interest rate derivatives: | | | | | | |
| - Entry | 265 | 1.328 | 195 | 67 | - | **1.855** |
| - Out | 625 | 2.020 | 3.058 | 16.255 | - | **21.958** |
| **Total cash entry** | **4.436.985** | **1.803.485** | **929.100** | **1.357.464** | **1.848** | **8.528.882** |
| **Total cash out** | **4.076.274** | **1.519.921** | **404.085** | **1.372.431** | **571** | **7.373.282** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

| **31 December 2016** | **Up to 1 month** | **1-3 months** | **3-12 months** | **1-5 Years** | **Above 5 years** | **Total** |
|---|---|---|---|---|---|---|
| **Derivative instruments held for trading** | | | | | | |
| Exchange rate derivatives: | | | | | | |
| - Entry | 2.534.925 | 1.026.354 | 441.948 | 54.844 | - | **4.058.071** |
| - Out | 2.023.397 | 816.374 | 366.853 | 51.950 | - | **3.258.574** |
| Interest rate derivatives: | | | | | | |
| - Entry | 7.419 | 2.797 | 8.606 | 9.179 | 2.324 | **30.325** |
| - Out | 6.906 | 2.331 | 8.336 | 12.600 | 1.438 | **31.611** |
| **Derivative instruments protection from risk** | | | | | | |
| Exchange rate derivatives: | | | | | | |
| - Entry | 223 | 1.785 | 558 | 837.236 | - | **839.802** |
| - Out | - | 11.100 | 44.001 | 818.424 | - | **873.525** |
| Interest rate derivatives: | | | | | | |
| - Entry | 249 | 78 | 160 | 270 | - | **757** |
| - Out | 447 | 301 | 837 | 2.053 | - | **3.638** |
| **Total cash entry** | **2.542.816** | **1.031.014** | **451.272** | **901.529** | **2.324** | **4.928.955** |
| **Total cash out** | **2.030.750** | **830.106** | **420.027** | **885.027** | **1.438** | **4.167.348** |

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## IX. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:

### Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2017, the leverage ratio of the Group calculated from the arithmetic average of the three months is 5,38% (31 December 2016: 5,61%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet and off-balance sheet assets.

### Disclosure of Leverage ratio template :

| | 31 December 2017 (*) | 31 December 2016 (*) |
|---|---|---|
| **Balance sheet assets** | | |
| Balance sheet assets (excluding derivative financial assets and credit derivaties, including collaterals) | 18.786.108 | 14.403.079 |
| (Assets deducted from Core capital) | 61.414 | 62.384 |
| Total risk amount of balance sheet assets | 18.724.694 | 14.340.695 |
| **Derivative financial assets and credit derivaties** | | |
| Cost of replenishment for derivative financial assets and credit derivaties | 352.414 | 212.479 |
| Potential credit risk amount of derivative financial assets and credit derivaties | 112.968 | 82.983 |
| Total risk amount of derivative financial assets and credit derivaties | 465.382 | 295.462 |
| **Financing transactions secured by marketable security or commodity** | | |
| Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet) | - | - |
| Risk amount arising from intermediary transactions | - | - |
| Total risk amount of financing transactions secured by marketable security or commodity | - | - |
| **Off-balance sheet transactions** | | |
| Gross notional amount of off-balance sheet transactions | 3.120.668 | 3.071.949 |
| (Correction amount due to multiplication with credit conversion rates) | - | - |
| Total risk of off-balance sheet transactions | 3.120.668 | 3.071.949 |
| **Capital and total risk** | | |
| Core Capital | 1.200.996 | 994.248 |
| Total risk amount | 22.310.744 | 17.708.106 |
| **Leverage ratio** | | |
| Leverage ratio | 5,38% | 5,61% |

(*) The arithmetic average of the last 3 months in the related periods

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 2017, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity upto 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 269.300 derivative financial assets (31 December 2016: TL 184.186) and TL 53.975 derivative financial liabilities (31 December 2016: TL 29.486), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 18.341 (31 December 2016: TL 12.699 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2016: None).

| **Hedging Instrument** | **Hedging Subject** | **Exposed Risk** | **Hedging Instruments Fair Value** | | **Hedging Funds** | **Ineffective Part Accounted in Income Statement (Net)** |
|---|---|---|---|---|---|---|
| | | | **Assets** | **Liabilities** | | |
| Cross Currency Swap | Floating rate up to 3 month maturity FC deposits | Cash flow risk of changes in market interest rates | 262.713 | 50.815 | 36.993 | - |
| Interest Rate Swap | Floating rate up to 3 month maturity FC deposits | Cash flow risk of changes in market interest rates | 6.587 | 3.160 | 3.263 | - |

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficieny, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2016: None).

It is determined in the measurements carried out as of the date of 31 December 2017 that above mentioned cash flow hedging transactions are effective.

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

### a. Financial Assets and Liabilities at their fair values:

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

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

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

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

The following table summarises the book values and fair values of some financial assets and liabilities of the Bank.

| | Book Value | | Fair Value | |
|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| **Financial Assets** | **13.914.286** | **11.787.602** | **16.285.244** | **13.124.536** |
| Due from Money Market | 11.000 | 17.110 | 11.000 | 17.110 |
| Due from Banks | 168.729 | 338.108 | 168.729 | 338.107 |
| Available-for-Sale Financial Assets | 276.595 | 539.155 | 276.595 | 539.155 |
| Held-to-maturity Investments | 171.218 | 161.607 | 171.897 | 162.239 |
| Loans | 13.286.744 | 10.731.622 | 15.657.023 | 12.067.925 |
| **Financial Liabilities** | **16.449.722** | **13.060.986** | **16.686.051** | **13.061.287** |
| Bank Deposits | 93.489 | 56.795 | 93.480 | 56.795 |
| Other Deposits | 8.778.982 | 8.191.874 | 8.792.759 | 8.199.810 |
| Borrowings | 7.223.344 | 4.503.586 | 7.445.905 | 4.495.951 |
| Marketable Securities Issued | - | 49.288 | - | 49.288 |
| Miscellaneous Payables | 353.907 | 259.443 | 353.907 | 259.443 |

### b. Fair value hierarchy:

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

Aforesaid fair value hierarchy is determined as follows:

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

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Countinued):

### b. Fair value hierarchy (Continued):

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

| 31 December 2017 | 1st Level | 2nd Level | 3rd Level | Total |
|---|---|---|---|---|
| | | | | |
| Financial Assets at Fair Value Through Profit or Loss | 5.543 | 309.614 | - | **315.157** |
| Government Debt Securities | 5.310 | 171.218 | - | **176.528** |
| Share Certificates | - | - | - | - |
| Trading Derivative Financial Assets | - | 138.396 | - | **138.396** |
| Other marketable securities | 233 | - | - | **233** |
| Available for Sale Financial Assets (*) | 266.946 | 9.649 | - | **276.595** |
| Share Certificates | - | 8.929 | - | **8.929** |
| Government Debt Securities | 266.946 | - | - | **266.946** |
| Other Marketable Securities | - | 720 | - | **720** |
| Hedging Derivative Financial Assets | - | 269.300 | - | **269.300** |
| | | | | |
| **Total Assets** | **272.489** | **588.563** | - | **861.052** |
| | | | | |
| Trading Derivative Financial Liabilities | - | 160.778 | - | **160.778** |
| Hedging Derivative Financial Liabilities | - | 53.975 | - | **53.975** |
| | | | | |
| **Total Liabilities** | - | **214.753** | - | **214.753** |

| 31 December 2016 | 1st Level | 2nd Level | 3rd Level | Total |
|---|---|---|---|---|
| | | | | |
| Financial Assets at Fair Value Through Profit or Loss | 31.898 | 265.912 | - | **297.810** |
| Government Debt Securities | 27.960 | 161.507 | - | **189.567** |
| Share Certificates | - | - | - | - |
| Trading Derivative Financial Assets | - | 104.305 | - | **104.305** |
| Other Marketable Securities | 3.938 | - | - | **3.938** |
| Available for Sale Financial Assets (*) | 450.927 | 88.228 | - | **539.155** |
| Share Certificates | - | 11.568 | - | **11.568** |
| Government Debt Securities | 450.927 | - | - | **450.927** |
| Other Marketable Securities | - | 76.660 | - | **76.660** |
| Hedging Derivative Financial Assets | - | 184.186 | - | **184.186** |
| | | | | |
| **Total Assets** | **482.825** | **538.326** | - | **1.021.151** |
| | | | | |
| Trading Derivative Financial Liabilities | - | 150.839 | - | **150.839** |
| Hedging Derivative Financial Liabilities | - | 29.486 | - | **29.486** |
| | | | | |
| **Total Liabilities** | - | **180.325** | - | **180.325** |

(*)As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason.There is not any transfer between 1st and 2nd levels in the current year.

## XII. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES:

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The Parent Bank manages its banking operations through three main business units; Retail banking, corporate, commercial and SME banking and treasury.

Retail banking provides products and services to individual and private customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transaction services and other corporate banking services to small, medium and large sized corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

**Stated balance sheet and income statement items based on operating segments:**

Prior period financial information is presented as at 31 December 2016 for balance sheet and income statements items.

| **31 December 2017** | **Retail Banking** | **Corporate, Commercial and SME Banking** | **Treasury** | **Other and Unclassified(*)** | **Total Operations of the Bank** |
|---|---|---|---|---|---|
| Net Interest Income | 66.484 | 345.894 | 30.387 | 69.107 | **511.872** |
| Net Fees and Comissions | 5.834 | 25.182 | - | 9.707 | **40.723** |
| Commercial Profit/Loss | 7.850 | 18.635 | (9.037) | 167 | **17.615** |
| Other Operating Income | 2.748 | 10.823 | - | 15.062 | **28.633** |
| **Operating Income** | **82.916** | **400.534** | **21.350** | **94.043** | **598.843** |
| **Operating Costs (-)** | **68.023** | **216.889** | **25.850** | **140.195** | **450.957** |
| **Net Operating Income** | **14.893** | **183.645** | **(4.500)** | **(46.152)** | **147.886** |
| Dividend Income | - | - | - | 330 | **330** |
| Income/(Loss) from subsidiaries based on equity method | - | - | - | - | - |
| **Profit Before Tax** | **14.893** | **183.645** | **(4.500)** | **(45.822)** | **148.216** |
| Tax Provisions (-) | 2.978 | 36.729 | (900) | (439) | **38.368** |
| **Net Profit / Loss** | **11.915** | **146.916** | **(3.600)** | **(45.383)** | **109.848** |
| | | | | | |
| Segment Assets | 1.320.669 | 13.068.773 | 1.885.589 | 2.226.054 | **18.501.085** |
| Investments in associates, subsidiaries and joint ventures | - | - | - | - | - |
| Unallocated Assets | - | - | - | 253.613 | **253.613** |
| **Total Assets** | **1.320.669** | **13.068.773** | **1.885.589** | **2.479.667** | **18.754.698** |
| | | | | | |
| Segments Liabilities | 5.749.776 | 3.020.524 | 5.875.421 | 2.596.502 | **17.242.223** |
| Unallocated Liabilities | - | - | - | 1.512.475 | **1.512.475** |
| **Total Liabilities** | **5.749.776** | **3.020.524** | **5.875.421** | **4.108.977** | **18.754.698** |

(*) Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partner Burgan Wealth Limited Dubai.

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

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

| **31 December 2016** | **Retail Banking** | **Corporate, Commercial and SME Banking** | **Treasury** | **Other and Unclassified (*)** | **Total Operations of the Bank** |
|---|---|---|---|---|---|
| Net Interest Income | 40.263 | 286.380 | 41.131 | 52.419 | **420.193** |
| Net Fees and Comissions | 3.969 | 19.211 | - | 16.933 | **40.113** |
| Commercial Profit/Loss | 9.136 | 11.941 | 1.595 | 1.876 | **24.548** |
| Other Operating Income | 1.585 | 7.300 | - | 10.591 | **19.476** |
| **Operating Income** | **54.953** | **324.832** | **42.726** | **81.819** | **504.330** |
| **Operating Costs (-)** | **40.273** | **182.055** | **12.870** | **172.020** | **407.218** |
| **Net Operating Income** | **14.680** | **142.777** | **29.856** | **(90.201)** | **97.112** |
| Dividend Income | - | - | - | 627 | **627** |
| Income/(Loss) from subsidiaries based on equity method | - | - | - | - | - |
| **Profit Before Tax** | **14.680** | **142.777** | **29.856** | **(89.574)** | **97.739** |
| Tax Provisions (-) | 2.936 | 28.555 | 5.971 | (11.396) | **26.066** |
| **Net Profit / Loss** | **11.744** | **114.222** | **23.885** | **(78.178)** | **71.673** |
| | | | | | |
| **31 December 2016** | | | | | |
| Segment Assets | 691.560 | 10.724.366 | 1.811.177 | 1.609.700 | **14.836.803** |
| Investments in associates, subsidiaries and joint ventures | - | - | - | - | - |
| Unallocated Assets | - | - | - | 257.342 | **257.342** |
| **Total Assets** | **691.560** | **10.724.366** | **1.811.177** | **1.867.042** | **15.094.145** |
| | | | | | |
| Segments Liabilities | 4.950.035 | 3.336.482 | 3.858.095 | 1.609.702 | **13.754.314** |
| Unallocated Liabilities | - | - | - | 1.339.831 | **1.339.831** |
| **Total Liabilities** | **4.950.035** | **3.336.482** | **3.858.095** | **2.949.533** | **15.094.145** |

**(*)**Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.

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

## SECTION FIVE

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS:

#### a. Information related to cash and the account of The Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash and the account of the CBRT:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Cash/Foreign currency | 12.427 | 39.651 | 11.498 | 15.353 |
| CBRT | 1.022.011 | 953.251 | 149.757 | 1.142.258 |
| Other | - | - | - | - |
| **Total** | **1.034.438** | **992.902** | **161.255** | **1.157.611** |

2. Information on the account of the CBRT:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Demand Unrestricted Amount | 955.529 | 6.766 | 149.757 | 224.976 |
| Time Unrestricted Amount | 66.482 | - | - | - |
| Time Restricted Amount | - | 946.485 | - | 917.282 |
| **Total** | **1.022.011** | **953.251** | **149.757** | **1.142.258** |

3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2017 (31 December 2016: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

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

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):**

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

1. As of 31 December 2017, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2016: None).

2. Positive differences related to trading derivative financial assets:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 23.695 | 9.926 | 14.659 | 1.638 |
| Swap Transactions | 43.395 | 33.376 | 38.974 | 28.761 |
| Futures Transactions | - | - | - | - |
| Options | 1.722 | 26.282 | 588 | 19.685 |
| Other | - | - | - | - |
| **Total** | **68.812** | **69.584** | **54.221** | **50.084** |

**c. Information on banks:**

1. Information on banks:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Banks | | | | |
| Domestic | 167 | 13.140 | 95.191 | 226.529 |
| Foreign | 9 | 155.413 | 25 | 16.363 |
| Headquarters and Branches Abroad | - | - | - | - |
| **Total** | **176** | **168.553** | **95.216** | **242.892** |

2. Information on foreign banks

| | Restricted Amount | | Unrestricted Amount | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| EU Countries | 11.626 | 10.853 | - | - |
| USA, Canada | 7.932 | 4.829 | - | - |
| OECD Countries (*) | 3.608 | 470 | - | - |
| Off-shore Banking Regions | - | - | - | - |
| Others | 132.256 | 236 | - | - |
| **Total** | **155.422** | **16.388** | **-** | **-** |

(*) OECD countries except EU countries,USA and Canada.

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

1. Characteristics and carrying values of available-for-sale financial assets given as collateral:

   As of 31 December 2017, there are TL 54.280 available-for-sale financial assets given as collateral/blocked (31 December 2016: TL 29.408) and those subject to repurchase agreements amounts to TL 115.358 (31 December 2016: TL 314.305).

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Debt Securities | 269.957 | 515.136 |
| Quoted on Stock Exchange | 269.957 | 515.136 |
| Not Quoted | - | - |
| Share Certificates | 8.929 | 30.410 |
| Quoted on Stock Exchange | - | 19.748 |
| Not Quoted | 8.929 | 10.662 |
| Impairment Provision (-) | 2.291 | 6.391 |
| **Total** | **276.595** | **539.155** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

### e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Group :

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Cash | Non-cash | Cash | Non-cash |
| **Direct Loans Granted To Shareholders** | - | - | - | - |
| Corporate Shareholders | - | - | - | - |
| Real Person Shareholders | - | - | - | - |
| **Indirect Loans Granted To Shareholders** | - | - | - | |
| **Loans Granted To Employees** | 4.660 | - | 6.288 | - |
| **Total** | **4.660** | - | **6.288** | - |

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

i.

| Cash Loans | 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 | |
| | | Loans with Restructured Payment Plans | Other | | Loans with Restructured Payment Plans | Other |
| Non-Specialised Loans | 12.032.227 | 4.102 | - | 1.078.938 | 273.220 | 315 |
| Loans Given to Enterprises | - | - | - | 785 | - | - |
| Export Loans | 834.958 | - | - | 98.599 | 1.695 | - |
| Import Loans | - | - | - | - | - | - |
| Loans Given to Financial Sector | 569.218 | - | - | - | - | - |
| Consumer Loans | 534.344 | 4.102 | - | 33.465 | 1.635 | - |
| Credit Cards | 6.407 | - | - | 520 | 0 | - |
| Other (*) | 10.087.300 | - | - | 945.569 | 269.890 | 315 |
| Specialised Loans | - | - | - | - | - | - |
| Other Receivables | - | - | - | - | - | - |
| **Total** | **12.032.227** | **4.102** | - | **1.078.938** | **273.220** | **315** |

(*) The Group also has factoring receivables amounting to TL 6 under the Other account.

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

ii.

| Number of Modifications Made to Extend Payment Plan | Standard Loans and Other Receivables | Loans and Other Receivables Under Close Monitoring |
|---|---|---|
| 1 or 2 times | 4.102 | 273.220 |
| 3,4 or 5 times | - | - |
| Over 5 times | - | - |
| **Total** | **-** | **-** |

iii.

| Extended Period of Time | Standard Loans and Other Receivables | Loans and Other Receivables Under Close Monitoring |
|---|---|---|
| 0-6 Months | 17 | 232.124 |
| 6 Months – 12 Months | - | - |
| 1-2 Years | 4.085 | 1.624 |
| 2-5 Years | - | - |
| 5 Years and Over | - | 39.472 |
| **Total** | **4.102** | **273.220** |

3. Loans according to their maturity structure:

| | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring | |
|---|---|---|---|---|
| | **Loans and Other Receivables** | **Restructured or Rescheduled** | **Loans and Other Receivables** | **Restructured or Rescheduled** |
| Short-term Loans and Other Receivables | 2.619.477 | 17 | 122.241 | 10.370 |
| Non-specialised Loans | 2.619.477 | 17 | 122.241 | 10.370 |
| Specialised Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Medium and Long-Term Loans and Other Receivables | 9.408.648 | 4.085 | 683.162 | 263.165 |
| Non-specialised Loans | 9.408.648 | 4.085 | 683.162 | 263.165 |
| Specialised Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| **TOTAL** | **12.028.125** | **4.102** | **805.403** | **273.535** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

| | Short- term | Medium and Long-term | Total |
|---|---|---|---|
| **Consumer Loans-TL** | **20.868** | **532.600** | **553.468** |
| Real estate loans | - | 98.165 | 98.165 |
| Automotive loans | 167 | 16.761 | 16.928 |
| Consumer loans | 20.701 | 417.674 | 438.375 |
| Other | - | - | - |
| **Consumer Loans-FC Indexed** | - | - | - |
| Real estate loans | - | - | - |
| Automotive loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| **Consumer Loans-FC** | - | **4.650** | **4.650** |
| Real estate loans | - | 4.272 | 4.272 |
| Automotive loans | - | - | - |
| Consumer loans | - | 378 | 378 |
| Other | - | - | - |
| **Individual Credit Cards-TL** | **3.674** | - | **3.674** |
| With installments | - | - | - |
| Without installments | 3.674 | - | 3.674 |
| **Individual Credit Cards- FC** | **171** | - | **171** |
| With installments | - | - | - |
| Without installments | 171 | - | 171 |
| **Personnel Loans-TL** | **306** | **3.550** | **3.856** |
| Real estate loans | - | - | - |
| Automotive loans | - | - | - |
| Consumer loans | 306 | 3.550 | 3.856 |
| Other | - | - | - |
| **Personnel Loans-FC Indexed** | - | - | - |
| Real estate loans | - | - | - |
| Automotive loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| **Personnel Loans-FC** | - | - | - |
| Real estate loans | - | - | - |
| Automotive loans | - | - | - |
| Consumer loans | - | - | - |
| Other | - | - | - |
| **Personnel Credit Cards-TL** | **780** | - | **780** |
| With installments | - | - | - |
| Without installments | 780 | - | 780 |
| **Personnel Credit Cards-FC** | **24** | - | **24** |
| With installments | - | - | - |
| Without installments | 24 | - | 24 |
| **Credit Deposit Account-TL (Real Person)** | **5.835** | - | **5.835** |
| **Credit Deposit Account-FC (Real Person)** | - | - | - |
| **Total** | **31.658** | **540.800** | **572.458** |

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

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

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

5. Information on commercial installment loans and corporate credit cards:

| | Short-term | Medium and long-term | Total |
|---|---|---|---|
| **Commercial Installments Loans-TL** | **61.407** | **1.855.103** | **1.916.510** |
| Real estate loans | - | - | - |
| Automotive loans | 28 | 9.057 | 9.085 |
| Consumer loans | 61.379 | 1.846.046 | 1.907.425 |
| Other | - | - | - |
| **Commercial Installments Loans-FC Indexed** | **6.216** | **531.067** | **537.283** |
| Real estate loans | - | - | - |
| Automotive loans | 9 | 4.915 | 4.924 |
| Consumer loans | 6.207 | 526.152 | 532.359 |
| Other | - | - | - |
| **Commercial Installments Loans-FC** | **-** | **4.035.968** | **4.035.968** |
| Real estate loans | - | - | - |
| Automotive loans | - | - | - |
| Consumer loans | - | 4.035.968 | 4.035.968 |
| Other | - | - | - |
| **Corporate Credit Cards-TL** | **2.217** | **-** | **2.217** |
| With installment | - | - | - |
| Without installment | 2.217 | - | 2.217 |
| **Corporate Credit Cards-FC** | **61** | **-** | **61** |
| With installment | - | - | - |
| Without installment | 61 | - | 61 |
| **Credit Deposit Account-TL (Legal Person)** | **18.043** | **-** | **18.043** |
| **Credit Deposit Account-FC (Legal Person)** | **-** | **-** | **-** |
| **Total** | **87.944** | **6.422.138** | **6.510.082** |

6. Loans according to types of borrowers:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Public | - | - |
| Private | 13.111.165 | 10.598.961 |
| **Total** | **13.111.165** | **10.598.961** |

7. Distribution of domestic and foreign loans:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Domestic Loans | 13.111.165 | 10.598.961 |
| Foreign Loans | - | - |
| **Total** | **13.111.165** | **10.598.961** |

8. Loans given to investments in associates and subsidiaries:

None (31 December 2016: None).

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

9. Specific provisions provided against loans:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Loans and Other Receivables with Limited Collectability | 4.648 | 14.218 |
| Loans and Other Receivables with Doubtful Collectability | 14.810 | 18.576 |
| Uncollectible Loans and Other Receivables | 199.815 | 112.580 |
| **Total** | **219.273** | **145.374** |

10. Information on non-performing loans (Net):

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and other receivables with limited collectability | Loans and other receivables with doubtful collectability | Uncollectible loans and other receivables |
| **31 December 2017** | | | |
| (Gross amounts before the Specific Reserves) | | | |
| Restructured Loans and Other Receivables | - | - | - |
| Rescheduled Loans and Other Receivables | - | - | 6.069 |
| **31 December 2016** | | | |
| (Gross amounts before the Specific Reserves) | | | |
| Restructured Loans and Other Receivables | - | - | - |
| Rescheduled Loans and Other Receivables | 233 | 707 | 7.204 |

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

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and other receivables with limited collectability | Loans and other receivables with doubtful collectability | Uncollectible loans and other receivables |
| **Prior Period End Balance** | **55.502** | **45.693** | **176.840** |
| Additions (+) | 148.800 | 19.649 | 14.506 |
| Transfers from Other Categories of Non-performing Loans (+) | - | 105.843 | 109.630 |
| Transfers to Other Categories of Non-performing Loans (-) | 111.275 | 104.198 | - |
| Collections (-) | 26.216 | 10.511 | 29.411 |
| Write-offs (-)(*) | - | - | - |
| Corporate and Commercial Loans | - | - | - |
| Consumer Loans | - | - | - |
| Credit Cards | - | - | - |
| Other | - | - | - |
| **Balance at the End of the Period** | **66.811** | **56.476** | **271.565** |
| Specific Provision (-) | 4.648 | 14.810 | 199.815 |
| **Net Balance on Balance Sheet** | **62.163** | **41.666** | **71.750** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and other receivables with limited collectability | Loans and other receivables with doubtful collectability | Uncollectible loans and other receivables |
| **31 December 2017** | | | |
| Period-End Balance | 3.404 | 14.867 | 91.901 |
| Specific Provision (-) | 443 | 3.946 | 75.078 |
| **Net Balance on balance sheet** | **2.961** | **10.921** | **16.823** |
| **31 December 2016** | | | |
| Period-End Balance | 33.402 | 16.331 | 45.129 |
| Specific Provision (-) | 11.302 | 8.096 | 27.096 |
| **Net Balance on balance sheet** | **22.100** | **8.235** | **18.033** |

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

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and other receivables with limited collectability | Loans and other receivables with doubtful collectability | Uncollectible loans and other receivables |
| **Current Period (Net)** | **62.163** | **41.666** | **71.750** |
| Loans Given to Real Persons and Legal Persons (Gross) | 66.345 | 50.910 | 228.406 |
| Specific Provision Amount (-) | 4.554 | 12.027 | 165.724 |
| Loans Given to Real Persons and Legal Persons (Net) | 61.791 | 38.883 | 62.682 |
| Banks (Gross) | - | - | - |
| Specific Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 466 | 5.566 | 43.159 |
| Specific Provision Amount (-) | 94 | 2.783 | 34.091 |
| Other Loans and Receivables (Net) | 372 | 2.783 | 9.068 |
| **Prior Period (Net)** | **41.284** | **27.117** | **64.260** |
| Loans Given to Real Persons and Legal Persons (Gross) | 44.301 | 43.815 | 143.101 |
| Specific Provision Amount (-) | 12.293 | 17.709 | 89.416 |
| Loans Given to Real Persons and Legal Persons (Net) | 32.008 | 26.106 | 53.685 |
| Banks (Gross) | - | - | - |
| Specific Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 11.201 | 1.878 | 33.739 |
| Specific Provision Amount (-) | 1.925 | 867 | 23.164 |
| Other Loans and Receivables (Net) | 9.276 | 1.011 | 10.575 |

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

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):**

11. Policy followed-up for the collection of uncollectible loans and other receivables::

The Bank aims to collect uncollectible loans and other receivables through the liquidation of collaterals by legal procedures.

12. Explanations on the write-off policy:

The write off transactions from the Bank's assets are performed in accordance with the regulation.

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

1. Information on held-to-maturity financial assets subject to repurchase agreements:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Bonds | - | - | - | - |
| Bonds and Smilar Securities | - | 171.218 | - | 161.607 |
| Other | - | - | - | - |
| **Total** | **-** | **171.218** | **-** | **161.607** |

2. Information on held-to-maturity financial assets given as collateral/blocked:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Bonds | - | - | - | - |
| Bonds and Smilar Securities | - | - | - | - |
| Other | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

3. Information on government debt securities held-to-maturity:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Government Bond | 171.218 | 161.607 |
| Treasury Bond | - | - |
| Other Public Debt Securities | - | - |
| **Total** | **171.218** | **161.607** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

### f. Information on held-to-maturity investments (Continued) :

4. Information on investment securities held-to-maturity :

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Debt securities | 171.218 | 161.607 |
| Publicly-traded | 171.218 | 161.607 |
| Not publicly-traded | - | - |
| Provision for impairment | - | - |
| **Total** | **171.218** | **161.607** |

5. Movement of held-to-maturity investments within the period :

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Opening balance | 161.607 | - |
| Foreign exchange differences in monetary assets | 9.611 | - |
| Purchases during the year | - | 161.607 |
| Disposals through Sales and Redemptions | - | - |
| Value decrase equivalent (-) | - | - |
| **Period end balance** | **171.218** | **161.607** |

### g. Information on investments in associates (Net):

None (31 December 2016: None).

### h. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

   The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

   None. (31 December 2016: None).

3. Main financial figures of the unconsolidated subsidiaries in order of the below table:

   None. (31 December 2016: None).

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

### h. Information on subsidiaries (Net) (Continued):

4. Information on consolidated subsidiaries:

| | Title | Address (City/ Country) | Bank's share percentage, if different voting percentage (%) | Other shareholders' share percentage(%) |
|---|---|---|---|---|
| **1** | Burgan Finansal Kiralama A.Ş. | Istanbul/Turkey | 99,99 | 0,01 |
| **2** | Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary | Istanbul/Turkey | 100,00 | - |
| | - Burgan Wealth Limited Dubai (*) | Istanbul/Turkey Dubai/ UAE | 100,00 | - |

(*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş, two-thirds of the total capital and legal reserves were unrequited due to current and previous years losses. Through Board of Directors' decision dated 14 May 2016, company management has decided to pay off their funds and following that, company and its main partner Burgan Yatırım Menkul Değerler A.Ş. are merged. On the date of 17 May 2016, these decisions are notified in written to the Capital Market Board. On the date of 21 October 2016, by permisson of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. were liquidated on May 2,2017. On the date of 06 October 2017, the merger process of companies was completed.

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

| | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit / Loss | Prior Period Profit / Loss | Fair value |
|---|---|---|---|---|---|---|---|---|
| **1** | 2.184.521 | 199.726 | 12.413 | 147.756 | - | 34.559 | 23.293 | - |
| **2(*)** | 127.265 | 57.269 | 4.414 | 12.467 | 3.047 | (17.391) | (18.267) | - |

(*)The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Limited Dubai.

6. Movement schedules of subsidiaries:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Balance at the beginning of the Period** | **237.171** | **228.722** |
| **Movements during the Period** | **19.801** | **8.449** |
| Purchases | - | - |
| Bonus Shares Obtained | - | - |
| Dividends from Current Year Income | - | - |
| Sales | - | - |
| Revaluation Increase (*) | 19.801 | 8.449 |
| Impairment Provision | - | - |
| **Balance at the end of the Period** | **256.972** | **237.171** |
| **Capital Commitments** | - | - |
| **Share Percentage at the end of the Period (%)** | **99,99%** | **99,99%** |

(*) Includes the data before consolidation procedures.

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

| Subsidiaries | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Banks | - | - |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | 206.686 | 172.512 |
| Finance Companies | - | - |
| Other Financial Subsidiaries | 50.286 | 64.659 |
| **Total** | **256.972** | **237.171** |

8. Subsidiaries quoted on stock exchange:

None (31 December 2016: None).

### i. Information on joint ventures:

None (31 December 2016: None).

### j. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| Less than 1 year | 676.982 | 533.839 | 453.228 | 360.948 |
| Between 1-4 years | 1.418.184 | 1.162.344 | 876.923 | 750.732 |
| More than 4 years | 313.922 | 275.695 | 215.284 | 198.044 |
| **Total** | **2.409.088** | **1.971.878** | **1.545.435** | **1.309.724** |

### k. Information on hedging derivative financial assets:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TP | FC | TP | FC |
| Fair Value Hedge | - | - | - | - |
| Cash Flow Hedge | 257.159 | 12.141 | 176.246 | 7.940 |
| Foreign Net Investment Hedge | - | - | - | - |
| **Total** | **257.159** | **12.141** | **176.246** | **7.940** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

### l. Information on investment property:

| | Immovables | Motor Vehicles | Other Tangible Assets | Total |
|---|---|---|---|---|
| **31 December 2015** | | | | |
| Cost | 24.541 | 277 | 80.153 | 104.971 |
| Accumulated depreciation (-) | 2.541 | 177 | 38.673 | 41.391 |
| **Net book value** | **22.000** | **100** | **41.480** | **63.580** |
| **31 December 2016** | | | | |
| Net book value at beginning of the period | 22.000 | 100 | 41.480 | 63.580 |
| Additions | - | 9.298 | 11.099 | 20.397 |
| Disposals (-) (net) | - | 100 | 122 | 222 |
| Impairment (-) | - | - | - | - |
| Depreciation (-) | 456 | 622 | 9.777 | 10.855 |
| Revaluation Increase | 1.256 | - | - | 1.256 |
| Cost at Period End | 25.797 | 9.298 | 85.392 | 120.487 |
| Accumulated Depreciation at Period End (-) | 2.997 | 622 | 42.712 | 46.331 |
| **Closing Net Book Value at Period End** | **22.800** | **8.676** | **42.680** | **74.156** |

| | Immovables | Motor Vehicles | Other Tangible Assets | Total |
|---|---|---|---|---|
| **31 December 2016** | | | | |
| Cost | 25.797 | 9.298 | 85.392 | 120.487 |
| Accumulated depreciation (-) | 2.997 | 622 | 42.712 | 46.331 |
| **Net book value** | **22.800** | **8.676** | **42.680** | **74.156** |
| **31 December 2017** | | | | |
| Net book value at beginning of the period | 22.800 | 8.676 | 42.680 | 74.156 |
| Additions | - | 14.143 | 7.185 | 21.328 |
| Disposals (-), net | - | 10.064 | 779 | 10.843 |
| Impairment (-) | - | - | - | - |
| Depreciation (-) | 450 | 1.388 | 10.853 | 12.691 |
| Revaluation Increase | 150 | - | - | 150 |
| Cost at Period End | 25.947 | 12.853 | 86.325 | 125.125 |
| Accumulated Depreciation at Period End (-) | 3.447 | 1.486 | 48.092 | 53.025 |
| **Closing Net Book Value at Period End** | **22.500** | **11.367** | **38.233** | **72.100** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

### m. Information on intangible assets:

1. Book value and accumulated depreciation at the beginning and at the end of the period:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Gross Book Value | 95.408 | 86.868 |
| Accumulated Depreciation (-) | (48.100) | (37.344) |
| **Net Book Value** | **47.308** | **49.524** |

2. Information on movements between the beginning and end of the period:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Beginning of the Period** | **49.524** | **45.737** |
| Internally Generated Amounts | | |
| Additions due to Mergers, Transfers and Acquisitions | 8.452 | 13.034 |
| Disposals | - | (22) |
| Amount Accounted under Revaluation Reserve | - | - |
| Impairment | - | - |
| Impairment Reversal | - | - |
| Amortisation (-) | (10.668) | (9.225) |
| Net Foreign Currency Difference From Foreign Investments in Associates | - | |
| Other Changes in Book Value | - | |
| **End of the Period** | **47.308** | **49.524** |

### n. Information on investment property:

None (31 December 2016: None).

### o. Information on deferred tax asset:

As of 31 December 2017, the Group has netted-off the calculated deferred tax asset of TL 34.676 (31 December 2016: TL 27.905) and deferred tax liability of TL 54.058 (31 December 2016: TL 33.411) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 14.099 and deferred tax liabiliy of TL 33.481 (31 December 2016: TL 8.290 net deferred tax asset and TL 13.796 net deferred tax liability) in the financial statements.

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

### p. Information on assets held for resale and discontinued operations:

The Group has assets held for resale amounting to TL 45.095 (31 December 2016: TL 45.511) and has no discontinued operations.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Prior Period:** | | |
| Cost | 46.342 | 7.206 |
| Accumulated Depreciation (-) | 831 | 511 |
| **Net Book Value** | **45.511** | **6.695** |
| **Current Period** | | |
| Net book value at beginning of the period | 45.511 | 6.695 |
| Additions | 13.340 | 41.413 |
| Disposals (-) , net | 13.313 | 2.131 |
| Impairment (-) | 397 | 49 |
| Depreciation (-) | 46 | 417 |
| Cost | 45.662 | 46.342 |
| Accumulated Depreciation (-) | 567 | 831 |
| **Closing Net Book Value** | **45.095** | **45.511** |

### r. Information on other assets:

As of 31 December 2017, other assets amount to TL 242.423 (31 December 2016: TL 177.863) and does not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

### a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 2017:

| | Demand | With 7 days notifications | Up to 1 month | 1-3 months | 3-6 months | 6 months - 1 year | 1 year and over | Accum. Deposit | Total |
|---|---|---|---|---|---|---|---|---|---|
| Saving Deposits | 31.527 | - | 225.597 | 2.333.196 | 100.087 | 78.556 | 76.825 | - | **2.845.788** |
| Foreign Currency Deposits | 178.981 | - | 364.155 | 3.662.979 | 900.151 | 156.529 | 27.762 | - | **5.290.557** |
| Residents in Turkey | 165.575 | - | 343.962 | 3.625.377 | 887.658 | 155.010 | 24.659 | - | **5.202.241** |
| Residents Abroad | 13.406 | - | 20.193 | 37.602 | 12.493 | 1.519 | 3.103 | - | **88.316** |
| Public Sector Deposits | 5.699 | - | - | - | - | - | - | - | **5.699** |
| Commercial Deposits | 98.518 | - | 40.860 | 168.917 | 19.354 | 23.409 | 206.176 | - | **557.234** |
| Other Institutions Deposits | 5.582 | - | 1.039 | 38.819 | 2.097 | 21.205 | 10.962 | - | **79.704** |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Bank Deposits | 6.643 | - | 86.846 | - | - | - | - | - | **93.489** |
| The CBRT | - | - | 65.720 | - | - | - | - | - | **65.720** |
| Domestic Banks | 120 | - | 21.126 | - | - | - | - | - | **21.246** |
| Foreign Banks | 6.523 | - | - | - | - | - | - | - | **6.523** |
| Special Financial Institutions | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **326.950** | - | **718.497** | **6.203.911** | **1.021.689** | **279.699** | **321.725** | - | **8.872.471** |

ii. 31 December 2016:

| | Demand | With 7 days notifications | Up to 1 month | 1-3 months | 3-6 months | 6 months - 1 year | 1 year and over | Accum. Deposit | Total |
|---|---|---|---|---|---|---|---|---|---|
| Saving Deposits | 31.555 | - | 147.467 | 1.700.052 | 141.681 | 24.122 | 54.300 | - | **2.099.177** |
| Foreign Currency Deposits | 347.743 | - | 171.874 | 4.002.789 | 637.320 | 158.834 | 77.070 | - | **5.395.630** |
| Residents in Turkey | 295.967 | - | 171.424 | 3.940.283 | 628.322 | 156.889 | 23.584 | - | **5.216.469** |
| Residents Abroad | 51.776 | - | 450 | 62.506 | 8.998 | 1.945 | 53.486 | - | **179.161** |
| Public Sector Deposits | 5.453 | - | - | 1.030 | - | - | - | - | **6.483** |
| Commercial Deposits | 68.310 | - | 90.563 | 321.628 | 54.162 | 2.369 | 1.426 | - | **538.458** |
| Other Institutions Deposits | 1.487 | - | 6.579 | 120.097 | 12.294 | 142 | 11.527 | - | **152.126** |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Bank Deposits | 6.772 | - | 50.023 | - | - | - | - | - | **56.795** |
| The CBRT | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 78 | - | 50.023 | - | - | - | - | - | **50.101** |
| Foreign Banks | 6.694 | - | - | - | - | - | - | - | **6.694** |
| Special Financial Institutions | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **461.320** | - | **466.506** | **6.145.596** | **845.457** | **185.467** | **144.323** | - | **8.248.669** |

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

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

### a. Information on deposits (Continued):

2. Information on saving deposits insurance:

i. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

| Saving Deposits | Under the guarantee of deposit insurance | | Exceeding limit of the deposit insurance | |
|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Saving Deposits | 696.957 | 568.395 | 2.148.831 | 1.530.782 |
| Foreign Currency Savings Deposit | 244.679 | 198.348 | 2.688.262 | 2.622.810 |
| Other Deposits in the Form of Savings Deposits | - | - | - | - |
| Foreign Branches' Deposits Under Foreign Authorities' Insurance | - | - | - | - |
| Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance | - | - | - | - |
| **Total** | **941.636** | **766.743** | **4.837.093** | **4.153.592** |

ii. There are no deposits covered under foreign authorities' insurance since the Parent Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Deposits and Other Accounts in Foreign Branches | - | - |
| Deposits and Other Accounts of Main Shareholders and their Families | - | - |
| Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families | 23.562 | 25.687 |
| Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 "TCK" Dated 26/9/2004 | - | - |
| Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations | - | - |
| **Total** | **23.562** | **25.687** |

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

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

### b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning trading derivative financial liabilities:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **Trading Derivative Financial Liabilities** | **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 18.993 | 2.876 | 26.467 | 5.586 |
| Swap Agreements | 51.286 | 60.576 | 87.835 | 11.976 |
| Futures Transactions | - | - | - | - |
| Options | 307 | 26.740 | 482 | 18.493 |
| Other | - | - | - | - |
| **Total** | **70.586** | **90.192** | **114.784** | **36.055** |

### c. Information on borrowings:

1. Information on banks and other financial institutions:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| The CBRT Borrowings | - | - | - | - |
| From Domestic Banks and Institutions | 115.370 | 296.886 | 28.601 | 349.959 |
| From Foreign Banks, Institutions and Funds | 90.435 | 5.580.071 | 69.972 | 2.997.576 |
| **Total** | **205.805** | **5.876.957** | **98.573** | **3.347.535** |

2. Information on maturity structure of borrowings:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Short-term | 205.805 | 733.471 | 98.573 | 662.124 |
| Medium and Long-term | - | 5.143.486 | - | 2.685.411 |
| **Total** | **205.805** | **5.876.957** | **98.573** | **3.347.535** |

3. Additional information on the major concentration of the Group's liabilities:

The Group's main funding sources are deposits and borrowings. As of 31 December 2017, deposits and borrowings from Group's risk group comprise 0,4% (31 December 2016: 0,4%) of total deposits. Besides this, borrowings from Group's risk group comprise 52,2% (31 December 2016: 43,1%) of subordinated andother borrowings.

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

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

### d. Information on marketable securities issued:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Bills | - | - | 49.288 | - |
| Bonds | - | - | - | - |
| Asset guaranteed securities | - | - | - | - |
| **Total** | **-** | **-** | **49.288** | **-** |

### e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 53.867 (31 December 2016: TL 67.278) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

### f. Information on lease payables (net):

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

### g. Information on hedging derivative financial liabilities:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Hedging Fair Value Risk | - | - | - | - |
| Hedging Cash Flow Risk | 40.807 | 13.168 | 27.528 | 1.958 |
| Hedging Net Investment In Foreign Operations | - | - | - | - |
| **Total** | **40.807** | **13.168** | **27.528** | **1.958** |

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

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

### h. Information on provisions:

1. Information on general provisions:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **General Provisions** | **107.566** | **90.245** |
| Provisions for First Group Loans and Receivables | 94.018 | 80.121 |
| Additional Provision for Loans and Receivables with Extended Maturities | - | - |
| Provisions for Second Group Loans and Receivables | 10.911 | 7.692 |
| Additional Provision for Loans and Receivables with Extended Maturities | - | - |
| Provisions for Non-Cash Loans | 2.166 | 1.913 |
| Other | 471 | 519 |

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2017, the payment amount which is one month's salary for each working year is restricted to TL 4.732,48 (31 December 2016: TL 4.297,21). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Discount rate (%) | 3,26 | 3,15 |
| Salary increase rate (%) | 8,50 | 9,00 |
| Average remaining work period (Year) | 11,00 | 11,43 |

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

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

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

Movement of reserve for employment termination benefits during the period:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| As of January 1 | 10.499 | 9.934 |
| Service cost | 2.336 | 2.123 |
| Interest cost | 1.056 | 1.022 |
| Settlement cost | 936 | 1.034 |
| Actuarial loss/gain | 763 | (226) |
| Benefits paid (-) | 3.112 | 3.388 |
| **Total** | **12.478** | **10.499** |

In addition, as of 31 December 2017 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 24.035 (31 December 2016: TL 19.059).

3. Other provisions:

i. Information on provisions for possible risks:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Provisions for potential risks (*) | 40.555 | 26.784 |
| **Total** | **40.555** | **26.784** |

(*) Provisions for the Bank's potential risks in credit portfolio.

ii. Information on other provisions:

The Group set aside under other provisions amounting to TL 8.864 (31 December 2016: TL 8.445) for lawsuits, TL 2.389 (31 December 2016: TL 2.038) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 1.911 (31 December 2016: TL 1.301) for customer cheques commitments, TL 33 (31 December 2016: TL 143) for credit card loyalty points and TL 236 (31 December 2016: TL 220) for other receivables.

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

As of 31 December 2017, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 1.407 (31 December 2016: TL 14) and is netted from the loan amount in the financial statements.

**i. Information on taxes payable:**

1. Information on tax provision:

As of 31 December 2017, after the prepaid tax amount is netted off, the corporate tax provision of the Bank is TL 11.300 (31 December 2016: TL 236).

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

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

2. Information on taxes payable:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Corporate Tax Payable | 11.300 | 236 |
| Taxation of Marketable Securities | 8.567 | 9.327 |
| Property Tax | 104 | 137 |
| Banking Insurance Transaction Tax | 6.517 | 6.129 |
| Value Added Tax Payable | 585 | 404 |
| Other | 3.090 | 3.114 |
| **Total** | **30.163** | **19.347** |

3. Information on premium payables:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Social Security Premiums-Employee | 2.254 | 2.090 |
| Social Security Premiums-Employer | 3.036 | 2.577 |
| Bank Social Aid Pension Fund Premiums-Employee | - | - |
| Bank Social Aid Pension Fund Premiums-Employer | - | - |
| Pension Fund Membership Fee and Provisions-Employee | - | - |
| Pension Fund Membership Fee and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | 151 | 135 |
| Unemployment Insurance-Employer | 300 | 271 |
| Other | 213 | - |
| **Total** | **5.954** | **5.073** |

4. As of 31 December 2017, the Group has netted-off the calculated deferred tax asset of TL 34.676 (31 December 2016: TL 27.905) and deferred tax liability of TL 54.058 (31 December 2016: TL 33.411) in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 14.099 and deferred tax liabiliy of TL 33.481 (31 December 2016: TL 8.290 deferred tax asset, TL 13.796 deferred tax liability) in the financial statements.

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

As of 31 December 2017 and 31 December 2016, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

| | Accumulated Temporary Differences | | Deferred Tax Assets/Liabilities | |
|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| | | | | |
| Carried Financial Loss (*) | 8.732 | 18.160 | 1.746 | 3.632 |
| Provision for Legal Cases | 8.864 | 8.445 | 1.912 | 1.689 |
| Provisions for Possible Risks | 40.555 | 26.784 | 8.922 | 5.357 |
| Reserve for Employee Rights | 21.749 | 17.919 | 4.775 | 3.584 |
| Other Provisions | 36.968 | 25.860 | 8.133 | 5.172 |
| Valuation difference of derivative financial instruments | 5.049 | - | 1.110 | - |
| Unearned Revenue | 24.015 | 21.231 | 5.283 | 4.246 |
| Other | 12.735 | 21.124 | 2.795 | 4.225 |
| **Deferred Tax Assets** | **158.667** | **139.523** | **34.676** | **27.905** |
| | | | | |
| Difference Between Book Value and Tax Base of Tangible and Intangible Assets | 29.627 | 30.748 | 4.257 | 6.150 |
| Valuation Differences of Derivative Instruments | 216.678 | 127.710 | 47.670 | 25.542 |
| Other | 9.688 | 8.595 | 2.131 | 1.719 |
| **Deferred Tax Liabilities** | **255.993** | **167.053** | **54.058** | **33.411** |
| | | | | |
| **Deferred Tax Assets / (Liabilities) (Net)** | **(97.326)** | **(27.530)** | **(19.382)** | **(5.506)** |

(*) Burgan Yatırım Menkul Değerler A.Ş's financial losses carried forward amounting to TL 6.200 is usable in the corporate tax calculations until 2020 and TL 2.532 until 2021.

Movement of deferred tax asset/ liabilities is presented below:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Balance as of 1 January** | **(5.506)** | **9.296** |
| Current year deferred tax income/(expense) (net) | (8.896) | (12.958) |
| Deferred tax charged to equity (net) | (4.980) | (1.844) |
| **Balance at the End of the Period** | **(19.382)** | **(5.506)** |

### j. Information on payables for assets held for resale and discontinued operations:

None (31 December 2016: None).

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

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

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

**k. Information on subordinated loans:**

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

| Issuing Institution | Amount | Opening Date | Maturity Date | Interest Rate(%) |
|---|---|---|---|---|
| Burgan Bank K.P.S.C. (Main Financier) | USD 150.000.000 | 06 December 2013 | 04 December 2023 | LIBOR+3,75 |
| Burgan Bank K.P.S.C. (Main Financier) | USD 150.000.000 | 30 March 2016 | 30 March 2026 | LIBOR+3,75 |

The subordinated loan does not have the option to be converted into stock certificate.

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Domestic Banks | - | - | - | - |
| Other Domestic | - | - | - | - |
| Foreign Banks | - | 1.140.582 | - | 1.057.478 |
| Other Foreign | - | - | - | - |
| **Total** | **-** | **1.140.582** | **-** | **1.057.478** |

**l. Information on shareholders' equity:**

1. Presentation of paid-in capital:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Common Stock | 1.185.000 | 900.000 |
| Preferred Stock | - | - |

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

| Capital System | Paid-in Capital | Ceiling |
|---|---|---|
| Registered Capital | 900.000 | 2.000.000 |

3. Information on the share capital increases during the period and their sources:

| Capital Increase Date | Capital Increase Amount | Cash | Profit Reserves Related to Capital Increase | Capital Reserves Related to Capital Increase |
|---|---|---|---|---|
| 31.12.2017 | 285.000 | 285.000 | - | - |

4. Information on capital increases from capital reserves during the current period:

None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

None.

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

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

## II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued):

### l. Information on shareholders' equity (Continued):

6. Information on capital by considering the Parent Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

8. Information on marketable securities valuation reserve:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| From Investments in Associates, Subsidiaries, and Joint Ventures | - | - | - | - |
| Valuation Difference | (2.366) | (143) | (872) | (6.999) |
| Foreign Currency Translation Difference | - | - | - | - |
| **Total** | **(2.366)** | **(143)** | **(872)** | **(6.999)** |

9. Information on tangible assets revaluation reserve:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Movables | - | - | - | - |
| Immovables | 18.075 | - | 16.127 | - |
| Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables | - | - | - | - |
| **Total** | **18.075** | **-** | **16.127** | **-** |

10. Information on distribution of prior year's profit:

The profit of 2016 which is TL 71.673 is not distributed and it is classified as legal and extraordinary reserves.

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

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

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

### a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

| | 31 December 2017 | 31 December 2016 |
|---|---:|---:|
| Commitments for cheques | 334.480 | 302.867 |
| Foreign currency buy/sell commitments | 191.967 | 576.525 |
| Loan limit commitments | 109.606 | 105.005 |
| Commitments for credit card limits | 18.445 | 17.475 |
| Capital Commitments for subsidiaries | 14.997 | 14.997 |
| Promotions for the credit cards and their care services | 8 | 14 |
| Forward securities commitments | - | 618 |
| **Total** | **669.503** | **1.017.501** |

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

| | 31 December 2017 | 31 December 2016 |
|---|---:|---:|
| Letter of guarantees | 1.740.052 | 1.584.427 |
| Letter of credits | 234.673 | 256.635 |
| Bank acceptance loans | 107.766 | 130.717 |
| Other guarantees | 36.130 | 10.429 |
| Factoring guarantees | 28 | 28 |
| **Total** | **2.118.649** | **1.982.236** |

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

| | 31 December 2017 | | 31 December 2016 | |
|---|---:|---:|---:|---:|
| | TL | FC | TL | FC |
| Irrevocable letters of guarantee | 643.291 | 396.530 | 612.453 | 389.228 |
| Revocable letters of guarantee | 29.024 | 70.284 | 18.689 | 58.023 |
| Guarantees given to customs | 56.429 | 26.916 | 73.964 | 33.691 |
| Letters of guarantee given in advance | 7.571 | 157.427 | 9.089 | 161.826 |
| Other letters of guarantee | 19.740 | 332.840 | 16.724 | 210.740 |
| **Total** | **756.055** | **983.997** | **730.919** | **853.508** |

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

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

## III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued):

### a. Information on off balance sheet commitments (Continued):

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Non-cash loans given against cash loans | 378.095 | 229.648 |
| With original maturity of 1 year or less than 1year | - | - |
| With original maturity of more than 1 year | 378.095 | 229.648 |
| Other non-cash loans | 1.740.554 | 1.752.588 |
| **Total** | **2.118.649** | **1.982.236** |

ii. Information on sectoral concentration of non-cash loans:

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| **Agricultural** | **2.135** | **0,28** | **11.845** | **0,87** | **1.001** | **0,14** | **8.235** | **0,66** |
| Farming and Livestock | 1.906 | 0,25 | 11.845 | 0,87 | 772 | 0,11 | 8.235 | 0,66 |
| Forestry | - | - | - | - | - | - | - | - |
| Fishing | 229 | 0,03 | - | - | 229 | 0,03 | - | - |
| **Manufacturing** | **185.436** | **24,42** | **730.196** | **53,73** | **253.533** | **34,51** | **593.507** | **47,57** |
| Mining | 64.056 | 8,43 | 126.684 | 9,32 | 103.731 | 14,12 | 128.295 | 10,28 |
| Production | 114.920 | 15,13 | 597.806 | 43,98 | 141.345 | 19,24 | 461.962 | 37,03 |
| Electric, Gas, Water | 6.460 | 0,85 | 5.706 | 0,42 | 8.457 | 1,15 | 3.250 | 0,26 |
| **Construction** | **156.492** | **20,60** | **362.735** | **26,69** | **213.385** | **29,04** | **372.048** | **29,82** |
| **Services** | **336.805** | **44,34** | **205.034** | **15,09** | **250.629** | **34,11** | **273.116** | **21,89** |
| Wholesale and Retail Trade | 65.451 | 8,62 | 43.200 | 3,18 | 86.510 | 11,77 | 76.906 | 6,16 |
| Hotel and Food Services | 7.598 | 1,00 | 19.458 | 1,43 | 9.255 | 1,26 | 21.858 | 1,75 |
| Transportation and Telecommunication | 26.452 | 3,48 | 4.980 | 0,37 | 22.856 | 3,11 | 12.418 | 1,00 |
| Financial Institutions | 219.187 | 28,86 | 63.844 | 4,70 | 109.858 | 14,95 | 135.025 | 10,82 |
| Real Estate and Leasing Ser. | 11.792 | 1,55 | 64.822 | 4,77 | 11.915 | 1,62 | 20.752 | 1,66 |
| Professional Services | 4.896 | 0,64 | - | - | 6.187 | 0,84 | - | - |
| Education Services | 106 | 0,01 | 1.698 | 0,12 | 66 | 0,01 | 951 | 0,08 |
| Health and Social Services | 1.323 | 0,17 | 7.032 | 0,52 | 3.982 | 0,54 | 5.206 | 0,42 |
| **Other** | **78.645** | **10,35** | **49.326** | **3,63** | **16.149** | **2,20** | **633** | **0,05** |
| **Total** | **759.513** | **100** | **1.359.136** | **100** | **734.697** | **100** | **1.247.539** | **100** |

iii. Information on non-cash loans classified in 1st and 2nd group:

| | Group I | | Group II | |
|---|---|---|---|---|
| **Current Period (*)** | **TL** | **FC** | **TL** | **FC** |
| Letters of Guarantee | 733.210 | 960.640 | 15.387 | 22.904 |
| Bank Acceptances | 3.430 | 104.336 | - | - |
| Letters of Credit | - | 234.030 | - | 643 |
| Endorsements | - | - | - | - |
| Underwriting Commitments | - | - | - | - |
| Factoring Guarantees | 28 | - | - | - |
| Other Commitments and Contingencies | - | 36.130 | - | - |
| **Total** | **736.668** | **1.335.136** | **15.387** | **23.547** |

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 7.911. As of 31 December 2017, the Group has recorded a TL 2.389 provision regarding these risks.

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

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

## III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Countinued):

### b. Information on derivative financial instruments:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Types of Trading Transactions** | | |
| **Foreign currency related derivative transactions (I)** | **20.486.859** | **11.808.728** |
| Currency forward transactions | 1.902.175 | 1.016.154 |
| Currency swap transactions | 10.109.578 | 5.016.229 |
| Futures transactions | - | - |
| Options | 8.475.106 | 5.776.345 |
| **Interest related derivative transactions (II)** | **7.859.550** | **6.278.116** |
| Forward rate agreements | - | - |
| Interest rate swaps | 7.859.550 | 6.278.116 |
| Interest rate options | - | - |
| Interest rate futures | - | - |
| **Other trading derivative transactions (III)** | **-** | **2.220** |
| **A. Total trading derivative transactions (I+II+III)** | **28.346.409** | **18.089.064** |
| | | |
| **Types of hedging transactions** | **4.602.364** | **2.703.500** |
| Fair value hedges | - | - |
| Cash flow hedges | 4.602.364 | 2.703.500 |
| Foreign currency investment hedges | - | - |
| **B. Total hedging related derivatives** | **4.602.364** | **2.703.500** |
| **Total derivative transactions (A+B)** | **32.948.773** | **20.792.564** |

### c. Investment Funds:

By the permission of the Capital Markets Board dated 21 October 2016, 5 investment funds which belong to Burgan Portföy Yönetimi A.Ş have been liquidated at 2 May 2017.

### d. Information on contingent assets and contingent liabilities:

As of 31 December 2017, the total amount of legal cases against the Group is TL 59.102 (31 December 2016: TL 46.548) and the Parent Bank sets aside a provision of TL 8.864 (31 December 2016: TL 8.445) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at "Denizli Tax Authority" and "Denizli Civil Court of General Jurisdiction" for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injuction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

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

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued):**

**e. Brief information on the Bank's rating given by International Rating Institutions:**

**FITCH (26 January 2018)**

| | |
|---|---|
| **Outlook** | Stable |
| **Long Term FC** | BBB- |
| **Short Term FC** | F3 |
| **Long Term TL** | BBB- |
| **Short Term TL** | F3 |
| **Viability Note** | b+ |
| **Support Rating** | 2 |
| **National Rating** | AAA(tur) |

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

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

## IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

### a. Information on interest income:

1. Information on interest income on loans :

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **Interest Income on Loans(*)** | **TL** | **FC** | **TL** | **FC** |
| Short-term Loans | 354.956 | 16.240 | 331.251 | 19.672 |
| Medium/Long-term Loans | 381.154 | 373.805 | 212.962 | 262.328 |
| Interest on Loans Under Follow-up | 4.056 | - | 5.176 | - |
| Premiums Received from Resource Utilisation Support Fund | - | - | - | - |
| **Total** | **740.166** | **390.045** | **549.389** | **282.000** |

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| From the CBRT | 11.842 | - | - | - |
| From Domestic Banks | 13.934 | 1.053 | 2.979 | 325 |
| From Foreign Banks | - | 60 | - | 17 |
| Headquarters and Branches Abroad | - | - | - | - |
| **Total** | **25.776** | **1.113** | **2.979** | **342** |

3. Information on marketable securities:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| From Trading Financial Assets | 4.602 | 181 | 5.315 | 239 |
| From Financial Assets At Fair Value Through Profit or Loss | - | - | - | - |
| From Available-for-Sale Financial Assets | 24.062 | 6.238 | 22.372 | 12.613 |
| From Held-to-Maturity Investments | - | 7.302 | - | 1.839 |
| **Total** | **28.664** | **13.721** | **27.687** | **14.691** |

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

None (31 December 2016: None).

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

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

## IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

### b. Information on interest expense:

1. Information on interest expense on borrowings:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | TL | FC | TL | FC |
| Banks | **15.556** | **187.749** | **12.527** | **111.614** |
| The CBRT | - | - | - | - |
| Domestic Banks | 15.556 | 1.174 | 12.522 | 1.064 |
| Foreign Banks | - | 186.575 | 5 | 110.550 |
| Headquarters and Branches Abroad | - | - | - | - |
| Other Institutions | - | 12.449 | - | 9.863 |
| **Total(*)** | **15.556** | **200.198** | **12.527** | **121.477** |

(*) Includes fee and commission expense related with cash loans.

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

None (31 December 2016: None).

3. Information on interest expense on issued securities

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Interest expense on issued securities | 1.436 | 10.383 |

4. Information on interest rate and maturity structure of deposits:

| Current Period | Demand Deposit | Time Deposit Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | Accum. Deposit | Total | Prior Period Total |
|---|---|---|---|---|---|---|---|---|---|
| **TL** | | | | | | | | | |
| Bank Deposits | - | 4.312 | - | - | - | - | - | **4.312** | **479** |
| Savings Deposits | 4 | 19.849 | 234.594 | 10.220 | 3.928 | 6.832 | - | **275.427** | **207.610** |
| Public Deposits | - | - | 13 | - | - | - | - | **13** | **84** |
| Commercial Deposits | - | 8.636 | 41.951 | 3.967 | 3.864 | 16.384 | - | **74.802** | **61.517** |
| Other Deposits | - | 329 | 15.053 | 271 | 883 | 1.172 | - | **17.708** | **15.146** |
| 7 Day Notice Deposits | - | - | - | - | - | - | - | - | - |
| **Total** | **4** | **33.126** | **291.611** | **14.458** | **8.675** | **24.388** | **-** | **372.262** | **284.836** |
| **FC** | | | | | | | | | |
| Foreign Currency Account | - | 8.425 | 155.246 | 20.246 | 4.933 | 952 | - | **189.802** | **111.884** |
| Bank Deposits | - | 2.019 | - | - | - | - | - | **2.019** | **204** |
| 7 Day Notice Deposits | - | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **10.444** | **155.246** | **20.246** | **4.933** | **952** | **-** | **191.821** | **112.088** |
| **Sum Total** | **4** | **43.570** | **446.857** | **34.704** | **13.608** | **25.340** | **-** | **564.083** | **396.924** |

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

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

## IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

### c. Information on dividend income:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Trading FinancialAssets | - | - |
| Financial Assets at Fair Value through Profit or Loss | - | - |
| Available-for-Sale FinancialAssets | 330 | 627 |
| Other | - | - |
| **Total** | **330** | **627** |

### d. Information on trading loss/income (Net):

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Income** | **18.380.079** | **14.187.946** |
| Capital Market Transactions | 8.693 | 27.394 |
| Derivative Financial Transactions | 59.418 | 46.277 |
| Foreign Exchange Gains | 18.311.968 | 14.114.275 |
| **Loss (-)** | **18.362.464** | **14.163.398** |
| Capital Market Transactions | 5.380 | 19.415 |
| Derivative Financial Transactions | 40.295 | 33.672 |
| Foreign Exchange Loss | 18.316.789 | 14.110.311 |
| **Net Income/(Loss)** | **17.615** | **24.548** |

### e. Information on other operating income:

As of 31 December 2017, the Group's other operating income is TL 28.633 (31 December 2016: TL 19.476). TL 5.362 (31 December 2016: TL 1.247) of the amount of the other operating income is composed of profit from sales of the fixed assets that were classified as "Asset Held for Resale" of the Parent Bank.

### f. Provision expenses related to loans and other receivables:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Specific Provisions for Loans and Other Receivables | 71.601 | 73.815 |
| III. Group Loans and Receivables | 3.432 | 15.002 |
| IV. Group Loans and Receivables | 140 | 16.479 |
| V. Group Loans and Receivables | 68.029 | 42.334 |
| General Provision Expenses | 9.195 | 7.157 |
| Provision Expense for Possible Risks | 12.716 | (4.242) |
| Marketable Securities Impairment Expense | - | - |
| Financial Assets at Fair Value Through Profit or Loss | - | - |
| Available-for-sale Financial Assets | - | - |
| Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease | - | - |
| Investments in Associates | - | - |
| Subsidiaries | - | - |
| Joint Ventures | - | - |
| Held-to-Maturity Investments | - | - |
| Other | - | - |
| **Total** | **93.512** | **76.730** |

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

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

## IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

### g. Information related to other operating expenses:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Personnel Expenses | 174.888 | 172.980 |
| Reserve For Employee Termination Benefits (*) | 5.466 | 4.567 |
| Bank Social Aid Pension Fund Deficit Provision | - | - |
| Impairment Expenses of Fixed Assets | 1.141 | - |
| Depreciation Expenses of Fixed Assets | 12.691 | 10.855 |
| Impairment Expenses of Intangible Assets | - | - |
| Impairment Expense of Goodwill | - | - |
| Amortisation Expenses of Intangible Assets | 10.668 | 9.225 |
| Impairment Expenses of Equity Participations for which Equity Method is Applied | - | - |
| Impairment Expenses of Assets Held For Resale | 397 | 49 |
| Depreciation Expenses of Assets Held for Resale | 46 | 417 |
| Impairment Expenses of Fixed Assets Held for Sale | - | - |
| Other Operating Expenses | 120.014 | 104.368 |
| Operational Lease Expenses | 32.044 | 29.741 |
| Maintenance Expenses | 2.305 | 3.272 |
| Advertising Expenses | 1.164 | 1.224 |
| Other Expense | 84.501 | 70.131 |
| Loss on Sales of Assets | 512 | 298 |
| Other | 31.622 | 27.729 |
| **Total** | **357.445** | **330.488** |

(*) As of 31 December 2017, the employee vacation fee provision income is TL 1.203 (31 December 2016: TL 399).

### h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 148.216 (31 December 2016: TL 97.739 income before tax).

### i. Information on provision for taxes from discontinued and continuing operations:

The Group has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

   As of 31 December 2017, the Group has current tax expense amounting to TL 29.472 and deferred tax expense amounting to TL 8.896.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

   The Group has TL 21.876 deferred tax income from temporary differences, TL 1.887 deferred tax expense from carried financial loss, TL 27.109 deferred tax expense and income due to temporary differences closed to net TL 7.120 deferred tax expense.

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):**

**i. Information on provision for taxes from discontinued and continuing operations (Continued):**

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 31 December 2017, the Group has TL 5.233 deferred tax expense arising from temporary differences and TL 1.887 deferred tax income as a result of carried financial loss.

**j. Information on net income/ (loss) before taxes from discontinued and continuing operations:**

The Group has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

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

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

None.

**l. Information on other income and expenses:**

1. In the current period, the Group's interest income amounts to TL 1.573.350 (31 December 2016: TL 1.246.480) and TL 216.401 (31 December 2016: TL 261.736) of the related amount is classified as "Other Interest Income" account in income statement.

| | **31 December 2017** | **31 December 2016** |
|---|---|---|
| **Other Interest Income** | | |
| Interest income related to derivative transactions | 194.292 | 242.864 |
| Other | 22.109 | 18.872 |
| **Total** | **216.401** | **261.736** |

2. In the current period, the Group's interest expense amounting to TL 1.061.478 (31 December 2016: TL 826.287) and TL 261.445 (31 December 2016: TL 260.258) of the related amount is classified "Other Interest Expense" account in income statement.

| | **31 December 2017** | **31 December 2016** |
|---|---|---|
| **Other Interest Expense** | | |
| Interest expense related to derivative transactions | 239.241 | 241.696 |
| Other | 22.204 | 18.562 |
| **Total** | **261.445** | **260.258** |

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

3. In the current period, the Group's fee and commission income amounts to TL 50.381 (31 December 2016: TL 48.671) and TL 32.460 (31 December 2016: TL 34.294) of the related amount is classified under "Other" account.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Other Fee and Commissions Received** | | |
| Insurance Commissions | 8.197 | 3.301 |
| Investment Consultancy Fees | 6.938 | 3.277 |
| Commissions from Credit Comissions | 1.838 | 1.439 |
| Transfer Commissions | 817 | 1.040 |
| Commissions From Brokerage Activity in Istanbul Stock Exchange | 625 | 5.566 |
| Credit Card and POS Transaction Commission | 535 | 899 |
| Commissions from Correspondent Banks | 497 | 404 |
| Commissions on Investment Fund Services | 204 | 319 |
| Ortak Nokta Commissions | 106 | 99 |
| Letter of Credit Commissions | 9 | 12 |
| Commissions From Brokerage Activity-Leveraged Trading | - | 3.827 |
| Commissions From Brokerage Activity in Turkish Derivative Exchange | - | 4.952 |
| Other | 12.694 | 9.159 |
| **Total** | **32.460** | **34.294** |

4. In the current period, Group's fee and commission expense amounts to TL 10.108 (31 December 2016: TL 8.558) and TL 9.612 (31 December 2016: TL 7.953) of the related amount is classified under "Other" account.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Other Fee and Commissions Given** | | |
| Credit Card Transaction Commission | 2.384 | 3.037 |
| Commissions Granted to Correspondent Banks | 1.144 | 865 |
| Stock Exchange Contribution Expenses | 1.133 | 1.617 |
| EFT Commissions | 794 | 662 |
| Ortak Nokta Clearing Commissions | 413 | 415 |
| Transfer Commissions | 96 | 103 |
| Other | 3.648 | 1.254 |
| **Total** | **9.612** | **7.953** |

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

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

## V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

### a. Information on change in the shareholder structure of the Bank:

There is no change in Parent Bank's partnership structure in 2017.

### b. Information on distribution of profit:

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 31 March 2016; While adapting TAS 27 Standard, the profit of 2016, TL 71.673 was not distributed, the amount was allocated as legal reserves and extraordinary reserves.

### c. Information on capital increase:

The Parent Bank's registered capital ceiling is 2 billion TL. Following the Board of Directors' decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Parent Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Parent Bank's main associate, Burgan Bank K.P.S.C at 27 December 2017. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Parent Bank's accounts. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Parent Bank's financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Parent Bank other than the increase in capital.

### d. Information on valuation differences of marketable securities:

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

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| From Investments in Associates, Subsidiaries, and Joint Ventures | - | - | - | - |
| Valuation Difference | (2.366) | (143) | (872) | (6.999) |
| Foreign Currency Difference | - | - | - | - |
| **Total** | **(2.366)** | **(143)** | **(872)** | **(6.999)** |

### e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.948 net of tax (31 December 2016: TL 1.005) is accounted under "Revaluation differences of tangible assets and intangible assets".

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

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

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

### a. Information on cash and cash equivalent assets:

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

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Cash** | **415.275** | **376.251** |
| Cash, Foreign Currency and Other | 26.850 | 26.414 |
| Demand Deposits in Banks | 388.425 | 349.837 |
| **Cash Equivalents** | **334.286** | **198.231** |
| Interbank Money Market | 16.690 | 22.195 |
| Time Deposits in Bank | 317.596 | 176.036 |
| **Total Cash and Cash Equivalents** | **749.561** | **574.482** |

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Cash** | **1.131.675** | **415.275** |
| Cash, Foreign Currency and Other | 52.078 | 26.850 |
| Demand Deposits in Banks | 1.079.597 | 388.425 |
| **Cash Equivalents** | **130.469** | **334.286** |
| Interbank Money Market | 11.000 | 16.690 |
| Time Deposits in Bank | 119.469 | 317.596 |
| **Total Cash and Cash Equivalents** | **1.262.144** | **749.561** |

### b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

"Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to negative TL 203.540 TL (31 December 2016: negative TL 285.492) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

"Net increase/decrease in liabilities" items presented in "Changes in operating assets and liabilities" amount to negative TL 129.922 (31 December 2016: positive TL 132.822) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2017, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately negative TL 13.202 (31 December 2016: positive TL 45.407).

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

## EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP

### a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2016 for the balance sheet and income statement items.

31 December 2017:

| Groups' Risk Group | Investments in associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Group | | Other real and legal persons that have been included in the risk group | |
|---|---|---|---|---|---|---|
| **Loans and Other Receivables** | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** |
| Balance at the Beginning of the Period | - | 27.908 | - | - | 113 | 68.425 |
| Balance at the End of the Period | - | 12.963 | - | - | 27 | 15.429 |
| **Interest and Commission Income Received** | - | - | - | - | 12 | - |

31 December 2016:

| Groups' Risk Group | Investments in associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Group | | Other real and legal persons that have been included in the risk group | |
|---|---|---|---|---|---|---|
| **Loans and Other Receivables** | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** |
| Balance at the Beginning of the Period | - | 23.519 | - | 219 | 89 | 8.753 |
| Balance at the End of the Period | - | 27.908 | - | - | 113 | 68.425 |
| **Interest and Commission Income Received** | - | - | - | - | 6 | - |

2. Information on deposits and repurchase transactions of the Group's risk group:

| Groups' Risk Group | Investments in associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Group | | Other real and legal persons that have been included in the risk group | |
|---|---|---|---|---|---|---|
| **Deposit** | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** |
| Beginning of the Period | - | - | 5.656 | 6.184 | 26.005 | 17.841 |
| End of the Period | - | - | 6.357 | 5.656 | 24.791 | 26.005 |
| **Interest Expense on Deposits** | - | - | - | - | 1.581 | 1.238 |

| Groups' Risk Group | Investments in associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Group | | Other real and legal persons that have been included in the risk group | |
|---|---|---|---|---|---|---|
| **Repurchase Transactions** | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| **Interest Expense on Repurchase Transactions** | - | - | - | - | - | - |

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

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

## VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Group's risk group:

| Groups' Risk Group | Investments in associates, subsidiaries and joint ventures | | Direct and indirect shareholders of the Group | | Other real and legal persons that have been included in the risk group | |
|---|---|---|---|---|---|---|
| **Transactions for trading purposes** | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** |
| Beginning of the Period | - | - | - | - | - | - |
| Balance at the end of the period | - | - | - | - | - | - |
| **Total Profit/Loss** | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| **Transactions for hedging purposes** | - | - | - | - | - | - |
| Beginning of the Period | - | - | - | - | - | - |
| Balance at the end of the period | - | - | - | - | - | - |
| **Total Profit/Loss** | - | - | - | - | - | - |

### b. With respect to the Group's risk group:

1. The relations with entities that are included in the Group's risk group and controlled by the Group:

   The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

| | Total Risk Group | Share in Financial Statements (%) |
|---|---|---|
| Borrowings and Subordinated Loans | 3.771.173 | 52,21 |
| Banks and Other Financial Institutions | 132.256 | 78,38 |
| Deposit | 31.148 | 0,35 |
| Non-cash Loans | 28.392 | 1,34 |
| Loans | 27 | - |

As of 31 December 2017, the Group has realized interest income from deposits given to banks included in the risk group amounting to TL 17 (31 December 2016: None), the Group has realized interest expense amounting to TL 135.437 (31 December 2016: TL 62.857) on loans borrowed from the banks included in the risk group.

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

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

## VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Paren Bank's risk group and the amount composes 0,18% (31 December 2016: 0,76%) of the Group's total cash and non-cash loans.

As of 31 December 2017 there are no purchase-sales transactions on any assets including real-estate with the risk group consisting the Parent Bank.

As of 31 December 2017 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

**c. Information on benefits provided to top management:**

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 20.740 (31 December 2016: TL 22.886) which include total gross salary, travel, meal, health, life insurance and other expenses.

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

a. Information on domestic, foreign branches and foreign representatives:

| | **Number** | **Employee number** | | | |
|---|---|---|---|---|---|
| Domestic Branch | 43 | 978 | | | |
| | | | **Country of Incorporation** | | |
| Foreign Representative | - | - | - | | |
| | | | | **Total Asset** | **Statutory share capital** |
| Foreign Branch | - | - | - | - | - |
| | | | | | |
| Off-Shore Banking Region Branch | - | - | - | - | - |
| | | | | | |

b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

## IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

## SECTION SIX

## OTHER EXPLANATIONS

### I. OTHER EXPLANATIONS RELATED TO GROUP'S OPERATIONS

None.

## SECTION SEVEN

## EXPLANATIONS ON INDEPENDENT AUDIT REPORT

### I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The consolidated financial statements as of 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor's independent limited audit report dated 28 February 2018 has been presented prior to the consolidated financial statements.

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

None.